

HERNANDO COUNTY CLERK OF CIRCUIT COURT
AUDIT SERVICES DEPARTMENT
BOARD OF COUNTY COMMISSIONERS
ANIMAL SERVICES DEPARTMENT
PETDATA CONTRACT COMPLIANCE AUDIT
FOLLOW-UP 1
MARCH 6, 2008

HERNANDO COUNTY CLERK OF CIRCUIT COURT
AUDIT SERVICES DEPARTMENT
MEMORANDUM

TO: Frank McDowell, Code Enforcement Director
Liana Teague, Animal Services Manager

VIA: Karen Nicolai, CPA, Clerk of Circuit Court

FROM: Peggy Prentice, CIA, CFE, CISA, Audit Services Director

DATE: March 6, 2008

SUBJECT: Board of County Commissioners' Animal Services Department,
PetData Contract Compliance Audit, Follow-Up 1

The Audit Services Department's (ASD) Audit Projects Schedule included a follow-up to the PetData Contract Compliance Audit Report issued March 20, 2006. Based on testing, observations, and communications with key personnel, the ASD produced the attached report for your review. Management's response to the recommendations is also included. A copy of this report has been forwarded to the Board of County Commissioners as an agenda "correspondence to note" item.

The purpose of this report is to furnish management independent, objective analyses, recommendations, counsel, and information concerning the activities reviewed. The audit report is a tool to help management discern and implement specific improvements. It is not an appraisal or rating of management.

Although the ASD exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

I would like to thank the Animal Services Department's and PetData's management and staff members for their cooperation during this project.

If you have any questions, concerns, or need additional information in regard to the above or the attached report, please do not hesitate to contact me at (352)540-6235, or just stop by my office in Room 201.

ATTACHMENT

copy: BOARD OF COUNTY COMMISSIONERS:

Chairman Christopher "Chris" Kingsley
Commissioner Diane Rowden
Commissioner Rose Rocco
Commissioner Dave Russell, Jr.
Commissioner Jeff Stabins
Larry Jennings, Interim County Administrator
George Zoettlein, Office of Management and Budget Director
Jon Jouben, Assistant County Attorney

CLERK OF CIRCUIT COURT:

Amy Gillis, CPA, Finance Director

OTHER:

Lori Nissen, CPA, Partner, KPMG
Hernando Today
St. Petersburg Times - Hernando Edition
WWJB Radio Station
Hernando County Public Library
Chris Richey, President, PetData

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Acknowledgement

Other minor findings, not included in this report, have been communicated to management and/or corrected during fieldwork. I thank the Animal Services Department's and PetData's management and staff members for their cooperation.

Original Audit Issued March 20, 2006:

Fieldwork was performed by Paul DuFour, Internal Auditor, and Peggy Prentice, Audit Services Director. Assistance was provided by Nancy Brown, Audit Administrative Assistant.

Management's response was provided by Frank McDowell, Code Enforcement Director, and it was authorized by Gary Kuhl, County Administrator.

Follow-Up 1 Report:

Fieldwork was performed by Peggy Prentice, Audit Services Director. Assistance was provided by Nancy Brown, Audit Administrative Assistant.

Management's response was provided by Frank McDowell, Code Enforcement Director, and was authorized by Larry Jennings, Interim County Administrator.

This report was reviewed and authorized by Karen Nicolai, CPA, Clerk of Circuit Court on March 5, 2008.

Purpose and Scope

PURPOSE

Address the degree of implementation of recommendations presented in PetData Contract Compliance Audit issued March 20, 2006.

SCOPE

The scope of work was limited to testing animal licensing data from June 1, 2007, through January 31, 2008. Some historical records were utilized for trend analysis. The ASD performed the following during fieldwork:

- Obtained an understanding of the current agreement between the County and PetData;
- Updated the work flow diagram to identify any significant changes to the general work process;
- Tested the status of implementation of the recommendations made in the original report; and
- Reported any identified and material areas of noncompliance.

SCOPE LIMITATION

The ASD did not review the contract for legal sufficiency.

Baseline

On October 7, 2003, PetData, a third party service provider, entered into a 36 month contract with the Board of County Commissioners. On March 23, 2006, the Board of County Commissioners exercised its 36-month renewal option. In these contracts, PetData agreed to administer the County's animal licensing function including billing, collections, and first level enforcement. All services under these agreements were to be coordinated (and performance evaluated) by the Animal Services Manager or her designated representative. PetData is to be paid solely on a per license basis.

Based upon sales reports obtained from Animal Services, in 2007, approximately 16,500 pet animal licenses were sold. There was approximately an 8% increase in sales in each of the last two consecutive years.

Animal licenses can be purchased from PetData either by mail or online, from the Animal Services Department, and from local veterinarians. Pet owners can also purchase replacement licenses if one is lost or stolen. Based upon historical records, 31% of animal licenses are purchased from PetData by mail, 5% from PetData online, 32% directly from Animal Services, and 32% from veterinarians. Less than 1% of animal licensing sales are for replacements.

The diagram on Page V depicts the general work flow as outlined in the County's contract with PetData. The work flow begins with a new pet (canine or feline) owner. The pet owner may or may not get the pet vaccinated. If the pet is vaccinated, it can be licensed. Unvaccinated pets are not licensable. When the vaccination record, if applicable, is forwarded from the veterinarian to PetData, PetData begins the animal licensing process. The sequence of events from vaccination or re-vaccination and animal licensing is repeated throughout the pet's life cycle or until the owner no longer resides in Hernando County.

