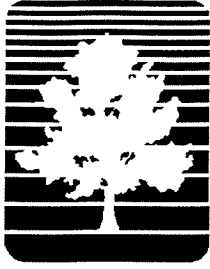


## INTER-OFFICE MEMORANDUM



**FULTON COUNTY**

**TO:** Zachary Williams, County Manager  
**FROM:** *Anthony Nicks*, Director of Internal Audit  
**SUBJECT:** Audit of Barking Hound Village Foundation  
**DATE:** August 6, 2012

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The Office of Internal Audit has completed the audit of the Barking Hound Village Foundation related to the Fulton County Animal Control Services Contract. Attached is a copy of our findings and recommendations.

If you have additional questions please contact me.

Attachment

cc: Randy Beck, Director, Environment and Community Development  
Tony Phillips, Assistant Director, Environment and Community Development



**OFFICE OF INTERNAL AUDIT**

**ANIMAL CONTROL SERVICES**

**BARKING HOUND VILLAGE FOUNDATION  
AUDIT**

**August 6, 2012**

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## Introduction

The Office of Internal Audit has performed an audit of Barking Hound Village Foundation (BHVF), a contractor managing the operations of Fulton County Animal Control Services. The audit was requested after allegations of the contractor mishandling funds. The Fulton County Animal Control Services operations provide animal care and control services to citizens of Fulton County as well as surrounding cities. The services provided must be in accordance with the State of Georgia and Fulton County Animal Control Ordinances.

## Background

BHVF is a non-profit corporation with 501(C)3 status that provides services as required by the Fulton County Animal Control Contract (the Contract) as well as other independent operations. The Contract between Fulton County and BHVF became effective July 1, 2008 and has been renewed every year until June 30, 2012. BHVF was awarded a total amount of \$2,100,000 per year to be paid on a monthly basis. Recently, the contract was only renewed for a 6-month term beginning July 2012 until December 2012. BHVF operates the Fulton County Animal Control Services facility located at 860 Marietta Blvd, Atlanta, GA 30318. This location serves as the main shelter and temporary pet adoption facility. BHVF is responsible for providing all personnel, supplies, utilities, and equipment to perform animal controls services with contract funds including:

- Enforcement and Service Response
- Care of Animals
- Redemption, Adoption, Disposal of Animals
- Mandatory Sterilization
- Licensing
- Customer Services
- Public Education
- Chip Implants for Animal Identification

BHVF submitted statistical information regarding the performance of the services it provided. Below are the statistics of the services provided and reported by BHVF for four performance periods.

<b>Services</b>	<b>Period Ending June 30, 2009</b>	<b>Period Ending June 30, 2010</b>	<b>Period Ending June 30, 2011</b>	<b>Period Ending June 30, 2012</b>	<b>Total</b>
<b>Service Requests From the Public</b>	25,249	27,006	27,904	27,061	107,220
<b>Animal Intakes</b>	8,667	9,644	10,275	10,709	39,295
<b>Bites</b>	377	446	289	309	1,421
<b>Summons for Court/Citations Issued</b>	1,237	1,249	1,770	1,383	5,639
<b>Warnings Issued</b>	657	819	894	1,015	3,385

Services	Period Ending June 30, 2009	Period Ending June 30, 2010	Period Ending June 30, 2011	Period Ending June 30, 2012	Total
Adoptions	1,819	1,500	1,479	1,604	6,402
Returned Adoptions	81	43	6	41	171
Transfer to Wildlife Rehab or to the Wild	90	46	144	145	425
Transfer to Rescue	940	949	1,127	808	3,824
Returned to Owner	817	770	817	866	3,270
Euthanized	4,730	5,656	6,415	6,585	23,386
Microchip Implants	1,906	1,499	1,616	1,530	6,551
Surgery-SNAP*	-	888	894	499	2,281
Surgery –Prep for Adoption*	-	1,581	1,649	1,633	4,863
Vaccine w/o License Tag	79,758	57,113	48,070	72,335	257,276
Vaccine w/ License Tag	51,050	49,543	48,103	46,878	195,574

Note: The statistics reflects unaudited amounts reported by BHVF.

\*Statistical data related to spay/neuter surgeries not available for the period of July 2008 through August 2009.

