

HERNANDO COUNTY CLERK OF CIRCUIT COURT
AUDIT SERVICES DEPARTMENT
BCC's ANIMAL SERVICES DEPARTMENT
PETDATA CONTRACT COMPLIANCE
MARCH 20, 2006

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, CISA, Audit Services Director

DATE: March 20, 2006

SUBJECT: BCC's Animal Services Department, PetData Contract Compliance

The Audit Services Department's (ASD) Audit Projects Schedule included a compliance review of the Board of County Commissioners' contract with PetData. This audit was requested by the Code Enforcement Director and the Animal Services Manager to measure contract compliance. The ASD tested a select sample of contract stipulations. Based on testing, observations, and communications with key Animal Services and PetData personnel, the ASD has produced the attached report for your review. Management's response to the recommendations is also included. A copy of the 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. Specific areas for improvement are addressed in this report.

I would like to thank the Animal Services Department's management and staff members for their cooperation during this audit. I would also like to thank PetData's management and staff members for not only their cooperation, but also for working closely with the Animal Services Manager to implement immediate enhancements to their processes.

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 COMMISSION:

Commissioner Christopher "Chris" Kingsley
Commissioner Hannah "Nancy" M. Robinson
Chairperson Diane Rowden
Commissioner Robert C. Schenck
Commissioner Jeff Stabins
Gary Kuhl, 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, 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 management and staff members for their cooperation.

Fieldwork was performed by: Paul DuFour, Internal Auditor
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

Management's response was authorized by: Gary Kuhl, County Administrator

This report was reviewed and authorized by Karen Nicolai, Clerk of Circuit Court, on March 17, 2006.

Purpose and Scope

PURPOSE

The purpose of this project was to address PetData's compliance with its service contract with the County.

SCOPE

The scope of work was limited to testing data from November 1, 2003, to February 1, 2006. The ASD performed the following during fieldwork:

- Obtained an understanding of the agreement between the County and PetData;
- Flow charted the general work flow;
- Requested PetData's most current external financial audit report;
- Selected a sample of 13 stipulations for compliance testing. These stipulations were considered the critical components of the contract;
- Tested PetData's compliance with the sampled stipulations; and
- Reported any identified and material areas of noncompliance.

SCOPE LIMITATION

The ASD did not review the contract for sufficiency.

BASELINE

PetData entered into a 36 month agreement with the County on October 7, 2003. PetData, a third party service provider, agreed to administer the County's pet licensing function including billing, collections, and first level enforcement. All services under this agreement were to be coordinated under, and performed to the reasonable satisfaction of, the Animal Services Manager or her designated representative. The initial term of the agreement commenced on November 1, 2003, and will expire on September 30, 2006. One 36 month renewal option may be exercised based on the mutual acceptance of PetData and the County. PetData is to be paid solely on a per license basis. The fee per license ranges from \$0.00 to \$3.50. The agreement is located in Appendix A.

Gross pet licensing revenue decreased 1% from 2004 to 2005. On average, the County paid PetData 26% of gross revenue for services rendered as shown in the table below. Per the Animal Services Manager, the slight decrease in gross revenue may be the affects of selling three (3) year licenses in a prior year. The entire three (3) year licensing fee is booked in the year it is received.

	Calendar Year 2004	Calendar Year 2005	Dollar Increase or Decrease From Prior Calendar Year	Percent Increase or Decrease From Prior Calendar Year
Gross Revenue	\$203,533	\$200,561	-\$2,972	-1%
Less Fees to PetData	\$52,281	\$51,378	-\$903	-2%
License Revenue to Hernando County	\$151,252	\$149,183	-\$2,069	-1%
Net Revenue as a Percent of Gross	74%	74%		0%

License revenue to Hernando County includes: revenue retained by shelter, postage applied for clinic sales, refunds, and uncollected non sufficient funds.

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 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 pet licensing process. The sequence of events from vaccination or re-vaccination and pet licensing is repeated throughout the pet's life cycle or until the pet no longer resides in Hernando County.