The following "tagged" numbers which are listed on the work flow diagram, denote specific contract stipulations that were addressed or tested by the ASD during the 2006 (original) audit. In this follow-up audit, the ASD addressed only those items that required corrective action (these tags are highlighted in red).

TAGGED PROCESSING STEPS IN WORKFLOW DIAGRAM ON PAGE IV ARE AS FOLLOWS:

Contract Stipulations:

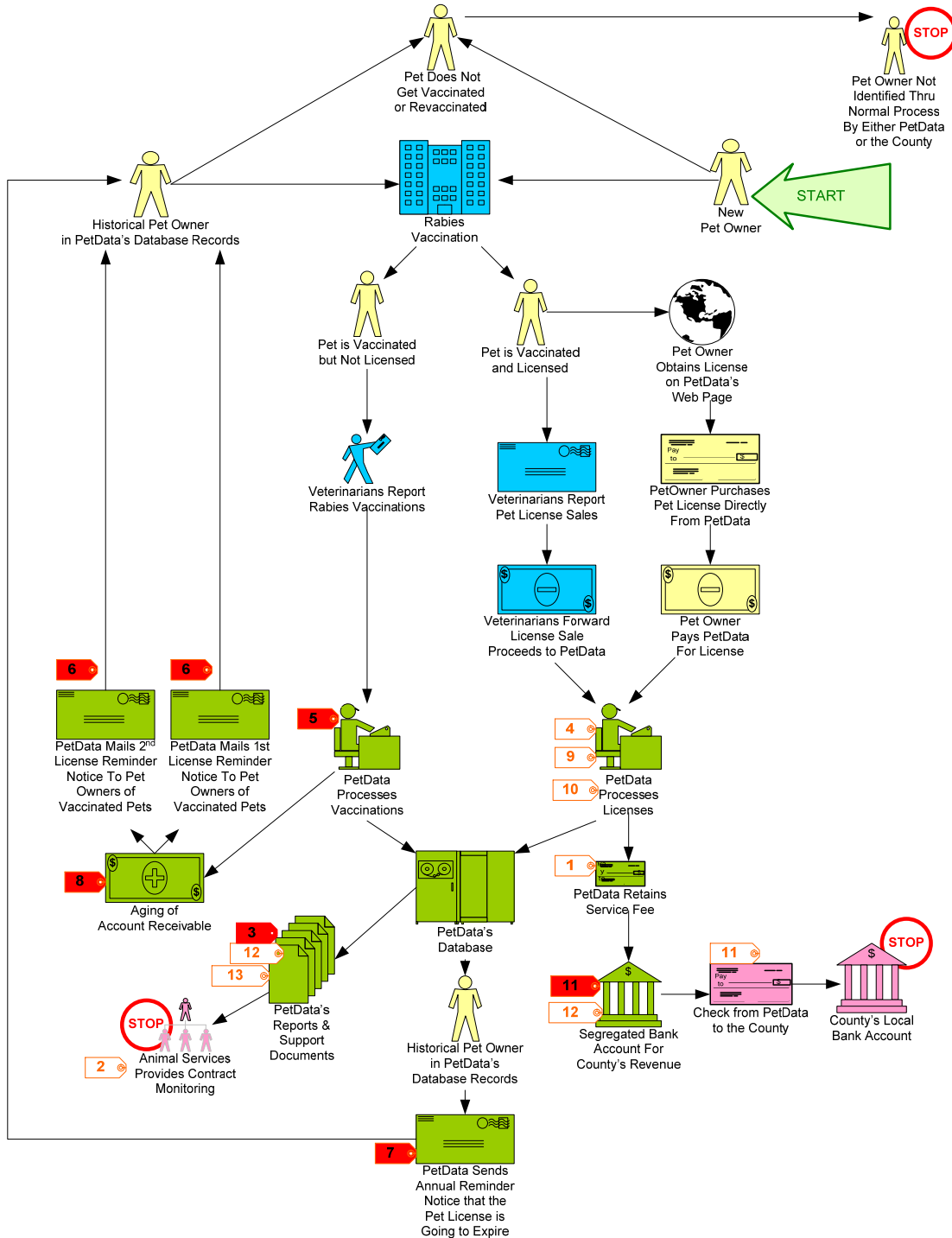
- 1** = Contract Stipulation 5, Licensing Fees
- 2** = Contract Stipulation 15, Insurance Requirements

Exhibit A Contract Stipulations:

- 3** = Contract Stipulation 5, Notification of Veterinarian Delinquency (Recommendation 1)
- 4** = Contract Stipulation 7, Recording of New and Renewal Licenses
- 5** = Contract Stipulation 8, Rabies Vaccination Data Input (Recommendation 2)
- 6** = Contract Stipulation 8, Reminder Notices (Recommendation 3)
- 7** = Contract Stipulation 9, Annual Remainder Notices (Recommendation 4)
- 8** = Contract Stipulation 10, Delinquent Pet Owners (Recommendation 5)

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- 9 = Contract Stipulation 11, Processing and Mailing License Tags
- 10 = Contract Stipulation 12, Issue Replacement Tags
- 11 = Contract Stipulation 13, Bank Deposits (Recommendation 6)
- 12 = Contract Stipulation 14, Monthly Report
- 13 = Contract Stipulation 15, Annual Reports



