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# Tip report

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Inefficiency: Over the past five years, Animal Services spent about 30% of the donations and board allocated funds it received to its restricted-use accounts

## Executive Summary

Through the Good Government Hotline, the County Auditor's Office received a report regarding Multnomah County Animal Services. Based on the tip, we reviewed whether Animal Services was using its restricted-use accounts to provide services to animals in its care and in the community. Restricted-use accounts are accounts with specific purposes as outlined by a county resolution. The restricted-use accounts include donations from community members, and one of the accounts includes \$25,000 set aside by the Board of County Commissioners each year.

Our investigation revealed that Animal Services didn't adequately manage or oversee the restricted-use accounts, resulting in the inefficient use of county resources. We found that donations along with board allocations have outpaced spending in most years for each of the restricted-use accounts, leaving each restricted-use account with growing unspent balances over the last nearly five years. The significance of this is not the large balances themselves, but what these balances indicate: lost opportunities to use these funds to provide important and necessary services to animals and the community. People who donate to these restricted-use accounts have a reasonable expectation that the money they donate will be used to the benefit of animals in the community within a timely manner. Additionally, if the board sets aside resources in a given year for a specific purpose, it is reasonable to expect those funds will be used for that purpose during that year.

We recommend that Animal Services adopt policies and procedures for managing the restricted-use accounts. In particular, the policies and procedures should describe how the funds in the accounts will be spent to the benefit of animals in the community in a timely manner. To ensure that donations are used as expected and in a timely manner, we recommend that Animal Services pause soliciting for donations from the public until it develops a plan for using the funds, and has processes and procedures for spending funds from the restricted-use accounts.

## Background

In 2009, the Multnomah County Budget and Finance Office directed the Animal Services Division to discontinue the trust funds it had been using to receive donations, and to establish restricted accounts. Restricted accounts are to be budgeted in the division's annual budget, and expenditure authority for the restricted accounts comes from the adoption of the annual budget by the board. The Budget and Finance Office created four restricted accounts for the FY2009 Animal Services Division budget. They are:

1. Dolly's Fund for veterinary medical expenses.
2. Adoption Outreach Fund to increase pet adoptions.
3. Shelter Dreams Fund to collect funds for capital improvements to the existing shelter and/or funds for a new shelter.
4. Spay/Neuter Fund to supplement spay/neuter surgeries for pet owners in financial need.

In 2015, the board adopted Resolution No. 2015-024. The resolution included the following statement:

A growing number of citizens, public and private corporations and foundations are making generous private financial contributions to the Multnomah County Animal Services Division. The donated funds received are designated by the donors to assist the Division in its mission to provide expanded care and medical treatment for shelter animals, enhance adoption outreach programs, improve the shelter facility, and to supplement funding for medical and spay/neuter services for pet owners in financial need.

The resolution provides some clarity on how these accounts should be used, including that “funds received in the Restricted Accounts shall be expended by the Division in the expressed manner designated by the donor.” A description of each restricted-use fund is provided on the Animal Services’ website. When a donor gives to a specific fund, they are giving for that fund’s described purpose (unless otherwise stipulated by the donor). Additionally, based on county resolution, any donation that is made to Animal Services that does not have a specific designation is to be evenly split between Dolly’s Fund and the Adoption Outreach Fund.

Since at least June 1998, the board has set aside revenue generated from pet licensing to cover the cost of the county's public educational, spaying and neutering programs in the amount of \$25,000 each year. These funds have been allocated to the Spay/Neuter Fund restricted-use account.

## Investigation

### Allegation

Through the Good Government Hotline, the County Auditor’s Office received a report regarding Multnomah County Animal Services. The report included general allegations about decreases in services available to the public and care for animals over the past several years. Based on the report,

we reviewed whether Animal Services was using its restricted-use accounts to provide services to animals in its care and in the community.

### Scope

We reviewed donations and spending with regard to the Adoption Outreach Fund, Dolly's Fund, and the Spay/Neuter Fund, since July 1, 2018. There is also a Kitten Triage Fund (which is a sub-program of Dolly's Fund), which we evaluated collectively as part of Dolly's Fund. We looked in a cursory manner at the Shelter Dreams Capital Fund. Because it is an account set up for capital projects, we wouldn't necessarily expect to see ongoing spending. It is worth noting, however, that funds in this account can be used not only for a future shelter, but for improvements to the current shelter, as well.