BHVF also submitted financial information related to the fees collected, private donations, and grants to be used exclusively for animal control services. BHVF is required to report all fees and revenue collected in the performance of the Contract as well as document expenditures related to the use of contract funds and fees collected for animal control activities. The total revenue and expenditures reported by BHVF for the four performance periods include:

	Period Ending June 30, 2009	Period Ending June 30, 2010	Period Ending June 30, 2011	Period Ending June 30, 2012	Total
Revenues	\$ 2,936,094	\$ 2,972,383	\$ 2,961,258	\$ 2,835,780	\$11,705,515
Expenditures	\$ 2,760,165	\$ 2,924,968	\$ 2,867,572	\$ 2,952,668	\$11,505,373

Note: The amounts reflected are unaudited totals reported by BHVF. Although, the expenditures reported for the first three periods were assessed and necessary adjustments were made by the Fulton County Animal Control Contract Administrator.

All fees collected for kennel services, license tags, special permits, and adoptions are authorized by Fulton County Animal Control Ordinances. The other revenues included are donations and the Fulton County Animal Control Service contract amounts. The expenditures for the first three periods were reviewed by the Fulton County Animal Control Contract Administrator. Based on expenses submitted by

BHVF, some adjustments were made by the contract administrator to ensure the accuracy of the use of contract funds reported.

### **Objective**

The objective of the audit was to ensure that BHVF was in compliance with the Contract and that funds were utilized for the purposes outlined in the contract.

### **Scope Limitation**

We requested the financial information for the contract period of July 1, 2008 through June 30, 2011. However, BHVF submitted financial records that were heavily redacted and contended that the redacted information related to their other independent operations. Considering the amount of redacted information, we determined that a comprehensive audit of the records could not be conducted. At that point, we questioned whether BHVF complied with the Contract that requires the contractor to maintain separate financial records from other independent operational expenses. In addition, there was a delay in the audit due to Fulton County's attempts to obtain the necessary information to complete the audit. For the next several months, we continued our attempts to obtain the documentation. Ultimately, we were provided records for the period of July 2011 through April 2012 which was the period subsequent to the notification of the audit and not within the audit period we requested. Although the records for this period were not redacted, BHVF only provided partial financial information. As a result of the insufficient records and the failure to provide non-redacted information for the audit years requested, Internal Audit's review was restricted which therefore deemed the scope of the audit to be limited.

### **Methodology**

During the audit of BHVF, we conducted interviews with key personnel to gain an understanding of the animal control service operations. We performed an analysis on the monthly reports detailing the fees collected and expenses for operations that were submitted to the Fulton County Animal Control Services Contract Administrator. In addition, we performed testing on a sample of the fees collected and expenses disbursed for operations. However, the audit evidence examined was limited to select financial records of the State Bank and Bank of America accounts including:

- Cash section of the general ledger
- Transaction detail
- Check detail
- Monthly bank reconciliations
- Bank statements
- Daily cash collection reports
- Invoices and receipts

Our findings and recommendations are detailed below:

## Findings and Recommendations

### Finding 1 – Records Not Made Available

At the initial request for the audit, BHVF did not make sufficient financial records readily available for review. BHVF maintained that the redacted documentation was the only financial information that could be provided at the time. According to Audits and Inspectors, Article 31, of the Contract:

*At any time during normal business hours and as often as the County may deem necessary, the Contractor shall make available to the County and/or representatives of the County for examination all of its records with respect to all matters covered by this Agreement.*

The resolution of the situation required the involvement of legal parties for both Fulton County and BHVF. BHVF's failure to provide its financial information in a timely manner resulted in a delay of approximately one year since the request and the start of the audit.

### Recommendation

All records subject to review by the County should be available for review in accordance with the terms of the Contract. In addition, BHVF should ensure that they are adhering to all of the terms of the Contract.

### Finding 2 – Provided Incomplete Financial Information

According to the third standard of fieldwork under Generally Accepted Auditing Standards (GAAS):

*The auditor must obtain sufficient appropriate audit evidence by performing audit procedures to afford a reasonable basis for an opinion regarding the financial statements under audit.*

During the audit of BHVF, we were not provided with complete financial records. The records that were provided excluded key portions of the financial records. These sections only pertained to bank accounts that BHVF contended were restricted to Fulton County Animal Control operations. As a result, there were numerous transactions we were not able to verify. BHVF failed to provide sufficient financial information that was necessary to successfully complete the audit. This lack of transparency prohibits the auditors from conducting a meaningful analysis and determining compliance with the Contract.

### Recommendation

BHVF should provide complete financial information upon request and ensure that all records related to Fulton County Animal Control Services operations are maintained separate at all times.