Executive Summary

During the 2006 audit, the ASD reviewed 13 essential stipulations in the PetData contract (identified in the work flow diagram on page iv). The ASD recommended that management consider six (6) corrective actions related to the following contract stipulations in the Agreement's Exhibit A:

- 1) Recommendation 1 - Scope of Services 5: Notification of Veterinarian Delinquency
- 2) Recommendation 2 - Scope of Services 9: Annual Reminder Notices
- 3) Recommendation 3 -Scope of Services 10: Delinquent Pet Owners
- 4) Recommendation 4 -Scope of Services 13: Bank Deposits
- 5) Recommendation 5 -Scope of Services 8: Rabies Vaccination Data Input
- 6) Recommendation 6 -Scope of Services 8: Reminder Notices

In this follow-up audit, the ASD tested contract compliance for these six stipulations and determined if management's corrective action, or lack of the same, alleviated the concerns. The ASD found that:

Recommendations 1, 4, and 6: Management's corrective action eliminated these concerns.

Recommendation 5: On March 28, 2006, the Board of County Commissioners directed Animal Services to no longer enforce pet licensing compliance. This action has enhanced the ASD's concern over a lack of animal licensing which goes hand-in-hand with rabies vaccination enforcement. This has the potential to negatively affect public health.

Recommendation 2: PetData agreed to comply with the contract requirement to enter rabies vaccination data within 30 days of receipt of that information. The ASD tested a sample of PetData animal licensing records and found only 86% of the pet records tested were in compliance with this contract stipulation. Therefore, the ASD recommends that consideration be given to monitoring the contract more closely for compliance.

Recommendation 3: It appears that in the spring of 2007, Animal Services management and PetData orally agreed on timeliness parameters for reminder notices. PetData agreed to mail the first reminder notice (blue postcard) within 30 days of entering the animal vaccination data. The ASD tested a sample of records and found that PetData was in compliance with this parameter.

PetData also agreed to mail a second reminder notice (yellow postcard) 60 days after mailing a first reminder notice (blue postcard) or within 60 days after a license expires if the pet owner was mailed an annual reminder notice (green postcard). The ASD performed tests of two data sets

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obtained from PetData. The first test revealed a 62% and the second test revealed a 93% non-compliance rate. During fieldwork, the Animal Services Manager discussed this concern with PetData and adjustments were made to the parameters. The Animal Services Manager communicated these new parameters to PetData in writing. Not enough time has passed to determine if these parameters will be efficient and effective. Therefore, consideration should be given to monitoring them for compliance. If/when the non-compliance rate reaches an unacceptable level, management should take corrective action to ensure PetData performs as desired.

DISCUSSION POINTS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

RECOMMENDATION 1

CONTRACT STIPULATION EXHIBIT A - SCOPE OF SERVICES 5: NOTIFICATION OF VETERINARIAN DELINQUENCY

ASD Discussion Point, March 2006: The ASD tested all ten veterinarians listed on PetData's December 13, 2005, delinquency report. Per PetData, these veterinarians were delinquent from one to seventeen months. Per the Animal Services Manager, four of these ten veterinarians may be listed in error as they may not have been required to report. Per the Animal Services Manager:

- ✚ Three of these veterinarians only occasionally hold vaccination clinics in Hernando County. Veterinarians are only required to report vaccinations to PetData if they vaccinate a pet that resides in Hernando County.
- ✚ One veterinarian claims to be in business in a limited fashion and plans to close the clinic.

Neither Animal Services nor PetData require veterinarians to report vaccinations or license sales unless the pet resides in Hernando County. There is no reporting mechanism to distinguish reportable events that went unreported from a lack of reporting due to no reportable events. Therefore, the ASD was not able to establish if these veterinarians were listed in error.

The ASD compared the test results listed above to *Contract Stipulation Exhibit A - Scope of Services 5 which states that PetData shall notify Animal Services of all veterinarians who are delinquent in submitting their monthly vaccination and/or sales reports, and upon request by Animal Services, notify the delinquent veterinarians.*

Per the Animal Services Manager, the only time PetData notified Animal Services of delinquencies was in the beginning of the contract when a few veterinarians were not submitting their vaccination reports and since then, PetData has been handling delinquencies. PetData cited that periodically, Animal Services requests information about delinquent veterinarians which PetData provides. PetData stated that it believes it is in compliance with the contract. However, PetData concurs that a better process needs to be developed immediately. PetData has agreed to send monthly reports to Animal Services showing any veterinarians who are delinquent in submitting reports.

There appears to have been a lack of communication and follow up regarding delinquent veterinarians. PetData should have informed Animal Services of the delinquencies in a timely fashion and Animal Services should have required monthly delinquency reports. Either PetData or Animal Services should have strongly encouraged veterinarians to report more timely. Vaccination reports are essential in protecting the public's health.

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ASD Recommendation 1, March 2006: Since Animal Services and PetData concur that a better and more timely process should be developed to strongly encourage veterinarians to comply with Florida Statutes 828.30, the ASD recommends an enhanced procedure be implemented as soon as is feasibly possible.

