

AUDITOR-CONTROLLER

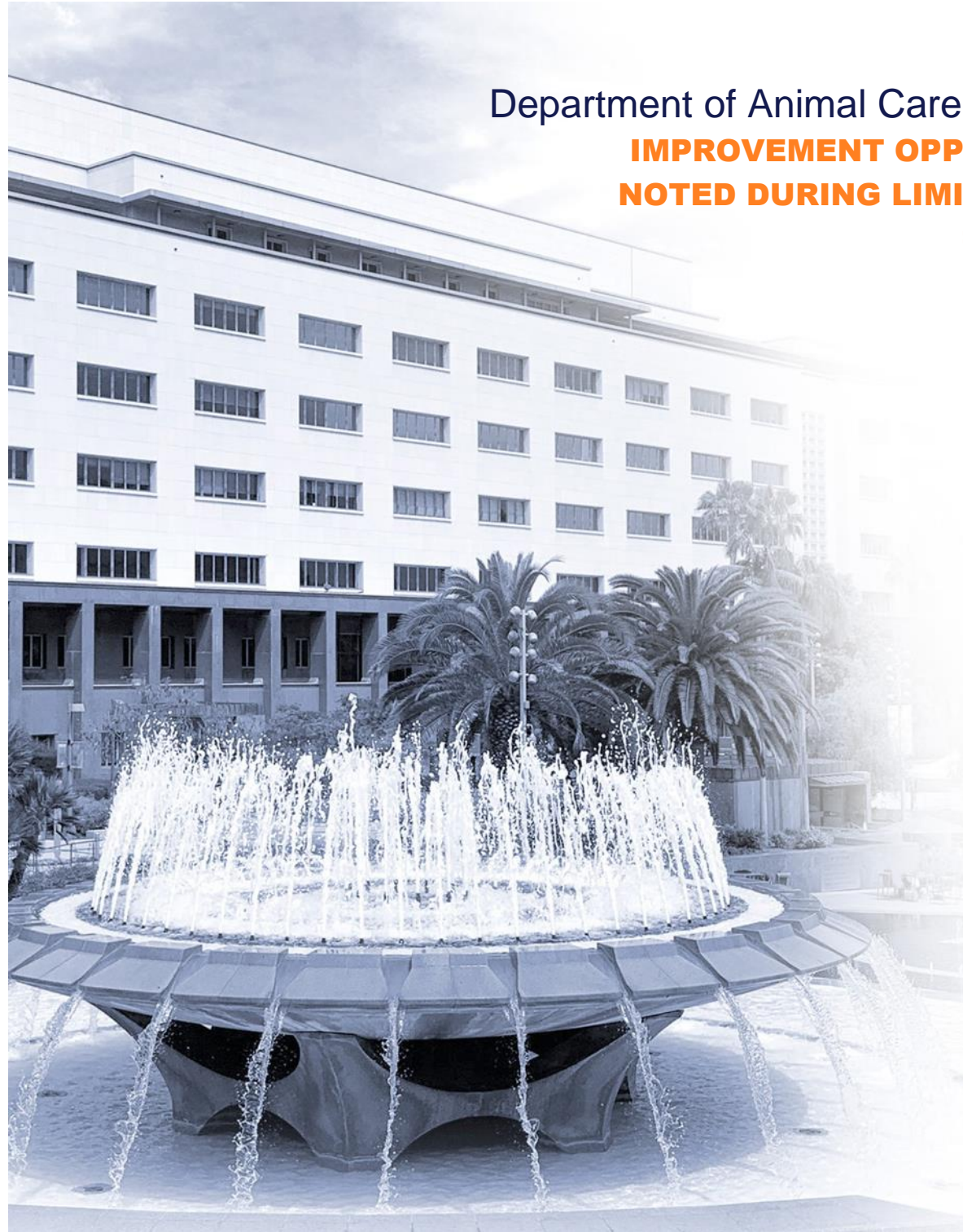
Arlene Barrera
AUDITOR-CONTROLLER

Peter Hughes
ASSISTANT AUDITOR-CONTROLLER

Robert Campbell
DIVISION CHIEF

OFFICE OF COUNTY INVESTIGATIONS

January 23, 2020



Department of Animal Care and Control

**IMPROVEMENT OPPORTUNITIES
NOTED DURING LIMITED REVIEW
#2018-14064**

NUMBER OF RECOMMENDATIONS
PRIORITY 1 <div style="font-size: 2em; font-weight: bold; text-align: center;">0</div> CORRECTIVE ACTION REQUIRED WITHIN 90 DAYS
PRIORITY 2 <div style="font-size: 2em; font-weight: bold; text-align: center;">2</div> CORRECTIVE ACTION REQUIRED WITHIN 120 DAYS
PRIORITY 3 <div style="font-size: 2em; font-weight: bold; text-align: center;">1</div> CORRECTIVE ACTION REQUIRED WITHIN 180 DAYS



BOARD OF SUPERVISORS

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FIRST DISTRICT

Mark Ridley-Thomas
SECOND DISTRICT

Sheila Kuehl
THIRD DISTRICT

Janice Hahn
FOURTH DISTRICT

Kathryn Barger
FIFTH DISTRICT

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ARLENE BARRERA
AUDITOR-CONTROLLER

COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
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ADDRESS ALL CORRESPONDENCE TO:
OFFICE OF COUNTY INVESTIGATIONS
500 W. TEMPLE ST., ROOM 515
LOS ANGELES, CA 90012-3756

January 23, 2020

TO: Marcia Mayeda, Director
Department of Animal Care and Control

FROM: Robert G. Campbell, Chief
Office of County Investigations

SUBJECT: **IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW
#2018-14064**

During a limited review at the Department of Animal Care and Control (DACC or Department), we noted areas where DACC can strengthen its policies and controls concerning animal adoptions by employees. Please see Attachment I, Table of Findings and Recommendations for Corrective Action, for details of our observations and recommendations. The Auditor-Controller's follow-up process and internal control disclosures are included in Attachment II.

Review of Report

We discussed our report with DACC management. The Department's response (Attachment III) indicates partial agreement with our findings and recommendations.

We thank DACC management and staff for their cooperation and assistance during our review. If you have any questions please call me at (213) 893-0058, or your staff may contact Supervising Investigator Tim Takara at (213) 893-0918.

RGC:AMS:tt
IOR-2018-14064

Attachments

c: Arlene Barrera, Auditor-Controller
Audit Committee
Audit Division

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**DEPARTMENT OF ANIMAL CARE AND CONTROL
IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW #2018-14064**

