

INTERNAL AUDIT REPORT

2021-06

Animal Care and Control Center Cash Controls

Anchorage Health Department

August 26, 2021

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MUNICIPALITY OF ANCHORAGE
MAYOR DAVE BRONSON

INTERNAL AUDIT DEPARTMENT

August 26, 2021

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2021-06, Animal Care and Control Center Cash Controls, Anchorage Health Department**. A brief summary of the report is presented below.

In accordance with the 2021 Audit Plan, we have completed a cash control audit at Animal Care and Control Center. The objective of this audit was to determine whether Animal Licensing and Placement Services had adequate controls in place over cash and credit transactions, and if these controls complied with Municipal Policy and Procedure 24-1, *Collecting, Securing, Depositing and Reporting Cash*. To accomplish our objective, we performed a surprise cash count. In addition, we reviewed documents from January 2020 to June 2021 to verify that deposits were made timely and reviewed cash documents for completeness to ensure that the revenues were properly recorded in the Municipality of Anchorage's SAP system. Finally, we verified compliance with other requirements of Policy and Procedure 24-1.

Based on our review, we found that Animal Care and Control Center generally complied with Policy and Procedure 24-1 and had well organized documentation to support cash deposits. However, Animal Care and Control Center staff did not always deposit cash and checks on a daily basis and did not send cash documents to the Treasury Division on a daily basis. Finally, unscheduled cash counts and reconciliations for each cashier were not regularly conducted.

There were two findings in connection with this audit. Management was responsive to the findings and recommendations.

Michael Chadwick, CIA, CICA
Director, Internal Audit



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Introduction. The Municipality of Anchorage (Municipality) currently provides animal care and control services through a contract with Animal Licensing and Placement Services, LLC (Contractor). The 2021 contract totals \$2,294,932. The Contractor has operated the Animal Care and Control Center (Animal Control) since 1999 and is responsible for providing personnel, supplies, and equipment to perform the required animal control services. In 2020, the Contractor collected \$408,912 in revenue from animal license fees, animal shelter fees, animal drop-off fees, and fines. The Anchorage Health Department administers the contract.

Objective and Scope. The objective of this audit was to determine whether Animal Control had adequate controls in place over cash and credit transactions, and if these controls complied with Municipal Policy and Procedure (P&P) 24-1, *Collecting, Securing, Depositing and Reporting Cash*. To accomplish our objective, we performed a surprise cash count. In addition, we reviewed documents from January 2020 to June 2021 to verify that deposits were made timely and reviewed cash documents for completeness to ensure that the revenues were properly recorded in the Municipality's SAP system. Finally, we verified compliance with other requirements of P&P 24-1.

We conducted this performance audit in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit was performed during the period of May through June 2021. The audit was requested by the Administration.

Overall Evaluation. Our review found that Animal Control generally complied with P&P 24-1 and had well organized documentation to support cash deposits. However, Animal Control staff did not always deposit cash and checks on a daily basis and did not send cash documents to the Treasury Division (Treasury) on a daily basis. Finally, unscheduled cash counts and reconciliations for each cashier were not regularly conducted.

FINDINGS AND RECOMMENDATIONS

1. Animal Control Staff Did Not Always Comply with Some Requirements of P&P 24-1.

a. Finding. Animal Control staff did not always comply with some requirements of P&P 24-1. Non-compliance with applicable policies and procedures may weaken the cash control environment and may result in undetected losses and misappropriations. Specifically, we found the following:

- *Bank Deposits Not Always Made Daily* – Animal Control staff did not always deposit cash and checks on a daily basis. Specifically, we found 45 instances where bank deposits were not made daily; instead, the deposits were made from two days to seven days late for these instances. Policy and Procedure 24-1 states that “cash received is immediately secured, accounted for, and deposited on a daily basis....” According to the Contractor, they were limited on staff that could take the deposits to the bank and management was not always available to verify the deposit.
- *Cash Documents Not Submitted Daily* – Animal Control staff did not send cash documents to Treasury on a daily basis as required by the Municipality’s Cashier Guide, which is supplemental to P&P 24-1. Specifically, between January 1 and June 1, 2021, no cash documents were submitted daily; instead, the cash documents were late from 3 days to 16 days and submitted to Treasury in batches. In some cases, delays may have been related to a reduction in interoffice mail

services due to the COVID-19 pandemic. The Municipality's Cashier Guide states that "The cash journal must be completed and sent to Treasury on a **DAILY** basis...." According to the Contractor, cash documents were submitted late since they did not always have management available to review the cash document prior to the submission. A similar finding was noted in Internal Audit Report 2010-11.

- b. **Recommendation.** The Contract Administrator should ensure that Animal Control staff adhere to daily cash document and bank deposit requirements in P&P 24-1 or obtain, if necessary, an exception from the Chief Fiscal Officer.
- c. **Management Comments.** Management stated, "Concur, Management agrees that bank deposits were not always made daily and cash documents were not always submitted to Treasury daily as required in P&P 24-1. The Anchorage Health Department (AHD) has taken corrective action by requesting and receiving an exception to the daily deposit and daily cash document submittal requirements in P&P 24-1 from the Chief Fiscal Officer (CFO). AHD addressed the requirements outlined in the exception from the CFO with the Anchorage Animal Care and Control Contractor. The Contractor has informed relevant staff of the requirements. The Contractor will continue to maintain internal daily processes to ensure cash control."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. **Unscheduled Cash Counts Not Performed.**

- a. **Finding.** Unscheduled cash counts and reconciliations for each cashier were not regularly conducted as required by P&P 24-1. Specifically, our review revealed that an unscheduled cash count was last conducted in November 2019 and had not been conducted since then. In addition, the unscheduled cash counts performed were done incorrectly, as Animal Control staff counted cash, but did not count checks or reconcile

credit card transactions. Policy and Procedure 24-1 states that, “several times throughout the year, the supervisor of each collection location shall perform an unscheduled cash/check count and reconciliation for each cashier.” Moreover, P&P 24-1 defines cash as “All payments received by a cashier including currency, coins, checks, debit cards, credit cards, electronic payments (i.e. EFT, ACH) and any other types of negotiable instruments.” Unscheduled cash counts are a deterrent to reduce errors, fraud, and theft by the cash handling staff. A similar finding was noted in Internal Audit Report 2010-11.

- b. **Recommendation.** The Contract Administrator should ensure that Animal Control staff perform unscheduled cash counts as required by P&P 24-1.
- c. **Management Comments.** Management stated, “Concur, Management agrees unscheduled cash counts should be performed and documented as required by P&P 24-1. AHD has taken corrective action and addressed the requirement for unscheduled cash counts with the Anchorage Animal Care and Control Contractor. A supervisor will conduct periodic cash counts and document findings several times each year. Two unscheduled cash counts have already been performed since the time the internal audit finding was shared with AHD.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on July 1, 2021.

Audit Staff:
Dalton Benson