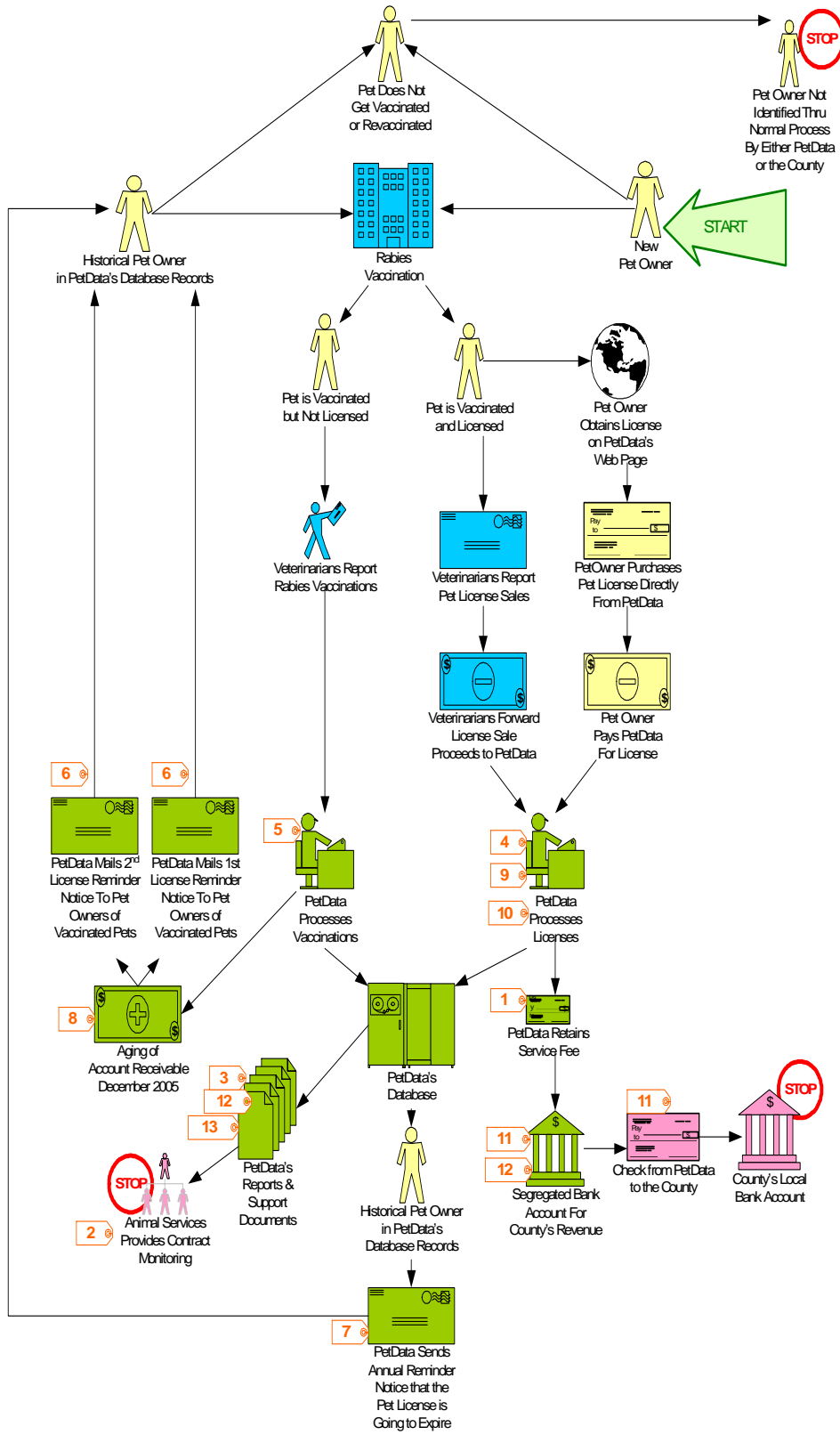
The following "tagged" numbers which are listed on the work flow diagram, denote specific contract stipulations that were addressed or tested by the ASD during this audit project.