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

	ISSUE	RISK	RECOMMENDATION	P ¹	SUMMARY OF RESPONSE
1	<p>Valuing Exotic Animals for Adoption: Department of Animal Care and Control (DACC) did not obtain sufficient or independently verifiable documentation of the value of an exotic animal that was adopted by a DACC employee. The adopting employee provided online price references, several from other countries not denominated in U.S. dollars, in recommending an adoption price of \$300. DACC management subsequently relied on the employee-provided quotes to approve the adoption and price. Based on our research, similar animals have a retail value of \$2,000.</p> <p>According to the DACC – Fee Schedule, the adoption price of “small other” animals shall be 50% of the purchase price for such animals in the retail pet market. The retail purchase price shall be established by obtaining the average purchase price from three independent retail sources and calculating the average price. Based on that methodology, the adoption price should have been \$1,000 (50% of retail market price).</p>	<p>By not independently establishing a market value for desirable and exotic animals based on local and verifiable price quotes, DACC may not collect all of the revenue it should from such adoptions. Accepting insufficiently documented quotes also increases the risk that employees might adopt desirable animals at a lower cost than the general public. This practice may deprive the County of revenue and disadvantage members of the public who, lacking the employee’s insider access, are unable to fairly compete to adopt the animal.</p> <p>In this case, reliance on insufficient price quotes resulted in a loss to the Department of approximately \$700.</p>	<p>DACC management should:</p> <p>a. Remind employees of the process for determining the adoption price of employee-adopted animals and implement controls to verify that staff adhere to the policy.</p> <p>b. Codify objective criteria for establishing and documenting the value of exotic animals offered for adoption, such as through independently verifiable price quotes.</p>	2	<p>Agree</p> <p>Target Implementation Dates: (a) January 1, 2020, and (b) March 31, 2020</p> <p>DACC will remind all staff that the adoption price of employee-adopted animals is the same for an employee as it is for a member of the public via memo.</p> <p>DACC will also modify DACC OPG100 “Adoption Policy” to include reference to adherence to the Department Fee Schedule, which is posted on the DACC website and includes details about how to determine the fee for exotic animals, and reissue the policy to all staff.</p>