We reviewed Workday data regarding donations to the restricted-use accounts, and the overall spending from the accounts. (Workday is the county's enterprise resource planning system, and tracks county revenues and expenditures.) We did not test expenditures for allowability. We spoke with Animal Services and Department of Community Services finance management to clarify information about the accounts.

### Analysis

We found that Animal Services did not have clear policies and procedures in place for managing expenditures from the restricted-use accounts, nor did it have clear plans for how to use donations and board allocations. As a result, donations from thousands of individuals as well as annual board allocations that were intended for the benefit of animals in the community and in Animal Services' care were left unused year over year.

### **Animal Services did not have clear policies and procedures in place for spending restricted-use funds**

Governments have a responsibility for effectively managing public money. Particularly in the case of managing donated money, there is a fiduciary duty to manage funds with care. Clear policies and procedures benefit not only county administration, but community interests, as well. In this case, the county has the duty to consider the interests of the thousands of people who donated to one of the three restricted use-donation accounts.

While board allocations do not carry the same obligations as donations since the board can just as easily unallocate funds, there is an assumption that these funds will be used as outlined in the board resolutions.

Aside from Resolution 2015-024 and some guidance on accounting and coding for the receipt of donations, Animal Services policies and procedures do not describe how the restricted-use donation accounts should be spent. Though it would be reasonable for Animal Services to hold some funds in reserve, and large donations to a certain extent are unpredictable, clear policies and procedures

would have provided Animal Services with a pathway to spending the donations and the board’s allocated funds.

**Donations and board allocations have gone unused as a result of Animal Services’ lack of clear policies and procedures**

We found that donations along with board allocations have outpaced spending in most years for each of the restricted-use accounts, leaving each restricted-use account with growing unspent balances over the last nearly five years. The significance of this is not the large balances themselves, but what these balances indicate: lost opportunities to use these funds to provide important and necessary services to animals and the community. The stated purpose of the Spay/Neuter fund, for example, is to support spay/neuter surgeries for low-income families; yet Animal Services spent just over \$42,000 of this fund over the last nearly five years, and the fund had a balance of over \$315,000 as of mid-May 2023.

From July 1, 2018 through mid-May 2023, Animal Services received over \$2,077,000 to the three restricted-use accounts we reviewed. Across those nearly five years, Animal Services recorded just over \$627,500 (30%) in expenditures against these accounts. As of mid-May 2023, the total current unspent balances combined across the three accounts we reviewed was about \$2,066,000.

Animal Services has spent about 30% of the donations and board allocated funds it has received since July 1, 2018

Combined Donation Accounts	7/1/2018 to 5/10/2023
Sum of Donations	\$1,952,657
Sum of Board Allocations	\$125,000
Total Donations & Allocations	\$2,077,657
Sum of Expenses	\$627,589
Percentage of Donations/Allocations Spent	30%

Source: Auditor’s Office analysis of County’s ERP system report: MCR Find Journal Lines, as of May 10, 2023.

From July 1, 2018 through mid-May 2023, Animal Services received some significant monetary-value donations. These donations included:

- In FY2019, MCAS received a \$490,000 donation, split between the Adoption Outreach and Dolly’s Fund, from an estate settlement.
- In FY2021, MCAS received a \$396,000 donation, split between the Adoption Outreach and Dolly’s Fund, from an estate settlement.
- In FY2022, MCAS received a \$142,000 donation, split between the Adoption Outreach fund and Dolly’s Fund, from an estate settlement.
- In FY2023, MCAS received a \$43,000 and \$50,000 donation, both split between Adoption Outreach and Dolly’s Fund, from estate settlements.

The county’s fiscal year (FY) runs from July 1st to June 30th. FY2023 is currently in process.

**Adoption Outreach Fund**

Donations to the Adoption Outreach Fund have far outpaced spending over the last five years, and the account currently has an unspent balance of almost \$995,000

Adoption Outreach Fund	FY2019	FY2020	FY2021	FY2022	FY2023	Grand Total
Beginning Balance (\$)	\$244,402	\$522,179	\$563,055	\$763,053	\$885,753	
Plus: Sum of Donations	283,733	46,720	229,512	135,123	114,102	809,191
Plus: Other Revenue	0	8,200	8,325	4,839	58	21,422
Less: Total Expenditures	(5,956)	(14,045)	(36,137)	(17,262)	(5,164)	78,563
Ending Balance	\$522,179	\$563,055	\$764,756	\$885,753	\$994,749	

Source: Auditor's Office analysis of County's ERP system report: MCR Find Journal Lines, as of May 10, 2023. Due to rounding, figures in Grand Total column may not be exactly the sum of the other columns. The county's fiscal year (FY) runs from July 1<sup>st</sup> to June 30<sup>th</sup>. FY2023 is currently in process. For donations where the donor did not specify a restricted-use account, they would be split between Dolly's Fund and the Adoption Outreach fund. These transactions would show as a counted donation to each fund. For FY2022, beginning working capital was slightly lower (\$1,702) than the ending balance in FY2021, which is reflected in the chart. According to management, this was due to interest earned being incorrectly allocated between restricted-use funds.