### Finding 3 – Financial Records Not Maintained Separately

Based on the audit, we found instances in which transactions related to Fulton County's Animal Control Services were not being maintained separately from BHVF's other operational activities. Article 31, Audits and Inspectors, of the Contract states:

*Contractor agrees that all financial records with respect to all matters related to this Agreement shall be maintained at all times separate and apart from the Contractor's other independent operational expenses.*

Our audit noted the following:

- A total of \$33,873.58 in expenses was disbursed through the Bank of America account utilized for the Fulton County Animal Control Services but pertained to other independent operations of BHVF.
- Donations for rescues totaling \$2,855 not relating to Fulton County Animal Control Services were collected in the animal services account.

BHVF's failure to account for Fulton County Animal Control Services activities separately could potentially lead to the unauthorized use of funds and inaccurate reporting.

### **Recommendation**

BHVF should ensure all financial records are maintained separately to reduce the risk associated with the comingling of funds. In addition, BHVF should ensure the accounts established for the animal control service operations are used for those restricted activities only.

### **Finding 4 – Expenditures Not Properly Supported**

During our fieldwork, we noted instances in which expenditures reported to the County were not properly supported. Per Article 40, Invoice and Payment, of the Contract:

*Contractor shall submit monthly invoices for work performed during the previous calendar month, in a form acceptable to the County and accompanied by all support documentation requested by the County, for payment and for services that were completed during the preceding phase.*

The activities include the following items noted on the monthly expense reports submitted to the County:

- Expenses totaling \$18,191.45 from an unknown account that we were not provided with the supporting financial records.
- Expenses totaling \$16,519.03 in debit card purchases from a bank account not related to animal services in which the supporting financial records were not provided.
- A total of \$5,699.13 in payments of principal and interest made to a Sam's Club account for kennel supplies and the total payment amount did not coincide with supporting receipts. In addition, the Sam's Club account is also utilized for other independent operations of BHVF.
- Several payments totaling \$9,547.12 in principal and interest made to State Bank for a loan used for expenses that we were unable to verify.

BHVF failed to provide adequate supporting documentation and financial records for these expenses reported. As a result we could not determine if they were actual expenditures related to Fulton County Animal Control Services.



**Recommendation**

BHVF should ensure that all expenditures are properly supported and accurately reported to the County. Although BHVF contends that contract funds are not enough to cover the operations, they should ensure all operating expenses should be paid utilizing contract funds.

**Finding 5 – Erroneous Monthly Expense Reports**

According to the Contract, Section 3.3.9, Performance Standards assessed by the County include the timeliness and accuracy of required monthly reports. During the analysis of the monthly line item reports submitted to the County, we noted items listed on the reports which should have been excluded. The items noted were:

- Several payments totaling \$78,000 made to the State Bank line of credit to cover payroll expenses although payroll expenses are already listed on the report
- Refunds to customers totaling \$2,420 that are reductions to the amount of fees collected

The items included overstate the total amount of monthly expenses reported to Fulton County by reporting the amounts twice. As a result, the monthly reports submitted to Fulton County were inaccurate. The Animal Control Contract Administrator should properly review and assess the reports submitted by the Contractor.

**Recommendation**

BHVF should ensure the monthly reports submitted to Fulton County reflect actual expenditure amounts. The Fulton County Animal Control Services Administrator should properly review the reports to ensure the expenses are appropriate.

**Finding 6 – Unallowable Expenses**

During our audit, we found several expenditures that were not allowable or covered under the scope of the services. Article 10, Compensation, of the Contract states:

*All fees and revenue collected by the Contractor in the performance of this Agreement shall constitute compensation to the Contractor and such fees and revenue shall be used exclusively for the operation of animal control services specified in Section 3.3.18 Other Revenue, Exhibit A, Scope of Services.*

BHVF did not adhere to the terms of the contract by utilizing contract funds for unallowable expenses totaling \$45,881.77. The detail of the expenses includes:

Transport Services	\$ 21,735.76
Employee Relations	1,310.85
Legal and Accounting	18,086.25
Travel and Lodging	3,218.91
Casual Labor	<u>1,530.00</u>
<b>Total</b>	<b>\$ 45,881.77</b>

The use of contract funds for unallowable expenses could result in the misappropriation of funds and overstating the expense used for the Fulton County Animal Control Service operations.

**Recommendation**

BHVF should only use contract funds for the appropriate expenditures outlined in the Contract. The Fulton County Animal Control Services Administrator should properly review the reports to ensure the expenses are appropriate.

**Conclusion**

Our audit revealed several areas of concern related to the contractor providing services for the Fulton County Animal Control Service operations. We encourage the Administrator of the Contract to take the necessary steps to ensure the operations of the Fulton County Animal Control Services are managed effectively and efficiently.

We would like to thank management and staff of BHVF as well as the Animal Control Contract Administrator for their cooperation and assistance during the audit.