BCC's Animal Services Department
PetData Contract Compliance

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

- 1 = Contract Stipulation 5, Licensing Fees, tested at page 1
- 2 = Contract Stipulation 15, Insurance Requirements, tested at page 2
- 3 = Contract Stipulation 5, Notification of Veterinarian Delinquency, tested at page 3
- 4 = Contract Stipulation 7, Recording of New and Renewal Licenses, tested at page 4
- 5 = Contract Stipulation 8, Rabies Vaccination Data Input, tested at page 5
- 6 = Contract Stipulation 8, Reminder Notices, tested at page 6
- 7 = Contract Stipulation 9, Annual Remainder Notices, tested at page 7
- 8 = Contract Stipulation 10, Delinquent Pet Owners, tested at page 9
- 9 = Contract Stipulation 11, Processing and Mailing License Tags, tested at page 11
- 10 = Contract Stipulation 12, Issue Replacement Tags, tested at page 12
- 11 = Contract Stipulation 13, Bank Deposits, tested at page 13
- 12 = Contract Stipulation 14, Monthly Report, tested at page 14
- 13 = Contract Stipulation 15, Annual Reports, tested at page 15

BCC's Animal Services Department PetData Contract Compliance



DISCUSSION POINTS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSE

CONTRACT STIPULATION 5: LICENSING FEES

The ASD tested fees charged to the County as disclosed in PetData's monthly detail reports for the months of June through September 2005. The ASD compared these fees to *Contract Stipulation 5* which states that *PetData shall be paid solely on a per license basis as follows:*

- \$3.50 Per license for a one-year license.
- \$0.00 Per license for each disability service animal or law enforcement animal.
- \$0.00 Per license for each license issued in conjunction with an adoption.
- \$3.50 For each replacement tag.
- \$2.50 Of each late fee collected during the term of Agreement.
- \$2.00 For each additional year of a multi-year license, if applicable.

No material concerns were identified during testing. It appears that PetData is charging the County the correct licensing fees as per the contract stipulation listed above.

BCC's Animal Services Department
PetData Contract Compliance

CONTRACT STIPULATION 15:
INSURANCE REQUIREMENTS

The ASD obtained a copy of PetData's certificate of insurance. The ASD compared PetData's insurance coverage to *Contract Stipulation 15*, which states that *PetData shall procure, pay for, and maintain during the term of this agreement with a company authorized to do business in the State of Florida, the minimum insurance coverage required by the County of its service providers. Said insurance shall be evidenced by delivery to the County of a certificate(s) of insurance executed by the insurers listed coverage and limits, expiration dates and terms of policies and all said policies. The minimum insurance requirements of \$1,000,000 of general liability insurance shall remain in effect throughout the term of this contract covering independent contractor, contractual premises/operations, and personal injury covering the liability assumed under indemnification provisions of this contract, with limits of liability for personal injury and/or bodily injury, including death.*

At the time of testing, the County did not have PetData's certificate of insurance (COI) on file. During fieldwork, Animal Services requested the COI from PetData which was received promptly. The ASD reviewed this COI for contract compliance. It appears that PetData is in compliance with Contract Stipulation 15. During fieldwork, Animal Services forwarded the PetData agreement and the COI to Risk Management, the department responsible for tracking insurance compliance.

BCC's Animal Services Department
PetData Contract Compliance

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

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.

Recommendation: 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.