The expenditures from the Adoption Outreach Fund appear very minimal compared to donations. From July 1, 2018 through mid-May of 2023, total expenditures were just 10% of total donations.

In general, donations significantly outpaced expenditures over the nearly five years we reviewed. This fund's balance at the end of FY2022 was about \$885,000, and was almost \$995,000 as of mid-May 2023.

**Dolly's Fund**

Dolly's Fund received thousands of donations, totaling over \$1 million over the last five years

Dolly's Fund	FY2019	FY2020	FY2021	FY2022	FY2023	Grand Total
Beginning Balance (\$)	\$158,812	\$529,145	\$465,727	\$658,983	\$600,932	
Plus: Sum of Donations	363,596	108,488	300,648	195,023	157,665	1,125,421
Plus: Other Revenue	30,735	6,849	10,874	3,181	207	51,846
Less: Expenditures	(23,998)	(109,307)	(113,085)	(256,256)	(4,274)	506,920
Ending Balance	\$529,145	\$535,175	\$664,164	\$600,932	\$754,530	

Source: Auditor's Office analysis of County's ERP system report: MCR Find Journal Lines, as of May 10, 2023. Due to rounding, figures in Grand Total column may not be exactly the sum of the other columns. The county's fiscal year (FY) runs from July 1<sup>st</sup> to June 30<sup>th</sup>. FY2023 is currently in process. For donations where the donor did not specify a restricted-use account, they would be split between Dolly's Fund and the Adoption Outreach fund. These transactions would show as a donation to each fund. For FY2021, beginning working capital was lower (\$69,448) than the ending balance in FY2020. According to explanations provided in the ERP system, these changes were made to capture expenditures in the correct restricted-use fund (Shelter Dreams Capital Fund). For FY2022, beginning working capital was lower (\$5,182) than the ending balance in FY2021. According to management, this was due to interest earned being incorrectly allocated between restricted-use funds.

It appears that Dolly's Fund was more actively used than the other donation accounts. But as with the Adoption Outreach Fund, donations to Dolly's Fund have far outpaced expenditures over the last five years.

In the FY2022 budget, Animal Services developed a one-time-only budget request to make use of some Dolly's Fund money. This resulted in the greatest yearly expenditure from any of the accounts – about \$256,000, mostly for personnel costs – and appears to be an example of how deliberate attention to the accounts can help with efficient and effective spending.

Nonetheless, the fund's balance at the end of FY2022 was about \$600,000, and was around \$755,000 as of mid-May 2023.

### Spay/Neuter Fund

Annual board allocations go unspent in most years for the Spay/Neuter fund, creating an unspent balance of over \$315,000 as of mid-May 2023

Spay/Neuter Fund	FY2019	FY2020	FY2021	FY2022	FY2023	Grand Total
Beginning Balance	\$209,226	\$232,022	\$236,825	\$264,464	\$288,134	
Plus: Sum of Donations	3,837	3,585	3,025	3,726	3,872	18,046
Plus: County Board Allocations	25,000	25,000	25,000	25,000	25,000	125,000
Plus: Other Revenue	-	3,003	110	1,525	-	4,638
Less: Total Expenditures	(6,042)	(26,784)	(2,679)	(6,581)	(20)	42,106
Ending Balance	\$232,022	\$236,825	\$262,282	\$288,134	\$316,986	

Source: Auditor's Office analysis of County's ERP system report: MCR Find Journal Lines, as of May 10, 2023. Due to rounding, figures in Grand Total column may not be exactly the sum of the other columns. The county's fiscal year (FY) runs from July 1<sup>st</sup> to June 30<sup>th</sup>. FY2023 is currently in process. For FY2022, beginning working capital was slightly higher (\$2,182) than the ending balance in FY2021, which is reflected in the chart. According to management, this was due to interest earned being incorrectly allocated between restricted-use funds.