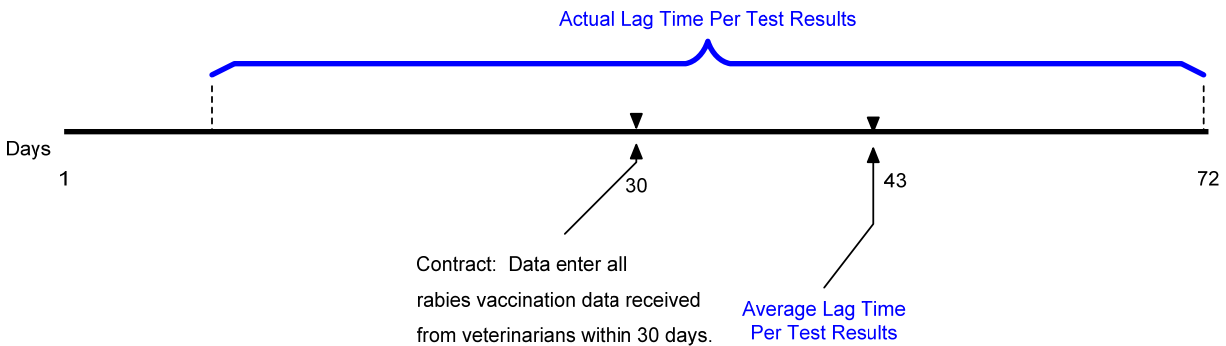
Management Response, March 2006: Animal Services and PetData have agreed on a monthly reporting system for delinquent veterinarians. This process eliminates communication gaps so that delinquencies can be addressed in a timely fashion. Projected Date of Implementation: Completed prior to issuance.

Management Response, January 2008: PetData reports delinquent veterinarians each month to Animal Services. They also make initial contact with the veterinarian to attempt to resolve the delinquency. If the veterinarian appears on the delinquent list for two consecutive months, Animal Services staff contacts the veterinarians to resolve the delinquency. This includes offering to pick up certificates from the veterinarians and mailing them to PetData.

ASD Follow-Up Comment, January 2008: The recommendation was implemented. Management took appropriate measures to encourage veterinarians to comply with Florida Statutes 828.30. On a monthly basis, PetData reports any delinquent veterinarians to Animal Services. Animal Services notifies these veterinarians.

RECOMMENDATION 2
CONTRACT STIPULATION EXHIBIT A - SCOPE OF SERVICES 8:
RABIES VACCINATION DATA INPUT

ASD Discussion Point, March 2006: The ASD requested PetData database information for a sample of 18 Hernando County pet owners. This data request included the date PetData received pet vaccination information from the veterinarian and the date PetData entered it into its proprietary database. PetData provided this information. It appears that 69% of the rabies vaccination records were updated with a lag time exceeding 30 days after receipt (lag time of 9 to 72 days). The ASD compared these test results to *Contract Stipulation Exhibit A - Scope of Services 8* which states that, *within 30 days of receipt, PetData shall enter all rabies vaccination data received from veterinarians into PetData's proprietary database.* Based upon testing, PetData is not in compliance with the contract stipulation stated above.



Per the Animal Services Manager and PetData, PetData's operating policies were changed to comply with the Animal Services Manager's verbal directive to slow down this process. This directive was given in an attempt to decrease the number of duplicate notices sent to pet owners who purchased licenses within 30 days of vaccination date. Prior to this directive, there was a frequency of cross mailings between the pet owner, veterinarians, and PetData which caused customer complaints. The Animal Services Manager and the Code Enforcement Director did not realize that this type of operational change to the contract needed the Board's approval.

ASD Recommendation 2, March 2006: Consideration should be given to complying with the contract as written. Since the PetData contract was authorized by the Board of County Commissioners, any amendment must be approved by the Board. Verbally amending any contract is not a good business practice.

Management Response, March 2006: PetData has agreed to comply with the contract requirement to enter rabies vaccination data within 30 days. Animal Services will not make any operational changes to the contract in the future. *Projected Date of Implementation: April 1, 2006.*

Management Response, Follow-Up 1, June 2007: To ensure that rabies certificates are entered within 30 days after they are received, PetData reported that, immediately following

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the audit, it began prioritizing billings batches by the received date. Animal Services has not made any changes to the contract since the audit.

ASD Discussion Point, Follow-Up 1, January 2008: Management decided not to amend the contract because PetData agreed to comply with the contract requirement to enter rabies vaccination data within 30 days of receipt of that information.

The ASD tested a random sample of 28 PetData pet licensing records (of pets vaccinated in 2007) and found that the lag time from when the vaccination record was received by PetData until it entered that information into its proprietary database was an average of 14 calendar days (ranging from 3 to 40 days). Four (or 14%) of the 28 pet records tested were not in compliance with the contract stipulation (data input exceeded 30 days). The remaining 86% were in compliance with the contract (data input in 30 or less days).

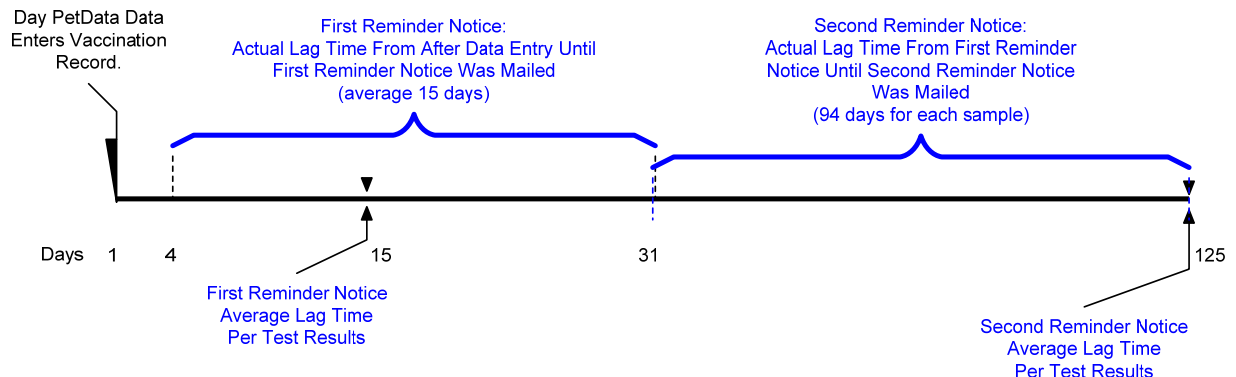
ASD Recommendation 2, Follow-Up 1, January 2008: Consideration should be given to monitoring the contract more closely for compliance and corrective action taken, as applicable.