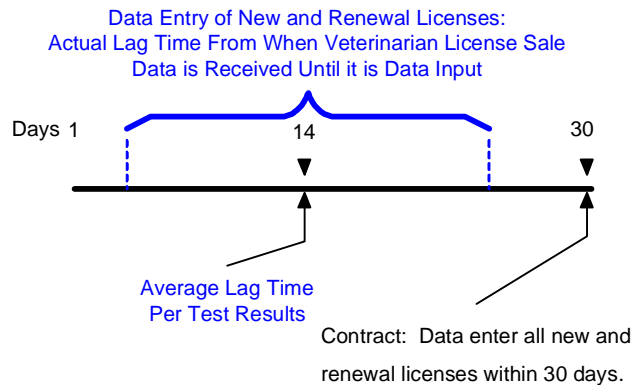
Management Response: Animal Services and PetData have agreed on a monthly reporting system for delinquent veterinarians. This process eliminates communication gaps so that delinquencies can be addressed in a timely fashion. *Projected Date of Implementation: Completed prior to issuance.*

BCC's Animal Services Department
PetData Contract Compliance

CONTRACT STIPULATION EXHIBIT A - SCOPE OF SERVICES 7:
RECORDING OF NEW AND RENEWAL LICENSES

The ASD reviewed PetData's Veterinarian Report Summaries for the months of June through September 2005. The ASD compared test results to *Contract Stipulation Exhibit A - Scope of Services 7* which states that *PetData will enter all new and renewal licenses into PetData's proprietary database within 30 days provided that all information has been submitted to PetData in a complete and accurate format. In the event that essential data is missing, PetData shall make a reasonable effort to obtain the data from the veterinarian or authorized registrar.*

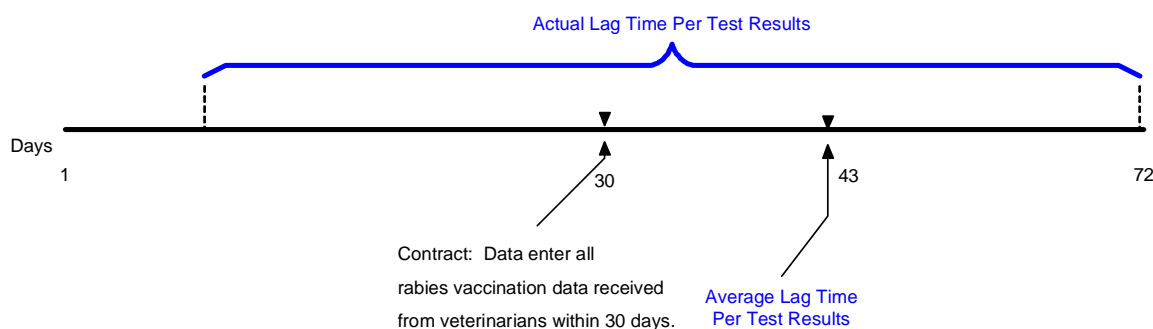
Based upon test results, it appears that PetData is in compliance with the contract stipulation stated above. The average time lapse from when PetData receives the appropriate veterinarian information until it is data input into PetData's database is 14 days (ranging from 3 to 25 days).



BCC's Animal Services Department
PetData Contract Compliance

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

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.

Recommendation: 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.

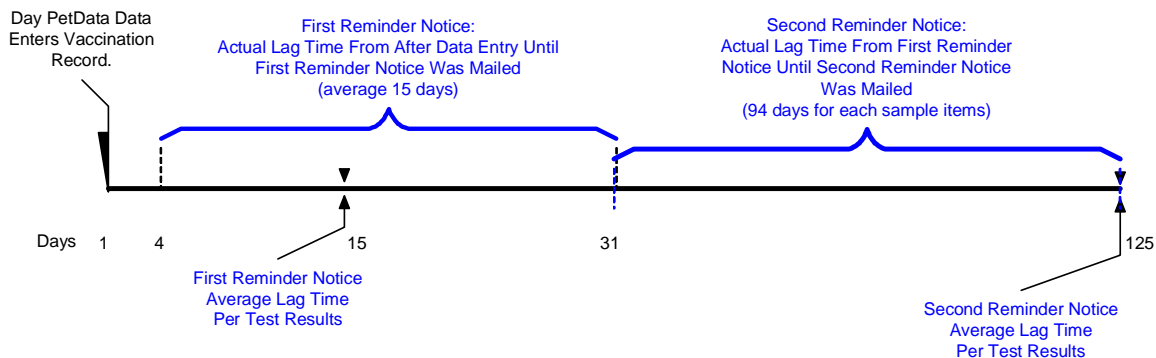
Management's Response: PetData has agreed to comply with the contract requirement to enter rabies vaccination data within 30 days. Animal Services will not make any operational changes to the contract in the future. *Projected Date of Implementation: April 1, 2006.*

BCC's Animal Services Department
PetData Contract Compliance

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

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.

