



**Audit Report**

***Public Works ~  
Animal Services Pet Licenses***

**September 2013**

**AU14-05**

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## REPORT SUMMARY

In accordance with the Internal Audit Work Plan for Fiscal Year 2013/14, a performance audit was conducted to assess efficiency and effectiveness of internal administrative practices/procedures and internal controls for Public Works (PW) ~ Animal Services pet licenses.

The City has contracted with the Riverside County Department of Animal Services (RCDAS) for various animal services since 1995. The scope of this review was limited to reviewing PW internal controls and excluded review of Riverside County Animal Shelter revenue collection practices/procedures related to pet licenses (dog licenses).

The licensing of dogs is required by State law and City Ordinance (RMC 8.12), which is an integral component of the statewide rabies control effort. Licenses can be obtained at RCDAS or City Hall.

We found adequate internal controls with regard to receipt and recording of revenue and control of physical license tag inventory. Our review noted some minor observations not worthy of a finding; however, we believe there is opportunity to strengthen internal procedures and controls.

### Statistical Reports and Reconciliations

During our review we requested statistical data from RCDAS – number of licenses issued via the web and at the shelter for the past two fiscal years, as well as related fees. The data provided by RCDAS did not agree to the monthly contract billing reports<sup>1</sup>. Per the contract, RCDAS is responsible for developing a process to track licensing data and generate statistical reports for the City.

PW – Animal Services has not established a database for pet licenses (dog licenses) issued at City Hall; City staff do not have access to the County's database (Chameleon). There is no monthly/quarterly/annual reconciliation of the number of pet licenses issued by the City or RCDAS to the related fees received and recorded in IFAS.

Record keeping and data reconciliation is just one activity in a set of internal control activities. Data reconciliation is comparing one set of data to another to find discrepancies and maintain data accuracy. The reconciliation should involve comparing a set of data (stats or financial data) to original source documentation. Without reconciling activity periodically, there is a risk of errors not being corrected and revenue under/overstated.

We would like to thank the staff of the Animal Services Division for their assistance and time during the course of this review.

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<sup>1</sup> RCDAS bills the City monthly for an administrative fee for each licensed issued by RCDAS on behalf of the City.

## OBJECTIVES, SCOPE and METHODOLOGY

### Objective

Our audit objective is to assess the efficiency and effectiveness of the internal administrative practices and internal controls over revenue collection.

### Scope and Methodology

The review was conducted during the months of August and September 2013 for records and transactions July 1, 2011 through June 30, 2013. To address the audit objective and as part of our assessment of risk, we:

- Reviewed the Riverside Municipal Code (Chapter 8 – Animals, Section 8.12) related to dog licenses;
- Reviewed the related contract between the City of Riverside and Riverside County Department of Animal Services (RCDAS);
- Interviewed selected Public Works Animal Services management and staff to obtain an understanding of the animal license application and revenue collection process;
- Reviewed the physical inventory controls for license tags;
- Reviewed documents maintained by Public Works Animal Services; performed reconciliation to city financial records for animal license revenue; and
- Reviewed the animal license information (number of licenses sold) provided by RCDAS for accuracy.

Our review was conducted in accordance with *Generally Accepted Government Auditing Standards* and according to the *Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors. Those standards require that the audit is planned and performed to afford a reasonable basis for judgments and conclusions regarding the department, division, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe our audit provides a reasonable basis for our conclusions.

## BACKGROUND

**Riverside County Department of Animal Services** The city has contracted with the county for various animal services since 1995. Over the years the contract has been amended to negotiate improved city services and manage related county costs.

**Dog Licenses** The licensing of dogs is required by State law and City Ordinance (RMC 8.12). Dog licensing is an integral component of the statewide rabies control effort. All dogs are required to be vaccinated against rabies and licensed at the age of four months. An additional requirement is for licensed dogs to display the license tag at all times. Per RMC Section 8.12.010, any dog over the age of

four months is required to have a pet license (dog license) and maintain a current rabies vaccination at all times. At this time, no other pets (i.e., cats) are required by City Ordinance to be licensed.

There are several methods available for city residents/pet owners to obtain a new/renewed dog license:

- Online with the County of Riverside Department of Animal Services;
- Mail in application or renewal with payment to the Riverside County Shelter;
- Purchase license directly at the Riverside County Shelter; or
- Purchase license directly at Riverside City Hall (counter or via mail)

The table below reflects the number of licenses issued for the past two fiscal years.

### Animal Licenses Issued

	FY 2011-12	FY 2012-13
Location	Number Issued (A)	Number Issued (A)
City Hall	1,096	1,198
County: Walk-ins /Web licensing (B)	18,416	22,293
<b>Total</b>	<b>19,512</b>	<b>23,491</b>

Source: PW – Animal Services and RCDAS – Monthly Billings

(A) New licenses and renewals.

(B) County data is unaudited.

The Animal Services division manages the overall pet license service and coordinates tag inventory and revenue collection activity with RCDAS. The division staff does not have access to the RCDAS database (Chameleon system) or pet records.

**Dog License Fees** are established and approved by a City Council ordinance. The following fees have been in effect since June 2010 per Resolution 22031<sup>2</sup>.

Type of License	1 Year	2 Year	3 Year	Late Fee <sup>3</sup>
<i>Altered Dogs</i>	\$16	\$25	\$35	\$25
<i>Unaltered Dogs</i>	\$100	\$175	\$250	\$25
<i>Altered Dog, owned by Senior Citizen 60+</i>	\$10	\$15	\$20	\$15

### Dog License Application

In order to obtain a dog license, an application must be completed and submitted with proof of rabies vaccination along with the appropriate payment for the fee. If applying for a multiyear license, the pet

<sup>2</sup> Resolution 21850 (approved June 2009) established the current licensing fees; however, an amendment was made by Resolution 22031 to add Residential/Commercial kennel/cattery license fee in June 2010.