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RECOMMENDATION 3
CONTRACT STIPULATION EXHIBIT A - SCOPE OF SERVICES 8:
REMINDER NOTICES

ASD Discussion Point, March 2006: As of December 2005, over 1,100 pet owners were delinquent and the aging of accounts receivable exceeded \$47,000. (For additional information, see the ASD's comments regarding testing of Contract Stipulation Exhibit A - Scope of Services 10: Delinquent Pet Owners.)

The ASD requested PetData's database information for a sample of 18 Hernando County pet owners. This request included the date PetData entered the vaccination record, the date PetData mailed the first reminder notice, if applicable, and the date PetData mailed the second reminder notice, if applicable. PetData provided this requested information. Based upon testing, first reminder notices are generally mailed timely from four (4) to 31 days after the vaccination record is updated in PetData's database. The second reminder notice is not as timely. Each pet owner in the test sample who was mailed a second reminder notice was mailed the notice 94 days after the first notice was mailed. This is not a good business practice as it makes it difficult to enforce delinquencies when too much time lapses.



The ASD compared the above test results to *Contract Stipulation Exhibit A - Scope of Services 8* which states that *PetData shall mail a reminder notice to any Hernando County citizen who has not purchased a Hernando County animal license. A second reminder notice shall be mailed to any citizen who has not responded to the first notice.* This contract stipulation does not clearly define the parameters for timeliness.

PetData appears to send first and second reminder notices which is in compliance with the contract stipulation listed above, but this process lacks timeliness and effectiveness.

ASD Recommendation 3, March 2006: Consideration should be given to amending the contract to define the parameters for timeliness (which per the Animal Services Manager were agreed upon during fieldwork). Once the parameters are established, management should monitor them for contract compliance. Since the PetData contract was authorized by the Board of County Commissioners, any amendment must be approved by the Board.

Management Response, March 2006: Animal Services and PetData defined the parameters for timeliness of the notices and PetData has agreed to mail all future reminder notices according to the defined parameters. *Projected Date of Implementation: April 1, 2006.*

Management Response, Follow-Up 1, June 2007: Animal Services and PetData agreed to mail the first notice within 30 days of entry and the second (or past due) notice 30 days after the blue notice. According to PetData, they are printing and mailing first notices every two weeks and checking for second notices every week. Second notices are not always mailed on a weekly basis depending upon the number of notices.

ASD Discussion Point, Follow-Up 1, January 2008: Per management's response, Animal Services and PetData verbally agreed that PetData would mail first reminder notices (blue postcards) within 30 days after PetData enters any rabies vaccination information and a second reminder notice (yellow postcard) 30 days after the first reminder notice (blue postcard). During fieldwork, the ASD requested a copy of these agreed upon parameters. Management was not able to provide a written document.

During fieldwork, it was determined that management's response contained a misstatement. Per the Animal Services Manager and PetData, the actual agreed upon parameter for the second reminder notice (yellow postcard) is 60 days after mailing a first reminder notice (blue postcard) or within 60 days after a license expires if the pet owner was mailed an annual reminder notice (green postcard). The ASD performed testing on these agreed upon parameters.

The ASD selected a random sample of 28 PetData animal licensing records (of pets vaccinated in 2007) and performed two (2) tests.

Test 1 – Calendar Days from Vaccination Data Input to Mailing the First Reminder Notice (Blue Postcard): Sixteen (16) of the 28 sample items were removed from testing because mailing a first reminder notice (blue postcard) was not applicable. Of the 12 items remaining in the sample, the ASD found that the lag time from when PetData data input the vaccination record until the first reminder notice (blue postcard) was mailed ranged from 3 to 29 calendar days. No compliance concerns were identified during testing, the 12 items were in compliance with the agreed upon parameter of 30 or less days from vaccination record data input to mailing of the first reminder notice (blue postcard).

Test 2: Calendar Days from First Reminder Notice (Blue Postcard) or Annual Reminder Notice (Green Postcard) to Second Reminder Notice (Yellow Postcard): The ASD performed tests of two data sets obtained from PetData.

The first test was from the same sample of items as above. Fifteen (15) of the 28 sample items were removed from testing because mailing a second reminder notice (yellow postcard) was not applicable or the prior license expired before the parameters were agreed upon. Of the 13 items remaining in the sample, only five (or 38%) were in compliance with the agreed upon parameter for the second reminder notice (yellow postcard) to be mailed 60 days after

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mailing a first reminder notice (blue postcard) or within 60 days after a license expires if the pet owner was mailed an annual reminder notice (green postcard).