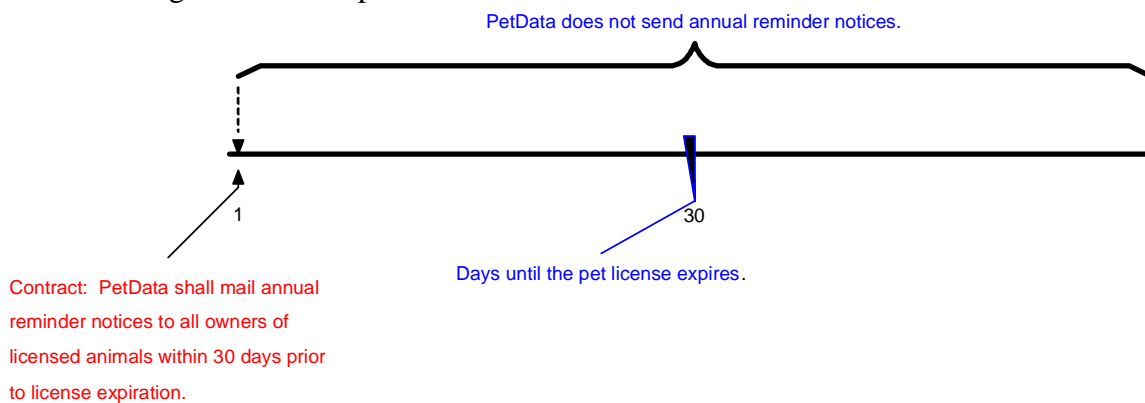
Recommendation: Consideration should be given to amending the contract to define the parameters for timeliness (which per the Animal Services Manager were agreed upon during fieldwork). Once the parameters are established, management should monitor them for contract compliance. Since the PetData contract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

Management's Response: 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.*

BCC's Animal Services Department
PetData Contract Compliance

CONTRACT STIPULATION EXHIBIT A - SCOPE OF SERVICES 9:
ANNUAL REMINDER NOTICES

Contract Stipulation Exhibit A - Scope of Services 9 states that PetData shall mail annual reminder notices to all owners of licensed animals in Hernando County within 30 days prior to the expiration date of their Hernando County animal licenses or utilize an alternative time frame for mailing notices that is mutually agreed upon. To obtain an understanding of this process, the ASD interviewed the Animal Services Manager. The Manager stated that she verbally directed PetData to discontinue sending annual reminder notices. PetData complied with her directive and therefore, PetData is not in compliance with the above referenced contract stipulation. The Animal Services Manager and the Code Enforcement Director did not realize that they needed the Board's authorization to change an operational contract stipulation. Verbally amending any contract is not a good business practice.