¹ **Priority Ranking:** Recommendations are ranked from Priority 1 to Priority 3 based on the potential seriousness and likelihood of negative impact on departmental operations if corrective action is not taken. See Attachment IV for definitions of priority rankings.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

	ISSUE	RISK	RECOMMENDATION	P¹	SUMMARY OF RESPONSE
2	<p>Employee Fostering and Adoptions: A DACC employee took an exotic and desirable animal for fostering the same day it arrived at a shelter and later adopted the animal at a significant discount to its market value, even though at least five members of the public expressed interest in adopting the animal via DACC’s website.</p> <p>DACC management told us that members of the public have priority over employees for animal adoptions. However, it does not appear this is codified in a formal policy.</p> <p>DACC Policy SP110 – Animal Foster Program, states that foster program participants may be employees or volunteers, and that foster pet guardians may be given priority over other potential adopters when adopting that animal.</p> <p>DACC Policy HR240 – Placement of Animals to Employees, states that an employee may obtain an available animal under the same rules and regulations that apply to the public. The animal must have been held in the routine manner which would give no special advantage to the employee.</p>	<p>By virtue of their positions, DACC employees have first access to exotic and desirable animals that enter the shelter. By immediately fostering those animals, employees effectively gain preference to later adopt them. This creates the appearance that employees have an advantage over members of the public in accessing and adopting exotic and desirable animals and may discourage the public from looking to County shelters to adopt pets.</p>	<p>DACC management should clarify fostering and adoptions policies to address potential conflicts and inconsistencies, and to ensure members of the public are not disadvantaged relative to DACC employees – particularly with respect to exotic and desirable animals or animals that were fostered by DACC staff.</p>	2	<p>Partially Agree</p> <p>Target Implementation Date: March 31, 2020</p> <p>DACC will clarify fostering and adoptions policies by revising and reissuing DACC Policy SP110 - Animal Foster Program. The policy will ensure that when more than one qualified foster expresses interest in fostering an animal, the foster deemed by the DACC manager as the most qualified will be allowed to foster it, regardless of whether that person is an employee or not. DACC staff may be given preference to adopt an animal because they fostered it, not because they are DACC staff.</p>

¹ **Priority Ranking:** Recommendations are ranked from Priority 1 to Priority 3 based on the potential seriousness and likelihood of negative impact on departmental operations if corrective action is not taken. See Attachment IV for definitions of priority rankings.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

	ISSUE	RISK	RECOMMENDATION	P¹	SUMMARY OF RESPONSE
3	Tracking Animal Adoptions: During our limited review, we noted a former DACC employee and her spouse adopted 59 animals over a 16-year period.	A high volume of adoptions is a red flag that the involved parties may be reselling adopted animals or engaging in other questionable or inappropriate activities.	DACC management should develop controls to identify customers, including employees, who adopt a large number of animals to allow the department to follow-up to determine if the animals are being resold, or adopted into circumstances, which might be inappropriate or unhealthy for them (such as hoarding).	3	<p>Agree</p> <p>Target Implementation Date: March 31, 2020</p> <p>DACC indicated they already have a practice of researching an adopter's previous adoptions and currently licensed animals to ensure the adopter's household is in compliance with local ordinances regarding the number of animals allowed, and will codify this practice by incorporating it into DACC OPG100, noting this will also be the procedure for employee adoptions.</p>

¹ **Priority Ranking:** Recommendations are ranked from Priority 1 to Priority 3 based on the potential seriousness and likelihood of negative impact on departmental operations if corrective action is not taken. See Attachment IV for definitions of priority rankings.