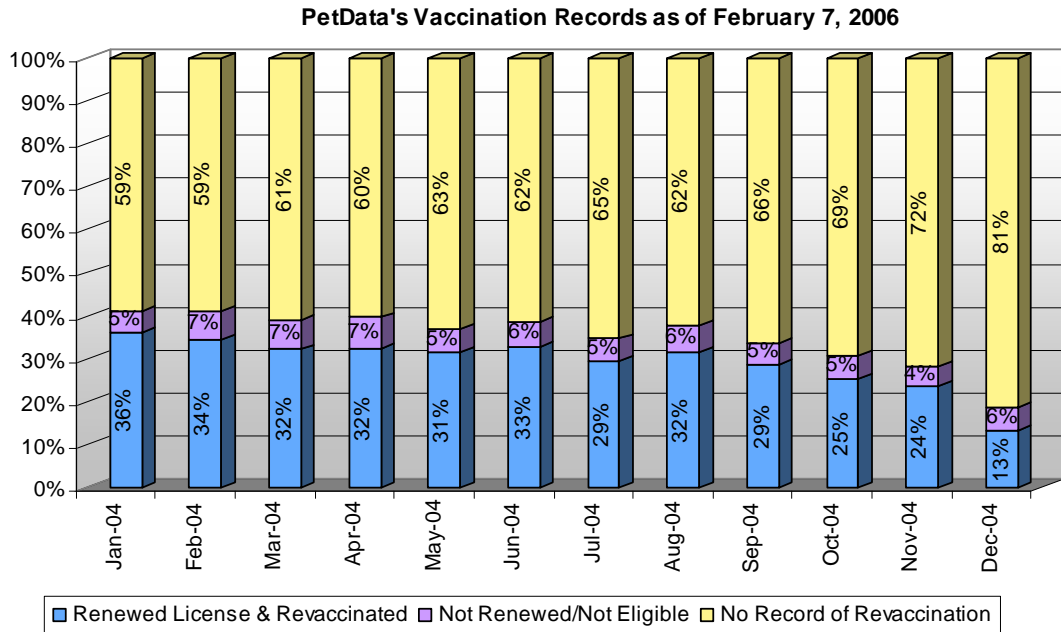
Per management's request, an additional test was performed from a different data set. A random sample of 25 PetData vaccination records received in July 2007 were chosen for testing. PetData provided information from its database. Of the 25 items in this sample, 10 did not require mailing of a second reminder notice (yellow postcard) or the licenses expired prior to implementation of the parameters and, therefore, were removed from testing. Of the 15 items remaining in the sample, one (or 7%) was in compliance with the agreement; the second reminder notice (yellow postcard) was mailed within 60 days after the first reminder notice (blue postcard) was mailed or within 60 days after the prior license expired (for a pre-existing pet owner).

Since the first test revealed a 62% and the second test revealed a 93% non-compliance rate. The Animal Services Manager took immediate corrective action by discussing this concern with PetData. Adjustments were made to the parameters to make them more feasible. The Animal Services Manager communicated these new parameters to PetData in writing. Not enough time has passed to determine if these parameters will be efficient and effective and what, if any, impact they may have on collections.

ASD Recommendation, Follow-Up 1, January 2008: To ensure compliance with contract stipulations (or other agreed upon timeliness parameters), consideration should be given to monitoring them for compliance (enhancing management's oversight control). If/when the non-compliance rate reaches an unacceptable level, management should communicate with the service provider in writing and take corrective action to ensure PetData performs as desired.

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2. The “no record” category may be slightly understated because pets may not have been re-vaccinated on time, thus skewing the figures for November and December.



PetData’s annual reminder notice to the pet owner is the first step in the rabies revaccination enforcement process. The graph above shows that the lack of annual reminder notices is resulting in a decline in the number of pets that are revaccinated. For example: of the pets that were vaccinated in January 2004 (and should have been revaccinated in January 2005), 59% were still not revaccinated as of February 7, 2006. This increases to 66% in September. The last quarter data (October through December) may be skewed due to processing lag-time between veterinarians and PetData. The revaccination records may not have been received and processed by PetData prior to February 7, 2006. By not mailing annual reminder notices, pet owners (that are delinquent in having their pets revaccinated) are not receiving any contact from PetData and are, therefore, less likely to revaccinate their pet. By not effectively enforcing pet owners to revaccinate their pets timely, the County may face a public health hazard (i.e., a rabies outbreak) not to mention the lost pet licensing revenue.

If mailing annual renewal notices is re-implemented, it is anticipated that PetData will follow up with pet owners who do not comply with rabies vaccinations and/or pet licensing with first and second notices and also report non-compliance to the Animal Services Department. During fieldwork, PetData and the Animal Services Manager reported that they have begun to work closely together to re-implement the renewal notification process by mid to late March 2006.

ASD Recommendation 4, March 2006: Consideration should be given to following through with reestablishing the annual reminder notice process as soon as is feasible. This will provide a basis for enforcing vaccination and licensing compliance with a larger portion of the pet owner population. The County will benefit by enhancing its protection of public health and it will increase license fee revenue.

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Management Response, March 2006: Management concurs. *Projected Date of Implementation: June 1, 2006.*

Management Response, Follow-Up 1, June 2007: PetData began mailing annual reminder notices in March 2007 and Animal Services has begun to see customers bringing these notices into the office to purchase licenses.

ASD Discussion Point, Follow-Up 1, January 2008: Consistent with the recommendation, in March 2007, the annual reminder notice process was reestablished. This has provided a basis for enforcing vaccination and licensing compliance with a larger portion of the pet owner population.