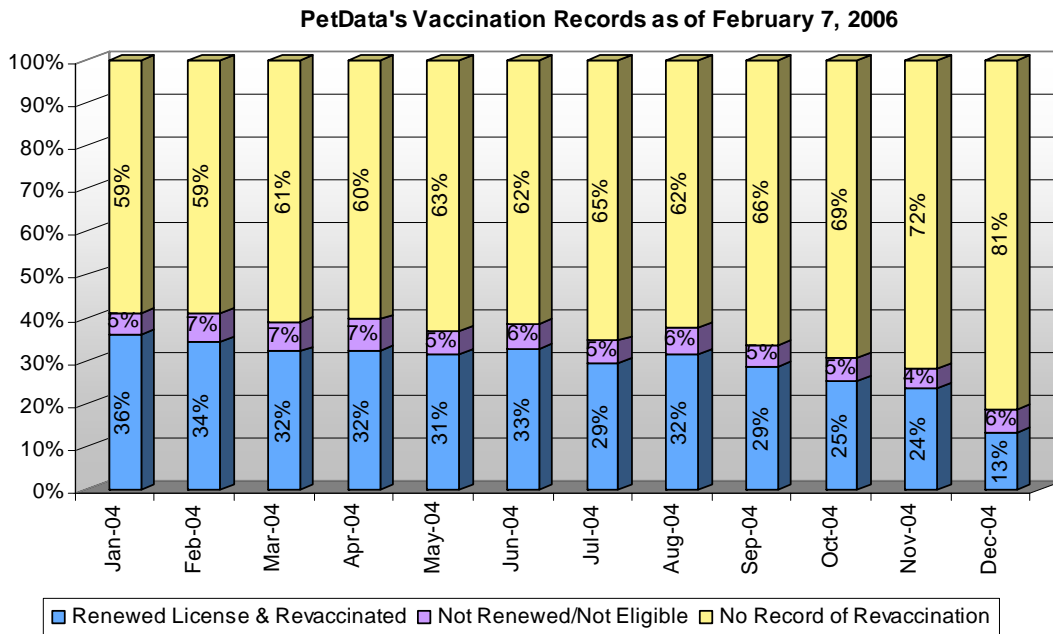
Because annual notices were discontinued and because PetData sends delinquency reminder notices to only those Hernando County pet owners responsible enough to have had their pet(s) vaccinated, those pet owners with unvaccinated pets are not being subjected to enforcement action (re-vaccination and licensing). The exception is if an Animal Services Officer identifies the unvaccinated and/or unlicensed pet during performance of normal job duties (i.e., responding to a dog bite, animal abuse case, etc.) PetData is able to identify owners of unvaccinated or unlicensed pets by utilizing its database records.

The graph below shows the number of pets that PetData identified as vaccinated and licensed in 2004 which have been either: re-vaccinated (renewed), become deceased or have switched ownership and may no longer reside in Hernando County (not renewed/not eligible), or their vaccination has expired but PetData has no record of the re-vaccination (no record).

Per PetData, the graph below may be slightly skewed due to the following:

1. PetData estimates that the actual number of non-renewals is between 10% and 12% because it may not have been notified of a pet's death or of switching of ownership.
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.

**BCC's Animal Services Department
PetData Contract Compliance**



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.

Recommendation: 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.

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

**BCC's Animal Services Department
PetData Contract Compliance**

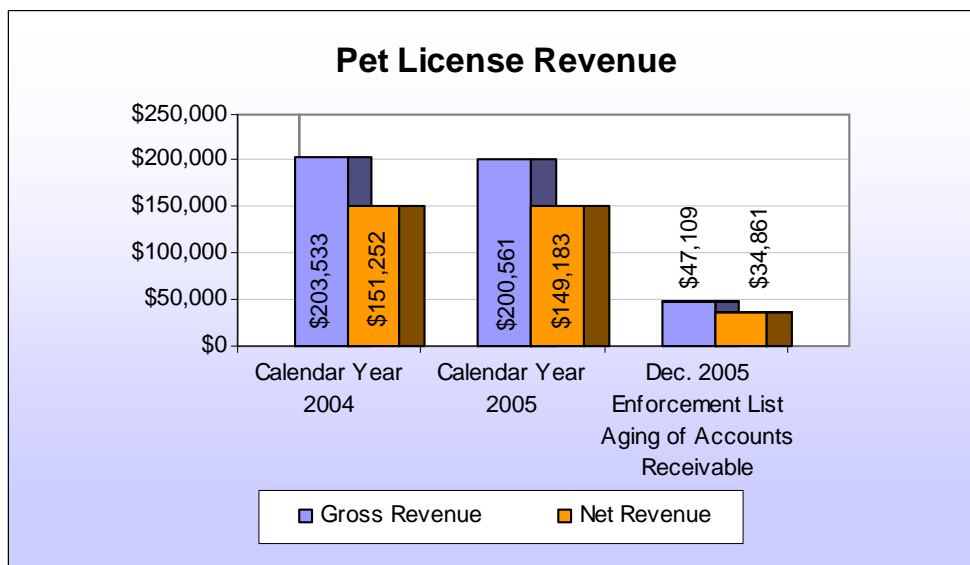
**CONTRACT STIPULATION EXHIBIT A - SCOPE OF SERVICES 10:
DELINQUENT PET OWNERS**

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.