FOLLOW-UP AND INTERNAL CONTROL DISCLOSURES

FOLLOW-UP PROCESS The Auditor-Controller (A-C) has a follow-up process designed to provide assurance to the Board of Supervisors (Board) that departments are taking appropriate and timely corrective action to address audit recommendations. Within six months of the date of an audit report, departments must submit a Corrective Action Implementation Report (CAiR) detailing the corrective action taken to address all recommendations in the report. Departments must also submit documentation with the CAiR that demonstrates the corrective action taken. We will review departments' reported corrective action and supporting documentation, and report the results to the Board. For any recommendations not fully implemented, departments must report the status of corrective action within six months after our first follow-up report is issued.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL CONTROLS As indicated in County Fiscal Manual Section 1.0, management of each County department is primarily responsible for designing, implementing, and maintaining a system of internal controls that provides reasonable assurance that important departmental and County objectives are being achieved. Internal controls should sustain and improve departmental performance, adapt to changing priorities and operating environments, reduce risks to acceptable levels, and support sound decision-making.

Management must monitor internal controls on an ongoing basis to ensure that any weaknesses or non-compliance are promptly identified and corrected. The A-C's role is to assist management by performing periodic assessments of the effectiveness of the department's internal control systems. These assessments complement, but do not in any way replace, management's responsibilities over internal controls.


LIMITATIONS OF INTERNAL CONTROLS Any system of internal controls, however well designed, has limitations. As a result, internal controls provide reasonable but not absolute assurance that an organization's goals and objectives will be achieved. Some examples of limitations include errors, circumvention of controls by collusion, management override of controls, and poor judgment. In addition, there is a risk that internal controls may become inadequate due to changes in the organization, such as reduction in staffing or lapses in compliance.



Marcia Mayeda, Director

November 26, 2019

TO: Robert G. Campbell, Chief
Office of County Investigations

FROM: Marcia Mayeda
Director 

**RESPONSE TO AUDITOR-CONTROLLER FINDINGS AND RECOMMENDED
CORRECTIVE ACTIONS - REPORT NO. 2018-14064**

The Department of Animal Care and Control has reviewed the Auditor-Controller's report and agrees with the findings and recommendations. Attached is the Department's plan of corrective action.

If you have any questions, please contact me at (562) 728-4610, or your staff may contact our Chief Deputy Director, Betsey Webster, at (562) 728-4620.

MM:BW:in
Sec IN:CD:mAC IOR 11.26.19

Attachment

Agoura ACC
29525 Agoura Road
Agoura Hills, CA 91301
(818) 991-0071

Baldwin Park ACC
4275 N. Elton Street
Baldwin Park, CA 91706
(626) 962-3577

Carson/Gardena ACC
216 W. Victoria Street
Gardena, CA 90248
(310) 523-9566

Castaic ACC
31044 N. Charlie Canyon Rd.
Castaic, CA 91384
(661) 257-3191

Downey ACC
11258 S. Garfield Ave.
Downey, CA 90242
(562) 940-6898

Lancaster ACC
5210 W. Avenue I
Lancaster, CA 93536
(661) 940-4191

Palmdale ACC
38550 Sierra Highway
Palmdale, CA 93550
(661) 575-2888

Administrative Office
5698 Cherry Avenue
Long Beach, CA 90805
(800) 253-3555

[ANIMAL CARE AND CONTROL] IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW #[2018-14064] DEPARTMENT ACTION PLAN/RESPONSE	
ISSUE 1: PURCHASE REVIEW AND APPROVAL PROCESS	
A/C Recommendation	DACC Management should: a. Remind employees of the process for determining the adoption price of employee-adopted animals and implement controls to verify that staff adhere to the policy. b. Codify objective criteria for establishing and documenting the value of exotic animals offered for adoptions, such as through independently verifiable price quotes.
Priority	PRIORITY 2
Agree/Disagree	Agree
Department Action Plan ¹	The adoption fee for an animal is always the same for an employee as it is for a member of the public, and DACC will remind all staff of this via memo by January 1, 2020. The Department's Fee schedule is posted online, with detailed information about the determination of the fee for exotic animals, but is not referred to in any official policy. DACC OPG100 "Adoption Policy" will be modified to include reference to adherence to the fee schedule, and reissued to all staff by March 31, 2020.
Planned Implementation Date	January 1, 2020; and March 31, 2020.
Additional Information (optional) ²	
ISSUE 2: CREDIT LIMIT EXCEPTIONS	
A/C Recommendation	DACC management should clarify fostering and adoptions policies to address potential conflicts and inconsistencies, and to ensure members of the public are not disadvantaged relative to DACC employees – particularly with respect to exotic and desirable animals or animals that were fostered by DACC staff.
Priority	PRIORITY 2
Agree/Disagree	Partially Agree
Department Action Plan ¹	Partially agree. DACC will clarify fostering and adoptions policies by revising and reissuing SP110 Animal Foster Program by March 31, 2020. The adoption of a fostered animal is always offered first to the person who fostered it, given the time and care invested and the bonds established. SP110 will ensure that when more than one qualified foster expresses interest in fostering an animal, the foster deemed by the AC Manager as the most qualified will be allowed to foster it, regardless of whether that person is an employee. If an animal is fostered by DACC staff, they will be given preference to adopt it, not because they are DACC staff, but because they were the foster parent.