To test for contract compliance, the ASD selected a random sample of 28 PetData animal licensing records (of pets vaccinated in 2007). Seventeen of these items were removed from the sample because mailing an annual notice was not applicable. Of the 11 items remaining in the sample, the ASD found that 10 (or 91%) were in compliance with the contract stipulation and one (or 9%) was not in compliance. This is not considered an unacceptable failure rate.

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RECOMMENDATION 5

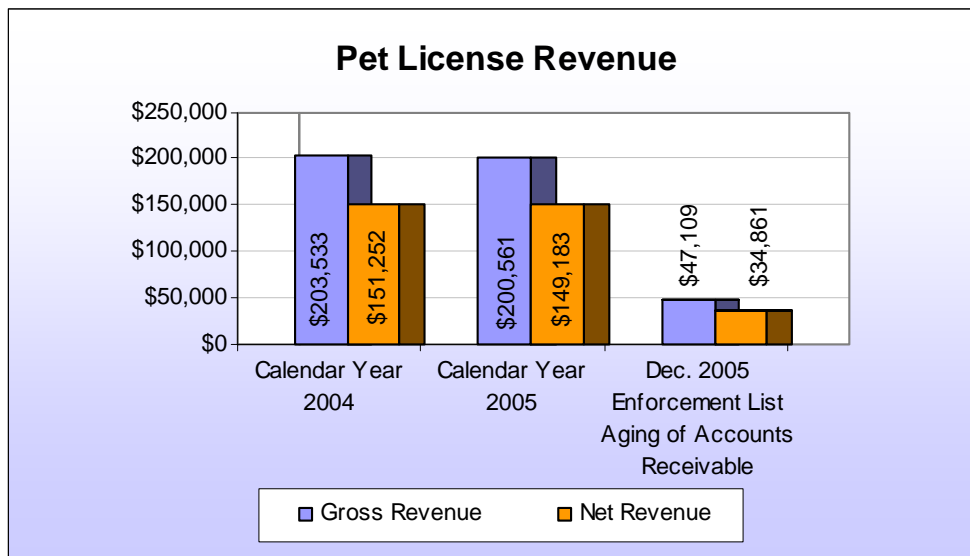
CONTRACT STIPULATION EXHIBIT A - SCOPE OF SERVICES 10:
DELINQUENT PET OWNERS

ASD Discussion Point, March 2006: The ASD requested from PetData its June 2005 sixty (60) Day Outstanding/Expirations Report and two Enforcement Lists. The ASD interviewed the Animal Services Manager. Test results were compared to *Contract Stipulation Exhibit A - Scope of Services 10* which states that, *PetData shall notify Animal Services of all delinquent pet owners who have not responded to reminder notices and are at least 60 days delinquent in purchasing their animal licenses. Notification reports shall be sorted by zip code, city, and street address. If geographical details are available and provided by the County, PetData shall provide additional reports of unlicensed pets by geographical area.* It appears that PetData is in compliance with the above referenced contract stipulation.

Although PetData appears to be in compliance, the ASD identified an aging of accounts receivable concern. PetData's June 2005 sixty (60) Day Outstanding/Expirations Report lists 795 pet owners whose license expired in June and were not in compliance as of September 1, 2005.

In addition, it appears that each month PetData sends Animal Services an Enforcement List (a living document which lists any pet owners who have been sent at least two late notices and have not responded within 60 days of their last notice).

The December 2005 Enforcement List shows 1,117 pet owners (or 8% of PetData's pet owner population) and shows \$47,109 in aged accounts receivable. The County's net pet licensing revenue during calendar year 2005 was \$149,183 (or 74% of gross revenue) so the potential to increase net revenue by \$34,861 (74% of \$47,109) is material. To obtain a historical perspective, the ASD compared mid-year to end-of-year reports and found that the number of delinquent pet owners and the aged accounts receivable balance slightly increased from May to December 2005.



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It should be noted that Enforcement Lists encompass only those responsible pet owners whose pet was vaccinated/revaccinated but have failed to renew their pet license. It does not encompass pet owners who failed to vaccinate/revaccinate their pet which has the potential of negatively affecting public health.

Since Enforcement Lists only include those pet owners who have vaccinated/revaccinated their pet, the non-revaccinated revenue source has been essentially untapped. This is because the trigger point for pet licensing is veterinarian vaccination reports not the expiration of the pet license.

ASD Recommendation 5, March 2006: Consideration should be given to utilizing Enforcement Lists to enforce pet license compliance. Consideration should also be given to enforcing compliance by irresponsible pet owners who have allowed their pet's vaccination to expire. The ASD recognizes the difficulty in identifying the unvaccinated pet population but utilizing PetData's historical data to identify pets that were not revaccinated will be a step in the right direction. Enforcing pet licensing on only responsible pet owners is not a good business practice and will create negative public perception. (Per management, PetData and Animal Services are working together to implement an enhanced process.)

Management Response, March 2006: Animal Services and PetData are working together to re-implement the mailing of annual reminder notices to pet owners whose vaccinations are expiring. This process will specifically target those pet owners whose pets need to be re-vaccinated. *Projected Date of Implementation: June 1, 2006.*

Management Response, Follow-Up 1, June 2007: PetData began mailing annual reminder notices in March 2007 and Animal Services has begun to see customers bringing these notices into the office to purchase licenses.