<sup>3</sup> Late fee is applied for each year license is delinquent.

owner must show prior proof of vaccination. If unable to show prior proof of rabies vaccination, only a 1 year license will be issued.

If applying for a spay/neuter license, proof of surgery certificate must be attached with the application unless previously verified by past spay/neuter license purchase.

If applying for senior citizen reduced fee, a valid copy of driver’s license with date of birth must be provided.

## Pet License Revenue

Revenues received from RCDAS for issuance or renewal of pet licenses is remitted quarterly<sup>4</sup> to Finance – Treasury via electronic funds transfer (EFT) with Bank of America and recorded in the city’s financial system, IFAS. RCDAS provides a summary sheet with the quarterly animal license revenue amount and a detailed list for each month of the quarter that includes the following information:

- Type of license issued (spay/neutered vs. unaltered; one, two, or three year license; senior citizen, etc.);
- Quantity;
- Dollar amount;
- License tag number;
- Receipt number;
- Method of issuance (shelter or web licensing);
- Refunds; and
- Total Service Charges<sup>5</sup> - Web licensing.

Revenues received at PW Animal Services for issuance or renewal of pet licenses is manually processed via Finance – Treasury and recorded in IFAS. Actual revenue recorded for the past two fiscal years is noted in the following chart.

### Animal Services Revenues

Account Description	FY 2011-12	FY 2012-13
Animal Licenses - County	\$ 614,239	\$ 685,266
Animal Licenses – City Hall	29,575	35,834
Residential Kennel Permits	1,051	1,300
Animal Shelter – County	51,861	1,056
Animal License – Rev Experts	122,385	112,259
Animal License – Penalty – City Hall	6,928	12,439
<b>Total</b>	<b>\$ 826,039</b>	<b>\$ 848,154</b>

Source: IFAS GL Objects 321000, 321010, 321040, 321080, 321085, and 321091

<sup>4</sup> Prior to January 1, 2013, RCDAS remitted license fee to City Treasury monthly via EFT. Per the Third Amendment to the contract, effective October 2012, payments are to be remitted to the City quarterly.

<sup>5</sup> City is assessed a service charge (\$1.50) for each animal license issued through web licensing.

### **PW - Animal Services Administration**

Two PW – Animal Services staff is responsible for the day-to-day operations of accepting and reviewing applications for completeness and issuing animal licenses/tags; a supervisor and manager are assigned as backups when needed.

A resident completes the City of Riverside Animal License Application<sup>6</sup> and provides the supporting documentation required which determines their pet license<sup>7</sup> fee.

The license tag information is manually noted on the application. The application along with the form of payment (cash, check, credit card) is sent via tube system to City Treasury for processing; a copy of the application is retained for Treasury's records. The resident receives the yellow copy of the processed application along with the dog license tag. The pink copy of the application is retained and filed by PW – Animal Services.

A copy of each City of Riverside Animal License Application processed at City Hall is provided to RCDAS Licensing Inspectors twice weekly. RCDAS is responsible for scanning license information into their database as an image file. PW - Animal Services does not have lookup/read only access to the County's database (Chameleon).

Animal Services does not maintain a database for pet licenses issued at City Hall. There is no monthly/quarterly/annual reconciliation performed by Animal Services staff comparing the license applications and fees received to the related revenue accounts in IFAS. In our testing of fees recorded in IFAS to applications retained in PW- Animal Services, no variances were noted for GL Object 321010 (Animal Licenses – City Hall). GL Object 321091 (Animal License – Penalty – City Hall) has minor reconciliation differences due to citations paid at City Hall and posted to the penalty account in error.

### **Pet License Tags ~ Inventory Controls**

Per the contract with RCDAS, pet license tags (new and replacement) are provided by RCDAS. License tags come in a box of 100, sequentially numbered, individually wrapped; the box is labeled with the range of tag numbers. The license tag box is stored in a drawer behind PW – Animal Services front counter. An additional supply of license tags (boxes) is stored in a nearby cabinet. License tags are replenished by RCDAS when PW staff place an order, usually when half a box (originally containing 100 tags) has been used. Each month PW staff prepares a summary sheet from retained documents of the issued licenses tag numbers and total count (new vs. renewal); financial totals are not included in this summary process. Staff ensures license tags issued are accounted for (perform a physical inventory). According to staff no license tags have been unaccounted for to date. We reviewed current tag inventory on hand and found no issues.

We suggested Animal Services secure unissued license tags in a locked drawer/cabinet at the end of each day/weekends to further strengthen controls.

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<sup>6</sup> Pet license application is a tri-color carbon copy form (white – Treasury, yellow – Resident, and pink – PW).

<sup>7</sup> Copy of rabies vaccination, surgery certificate (spay/neutered), and senior citizen's driver's license (if applicable).

## CONCLUSION

Our review provides an independent assessment of the internal administrative practices/procedures and internal controls over revenue collection for pet licenses.

We found adequate internal controls with regard to receipt and recording of revenue and control of physical license tag inventory. Our review noted some minor observations not worthy of a finding; however, we believe there is opportunity for management to strengthen internal procedures and controls.

During our review, we met with Public Works management to discuss the review and our assessment. Comments and concerns during the discussion were evaluated prior to finalizing the report. No formal response to this report is required. We thank the staff of the Animal Services Division for their assistance and time during the course of this review.