While the Spay/Neuter fund receives \$25,000 annually from board allocations, it receives far less money in donations compared to the Adoption Outreach and Dolly's funds. Over the course of the past five years through mid-May 2023, the Spay/Neuter fund received \$125,000 from board allocations plus about \$18,000 in donations. Total expenses over that same period were about \$42,000. The unspent balance of the account is over \$315,000 as of mid-May 2023. Adopting clear policies and procedures around spending donation accounts could help direct spending of this fund, and allow more low-income families in the community the benefit of spay and neuter surgeries for their animals.

### Conclusion

Animal Services didn't adequately manage or oversee the donations and board allocations to restricted-use accounts, resulting in inefficiency. Animal Services received thousands of individual donations over the nearly five-year period we reviewed, including some very large donations. Additionally, the board allocated \$125,000 over this same period to one of the restricted-use funds to cover the cost of the county's public educational, spaying and neutering programs. We found that Animal Services did not effectively use the donations and board allocations to provide services to the community as it relates to the animals in Animal Services care, spending only about 30% of funds received from July 1, 2018 through mid-May FY2023.

Animal Services and Department of Community Services Finance management told us that there were a number of factors at play that impacted Animal Services' ability to spend the restricted-use funds. Management cited the impact of the COVID-19 shutdown, limited staff capacity, challenges in staffing shortages, gaps and changes in shelter leadership, and a lack of clear policies and procedures.

We accept that the impact of COVID-19 shutdown had an impact on Animal Services. In particular, the shelter was mostly closed to the public for almost three years. However, many of the services that could have been provided using donation funds did not require public access to the shelter: adoption outreach events and advertising, emergency surgeries and veterinary care, and spay/neuter surgeries on behalf of low-income community members. In our opinion, the failure to use donation account funds appears to be largely based on lack of clear policies, procedures, and planning.

It is worth noting that the current Animal Services Director and the Department of Community Services Finance Manager are new to their positions, and for the majority of the time period under our review were not responsible for the oversight of the restricted-use accounts. Current management expressed interest and willingness to adopt policies and procedures to spend the restricted-use accounts more efficiently and effectively.

## Recommendations

1. Animal Services, within three months, should implement policies and procedures to ensure that the restricted-use accounts receive regular management and oversight, to ensure that donations and county board allocations to Animal Services are used timely for the benefit of animals and community members.
2. Animal Services should pause soliciting for donations from the public until it develops a plan for using the funds, and has processes and procedures for spending funds from the restricted-use accounts. This will help ensure donations are used as expected and in a timely manner.

## About Hotline Investigations

A hotline investigation is not an audit. We follow our detailed procedures in the investigation of hotline tips, which include a preliminary review of the tip and an investigation when our preliminary review indicates it is necessary.

We follow all of the requirements of *Oregon Revised Statute 297.765, Policies and Procedures for Local Government Waste Hotlines*. Our compliance with ORS 297.765 requires us to determine in writing whether activities are occurring that constitute waste, inefficiency, or abuse. The statute allows us to include other pertinent information in our determination. When we determine that waste, inefficiency, or abuse has occurred, we are to deliver our findings to the Board of County Commissioners.



# Office of the Chief Operating Officer and Department of County Management



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TO: Jennifer McGuirk, Multnomah County Auditor

FROM: Serena Cruz, Chief Operating Officer and DCM Director

CC: Margi Bradway, Department of Community Services Director  
Erin Grahek, Animal Services Director

DATE: June 7, 2023

RE: Good Government Hotline Tip #3949 - Multnomah County Animal Services Use of Donated Funds

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## Reported Incident

Through the Good Government Hotline, the Multnomah County Auditor's Office received report number 3949 regarding the use of donation funds by Multnomah County Animal Services. The County Auditor's Office provided a draft of their report to the Multnomah County Chair on Wednesday, May 24, 2023 for review.

## Background

Members of the public, private corporations and foundations all make private financial contributions to the Multnomah County Animal Services (MCAS) Division. The donated funds are designated by the donors to assist MCAS in its mission to provide expanded care and medical treatment for shelter animals, enhance adoption outreach programs, improve the shelter facility and to supplement funding for medical and spay/neuter services for pet owners in financial need. In 2009, the Multnomah County Budget and Finance Office directed MCAS to establish Restricted Accounts for these donations. In 2015, further policy was established by Board Resolution 2015-024 that outlined expenditure approvals, annual budget accounting procedures, and allocation of unspecified donations.