ASD Discussion Point, Follow-Up 1, January 2008: Contrary to the recommendation, but consistent with the Board of County Commissioners' directive, Animal Services does not utilize PetData's 60 Day Outstanding/Expirations Report or any other reports to enforce animal license compliance.

On March 28, 2006, the Board of County Commissioners directed Animal Services to no longer enforce pet licensing compliance. PetData was directed to continue to notify pet owners when their animal license is about to expire (via annual, first, and second reminder notices) or when a pet owner who vaccinated his/her pet does not purchase a license. However, if that pet owner chooses not to purchase a license, that owner will not be fined by Code Enforcement as long as the pet does not escape or create a problem. Per the Animal Services Manager, if the unlicensed pet gets caught creating a problem, then the license requirement is enforced at that time and there will be a 20 day compliance (grace) period.

Consistent with the contract stipulation, PetData's past due notification report, 60 Day Outstanding/Expirations Report dated July 2007, is sorted by zip code, city, and street address.

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PETDATA CONTRACT COMPLIANCE AUDIT, FOLLOW-UP 1

This report lists 817 past due animal licenses. This is slightly higher than PetData's June 2005 Report which listed 795 pet owners.

Per the Animal Services Department's webpage, "proper licensing is essential to ensure compliance with rabies vaccination and to reduce the potential for rabies outbreak in our community...In addition to rabies control, licensing encourages responsible pet ownership." The ASD continues to be concerned over a lack of animal licensing which goes hand-in hand with rabies vaccination enforcement. This has the potential to negatively affect public health.

RECOMMENDATION 6

CONTRACT STIPULATION EXHIBIT A - SCOPE OF SERVICES 13:

BANK DEPOSITS

ASD Discussion Point, March 2006: The ASD interviewed the Animal Services Manager and reviewed monthly bank statements, bank deposit slips, and checks from veterinarians. The ASD addressed if PetData was in compliance with *Contract Stipulation Exhibit A - Scope of Services 13* which states that, *PetData shall deposit all receipts collected for license fees into a separate sub-account set up solely for the purpose of managing the County's animal licensing funds. PetData shall send payment to Animal Services within 15 business days after the end of every month, along with a copy of the most current check register and bank statement for the month.*

Test results indicate that PetData deposited license fee funds into a separate PetData sub-bank-account set up solely for the County's funds. However, based upon PetData's calculations, the average time lapse from when PetData received the license fees to when the funds were deposited into the segregated sub-account was 16.5 business days (ranging from 2 to 34 business days). Good business practices dictate that funds should be deposited daily, or at the very least, weekly.

Consistent with the above stated stipulation, in 67% of the test sampled, PetData forwarded revenue from its segregated sub-account to the County within 15 business days after the end of the month.

At the end of fieldwork, PetData cited that it had made processing changes and the time lapse from cash receipts until bank deposit is three (3) days. Not enough time passed for the ASD to test this newly implemented procedure.

Per the Animal Services Manager, PetData does not send copies of the monthly bank statements and check registers. (The purpose for requiring PetData to forward monthly bank statements and check registers is to provide management with the tools needed to monitor the County's pet license revenue.) When it was brought to the Animal Services Manager's attention that the contract requires PetData to provide these documents, the Animal Services Manager contacted PetData and requested all prior bank statement and check register documents. PetData complied and the documents were received by the end of fieldwork.

Recommendation 6, March 2006: Good business practices dictate that funds should be deposited daily, or at the very least, weekly. PetData cited that it has taken corrective action to ensure bank deposits are made every three days. The County should consider closely monitoring bank deposits for contract compliance.

Animal Services should utilize the information on the bank statement and check register to monitor PetData's handling of County funds. Monitoring and oversight controls are the best defense against misappropriation of County assets. Contracts with third party vendors require continuous monitoring to ensure contract compliance, and complete and accurate recordkeeping.

BOARD OF COUNTY COMMISSIONERS' ANIMAL SERVICES DEPARTMENT
PETDATA CONTRACT COMPLIANCE AUDIT, FOLLOW-UP 1

Management Response, March 2006: Management concurs. *Projected Date of Implementation: May 1, 2006.*

Management Response, Follow-Up 1, June 2007: A review of the bank statements and check registers for March through May 2007 showed that deposits were made every 1 to 7 days.

ASD Discussion Point, Follow-Up 1, January 2008: It appears that management has established reasonable monitoring controls to monitor the lag time from pet owner payment to bank deposit.

The ASD tested a sample of bank deposit records (May and June 2007) for compliance with the contract stipulation that states that, "*PetData shall deposit all receipts collected for license fees into a separate sub-account set up solely for the purpose of managing the County's animal licensing funds. PetData shall send payment to Animal Services within 15 days after the end of every month, along with a copy of the most current check register and bank statement for the month.*"

Test results indicate that PetData deposited receipts collected for animal license fees into a separate sub-account set up solely for the purpose of managing the County's animal licensing funds. Consistent with contract stipulations, PetData sent payments to Animal Services within 15 (business) days after the end of each month. In addition, PetData sent a copy of the most current check register and bank statement for that month. Bank deposits were made timely. On a monthly basis, an Animal Services supervisor: reviews these documents to ensure contract compliance then records the sales and revenue information; reviews the data to ensure that revenue is not being held too long before it is bank deposited; and monitors the bank deposits by comparing the PetData record to the ACH report obtained from the Clerk of Circuit Court's Finance Department. No material concerns were identified during testing.