BCC's Animal Services Department
PetData Contract Compliance

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.

Recommendation: 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's Response: 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.*

BCC's Animal Services Department
PetData Contract Compliance

CONTRACT STIPULATION EXHIBIT A - SCOPE OF SERVICES 11:
PROCESSING AND MAILING LICENSE TAGS

The ASD obtained from PetData, database records of 70 Hernando County pet owners who purchased pet licenses between July 27th and October 14th, 2005. The ASD performed tests to address if PetData was in compliance with *Contract Stipulation Exhibit A - Scope of Services 11* which states that, *PetData shall process and mail license tags to pet owners within ten business days after receipt of the licensing payment and complete documentation as required by local ordinance*. Test results indicate that 92% of the time, PetData was in compliance with the above referenced contract stipulation. However, all of the pet owners tested after August 12, 2005, were in compliance. In late summer PetData recognized a processing weakness and took corrective action.

BCC's Animal Services Department
PetData Contract Compliance

CONTRACT STIPULATION EXHIBIT A - SCOPE OF SERVICES 12:
ISSUE REPLACEMENT TAGS

The ASD reviewed four monthly License Summary Reports (June through September 2005) and compared the test results to *Contract Stipulation Exhibit A - Scope of Services 12* which states that *PetData shall issue replacement tags to citizens whose license tags have been lost, stolen or damaged*. The License Summary Reports indicate that PetData replaces tags and it is in compliance with the above referenced contract stipulation.

BCC's Animal Services Department
PetData Contract Compliance

CONTRACT STIPULATION EXHIBIT A - SCOPE OF SERVICES 13:
BANK DEPOSITS

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: 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.

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

BCC's Animal Services Department
PetData Contract Compliance

CONTRACT STIPULATION EXHIBIT A - SCOPE OF SERVICES 14:
MONTHLY REPORTS

The ASD reviewed four of PetData's monthly financial reports (June through September 2005) and compared these monthly reports to *Contract Stipulation Exhibit A - Scope of Services 14* which states that, *PetData shall provide monthly reports to Animal Services. Format of these reports is to be mutually agreed upon, but should include a report of animals licensed and a report of financial transactions for the month. A report of animals licensed shall be detailed and totaled by species, sterilization status, vendor, and payment category. A report of financial transactions shall be detailed and totaled by the number of licenses sold in each payment category by each vendor including PetData and Animal Services, the total late penalty fees, the total fees collected and/or outstanding from each vendor, the total licenses sold in each category, the total amount of fees actually collected by PetData, the total amount of fees collected by Animal Services, the fees due to PetData for the month, and the fees due to the County for the month.* It appears that PetData is in compliance with the above referenced contract stipulation.

BCC's Animal Services Department
PetData Contract Compliance

CONTRACT STIPULATION EXHIBIT A - SCOPE OF SERVICES 15:
ANNUAL REPORTS

The ASD interviewed the Animal Services Manager to address if PetData is in compliance with *Contract Stipulation Exhibit A - Scope of Services 15* which states that, *PetData shall provide annual reports containing the same information as the monthly reports, summarized and totaled by year, and include a comparison to at least one prior year, not including the initial year of the contract.*

The contract's effective date was November 1, 2003, so the first full calendar year was 2004. The first calendar year which PetData could have provided a comparison to at least one prior year, not including the initial year of the contract was to compare 2004 to 2005. In January 2006, PetData provided Animal Services with an annual report which compared calendar year 2004 to 2005. This report appears to be in compliance with the above referenced contract stipulation.