The four Restricted Accounts are:

1. *Dolly's Fund* to assist in providing veterinary medical expenses, including the Kitten Triage/Nursery project,
2. *Adoption Outreach Fund* for the purpose of increasing pet adoptions,
3. *Shelter Dreams Fund* for capital improvements to the existing shelter and/or funds for a new shelter, and
4. *Spay/Neuter Fund* to supplement spay/neuter surgeries for pet owners in financial need.

The Restricted Accounts are budgeted in the MCAS Division budget, and expenditure authorization is adopted in the annual Multnomah County budget. Individual expenditures from the Restricted Accounts require approval as follows:

1. The Animal Services Division Director or designee shall have authorization to approve expenditures from these funds not to exceed \$10,000 per expenditure.
2. The Director of the Department of Community Services shall have authorization to approve expenditures from these funds not to exceed \$20,000 per expenditure.
3. Expenditures in excess of \$20,000 shall require approval of the County Chair.

Funds for the Restricted Accounts are typically received:

1. By direct donations to MCAS through the website and other fundraising channels, accounting for just under half of total donation funds from the public over the last 5 years,
2. As gifts from estates, accounting for over half of total donation funds from the public over the last 5 years, and
3. An annual \$25,000 allocation from the County Chair's budget for the Spay/Neuter Fund.

### **Impacts of the COVID-19 Pandemic and Staffing Challenges on Animal Services**

The use of donations funds was significantly affected by changes in the Department of Community Services and Animal Services' leadership, disruption from the COVID-19 pandemic, and challenges in achieving full staffing. Specifically, the Division has experienced:

- High amounts of staff turnover, difficulty maintaining minimum staffing levels, and ongoing challenges in hiring across all MCAS programs.
- A pause in the offering of spay/neuter services to the public due to staffing and capacity issues, which has continued due to staffing impacts and prompted the establishment of a spay/neuter voucher program for all adoptions in which the pet has not been spayed or neutered already.
- A reduction in veterinary services across the community, a gap exacerbated by an ongoing nationwide shortage of veterinary services professionals.

During the height of the pandemic response through staffing challenges and reopening of the shelter to the public, MCAS has focused on providing the core essential functions of their services: care of animals in the shelter, foster coordination, and field response.

## **Current Status and Improvements**

### **Response to Recommendation 1**

MCAS is actively evaluating the effectiveness of existing policies and procedures around the use of donation funds as outlined by Board Resolution 2015-024. This includes:

- Clear guidelines about how specific donations funds can be spent;
- Outlined roles and responsibilities for the MCAS Director, MCAS Operations Manager, and DCS Director and Finance Director;
- Development of annual planning for use of donation funds; and,

- Maintenance and management of restricted use funds.

MCAS is also seeking to increase transparency in the use of these funds by providing annual reports to the public that detail the donation fund balances and expenditures. These reports will be made available to the public on the MCAS website and during the annual budget process.

A draft of the updated policy has been provided to the Chair's Office.

## **Response to Recommendation 2**

MCAS is currently planning the projects and programs that will expedite using donation funds over the next year:

- A pilot project, currently in development, to provide one time/event medical treatment, including surgery, to pets owned by members of the community. The pilot would prevent owner surrender when the owner has limited resources to meet the one time medical need of their pet. It will serve the purpose of maintaining the human/animal bond in existing pet families and will prevent pets from unnecessarily entering the shelter.
- Using funds from the Shelter Dreams Fund for facilities capital planning for the current facility and potential planning activities for a future facility.
- Expenses related to spay and neuter activities:
  - Oregon Humane Society Spay & Save Program
  - Stipends for unaltered cats and dogs that are transferred to partner organizations
  - Expenses for hosting/partnering on spay and neuter events
  - Related expenses for publicizing spay and neuter options to the public
  - Spay and neuter vouchers for unaltered pets who are adopted from the shelter
- Increasing communications about pet adoptions and use of Outreach Funds for the 1.0 FTE Communications Coordinator position in the FY 24 budget.

Multnomah County recognizes the critical importance of donations to assist with animal care and healthcare, to support improved shelter operations, plan for the future and build relationships with those who love animals in our community. With new leaders committed to improvements and sound stewardship, and a draft policy in place, MCAS believes donations should continue without pause. DCS and MCAS leadership are available for any additional questions or concerns regarding the use of MCAS donation funds.