¹ In this section the Department should only describe the efforts they plan to take to implement the recommendation. Any other information should be included in the Additional Information section below.

² In this section the Department can provide any background or clarifying information they believe is necessary.

ISSUE 2: CREDIT LIMIT EXCEPTIONS	
Planned Implementation Date	March 31, 2020
Additional Information (optional) ²	
ISSUE 3: ANNUAL POLICY REVIEW	
A/C Recommendation	DACC management should develop controls to identify customers, including employees, who adopt a large number of animals to allow the department to follow-up to determine if the animals are being resold, or adopted into circumstances which might be inappropriate or unhealthy for them (such as hoarding).
Priority	PRIORITY 3
Agree/Disagree	Agree
Department Action Plan ¹	DACC already has a practice of staff researching an adopter's previous adoptions and currently licensed animals to ensure the adopter's household is in compliance with local ordinances regarding the number of animals allowed, and will codify this practice by incorporating it into OPG 100 by March 31, 2020, noting that this will be the procedure for employee adoptions as well.
Planned Implementation Date	March 31, 2020
Additional Information (optional) ²	

¹ In this section the Department should only describe the efforts they plan to take to implement the recommendation. Any other information should be included in the Additional Information section below.

² In this section the Department can provide any background or clarifying information they believe is necessary.

PRIORITY RANKING DEFINITIONS

Auditors use professional judgment to assign rankings to recommendations using the criteria and definitions listed below. The purpose of the rankings is to highlight the relative importance of some recommendations over others based on the likelihood of adverse impacts if corrective action is not taken and the seriousness of the adverse impact. Adverse impacts are situations that have or could potentially undermine or hinder the following:

- a) The quality of services departments provide to the community,
- b) The accuracy and completeness of County books, records, or reports,
- c) The safeguarding of County assets,
- d) The County's compliance with pertinent rules, regulations, or laws,
- e) The achievement of critical programmatic objectives or program outcomes, and/or
- f) The cost-effective and efficient use of resources.

Priority 1 Issues

Priority 1 issues are control weaknesses or compliance lapses that are significant enough to warrant immediate corrective action. Priority 1 recommendations may result from weaknesses in the design or absence of an essential procedure or control, or when personnel fail to adhere to the procedure or control. These may be reoccurring or one-time lapses. Issues in this category may be situations that create actual or potential hindrances to the department's ability to provide quality services to the community, and/or present significant financial, reputational, business, compliance, or safety exposures. Priority 1 recommendations require management's immediate attention and corrective action within 90 days of report issuance, or less if so directed by the Auditor-Controller or the Audit Committee.

Priority 2 Issues

Priority 2 issues are control weaknesses or compliance lapses that are of a serious nature and warrant prompt corrective action. Priority 2 recommendations may result from weaknesses in the design or absence of an essential procedure or control, or when personnel fail to adhere to the procedure or control. These may be reoccurring or one-time lapses. Issues in this category, if not corrected, typically present increasing exposure to financial losses and missed business objectives. Priority 2 recommendations require management's prompt attention and corrective action within 120 days of report issuance, or less if so directed by the Auditor-Controller or the Audit Committee.

Priority 3 Issues

Priority 3 issues are the more common and routine control weaknesses or compliance lapses that warrant timely corrective action. Priority 3 recommendations may result from weaknesses in the design or absence of a procedure or control, or when personnel fail to adhere to the procedure or control. The issues, while less serious than a higher-level category, are nevertheless important to the integrity of the department's operations and must be corrected or more serious exposures could result. Departments must implement Priority 3 recommendations within 180 days of report issuance, or less if so directed by the Auditor-Controller or the Audit Committee.