



City of Chattanooga

Stan Sewell
Director

INTERNAL AUDIT
City Hall
Chattanooga, Tennessee 37402

Ron Littlefield
Mayor

August 7, 2012

Mayor and City Council
City of Chattanooga
Chattanooga, TN 37402

RE: Post Audit Review of Animal Care Trust Contract, Audit 11-02

Dear Mayor Littlefield and Council Members:

On October 19, 2011, the Internal Audit Division released an audit on the Animal Care Trust Contract. We performed certain procedures, as enumerated below, with respect to activities of the McKamey Animal Care and Adoption Center in order to render a conclusion on the status of the recommendations made as a result of that audit.

This Post Audit Review consisted principally of inquiries of City personnel, contractor personnel and examinations of various supporting documentation. It was substantially less in scope than an audit in accordance with generally accepted government auditing standards. The evidence obtained provided a reasonable basis for our conclusions; however, had an audit been performed, other matters might have come to our attention that would have been reported to you and our conclusions may have been modified.

Audit 11-02 concluded that 1) the contractor did not comply with all terms of the contract, and 2) the contractor appears to have adequate internal controls, operations, and governance.

The audit contained 9 recommendations that addressed the audit's findings. Based on the review performed, we concluded that three (3) recommendations were implemented, one (1) was partially implemented and five (5) were not implemented.

Recommendations Implemented

*We recommended (**Recommendation 2**) the contractor, with the assistance of the City Representative and City Attorney, request a change to the ordinance which removes the requirement to sell pet license tags to local veterinarians. If City Code is changed, we recommended future agreements require unused tags be returned to McKamey for reconciliation*

purposes. If Council approval is not obtained, we recommended the contractor sell the annual licenses to the veterinarians as required by City Code.

The contractor, with the assistance of the City Representative, has discussed various changes to both the animal control ordinance and contract. According to the contractor, the resale of pet license tags to local veterinarians will be addressed in the new ordinance. The City Attorney's office anticipates presenting the updated ordinance to City Council in August 2012.

Since the audit, the contractor has not entered into any agreements with local veterinarians to resell pet license tags.

We recommended (Recommendation 3) the contractor, with the assistance of City Administration, consider utilizing two possible options to increase compliance with City licensing requirements: 1) obtain rabies records from Hamilton County Health Department, and 2) stricter penalties and increased enforcement.

According to the contractor and City Representative, numerous attempts were made to obtain the rabies records from the Hamilton County Health Department. Both stated the County has not been cooperative.

Given restrictive laws related to fines and the lack of support by the City Court system, the contractor relies heavily on education via media outlets to encourage compliance. However, we noted a minimal increase in compliance (less than 0.82%) between 2011 and 2012 (using January through June for comparison purposes).

We recommended (Recommendation 6) the contractor report monthly surcharge revenues as part of their monthly billing statement as required by contract.

The contractor is properly reporting the monthly surcharge revenues as part of their monthly billing statement.

Recommendations Partially Implemented

We recommended (Recommendation 9) that McKamey provide the rabies vaccination without fee (as required by contract) once the pet has reached the proper age. Further, we recommended McKamey develop procedures, specifically for the pets that leave the shelter without a rabies vaccine, for tracing compliance with the rabies vaccination and city licensing.

Currently, the contractor has made no changes to provide the rabies vaccination (as part of the adoption fee) for adopted pets that are less than three months of age. According to McKamey's Director, once the new contract is in place, adopters will pay a \$10 refundable deposit fee. The adopter can either 1) receive the rabies vaccine at the adoption center during the Wednesday rabies clinic (\$10 deposit fee will cover the vaccine charge), or 2) receive a refund of the deposit fee upon proof of rabies vaccination.

The contractor has implemented follow-up procedures to verify adopted pets have received a

rabies vaccination and city license, when required.

Recommendations Not Implemented

*We recommended (**Recommendation 1**) that the contractor obtain approval from City Council to waive licensing fees under the "Differential Licensing Incentive" program. Further, if approval is not obtained, the contractor should collect license fees in accordance with City Code.*

The contractor did not obtain Council approval for the license fee waivers under the Differential Licensing Incentive. Further, we reviewed the City licenses sold between January and June 2012 and noted 273 free licenses were issued, a significant increase in comparison with calendar years 2009 (23 free license) and 2010 (89 free licenses); and the six month period January through June 2011 (55 free licenses). McKamey's Director stated the increase was largely due to the Bully Blockade program. The contractor did not receive Council approval for waiving fees as part of this initiative.

*We recommended (**Recommendation 4**) City Administration (along with the City Attorney) review the contract terms and determine if the contractor should reimburse the City for the city fees collected and not remitted to the City.*

The City Representative stated the City Attorney has not been consulted regarding city fees collected and not remitted to the City by the contractor. The contractor continues to maintain all such fees.

*We recommended (**Recommendation 5**) revenues generated from the license fees be used exclusively to fund a free or low cost spay/neuter program targeted to low income and special needs residents. Further, we recommended McKamey partner with local veterinarians to perform the service and eligibility be determined using other public assistance programs (i.e. Medicaid) to reduce the administrative burden of the program.*

A new contract is pending execution that will eliminate this requirement. However, the current contract states the contractor must use revenue generated from license fees exclusively to fund a free or low cost spay/neuter program. Currently, the contractor has no such program.

*We recommended (**Recommendation 7**) City Administration review and update the contract terms.*

According to the City Representative, the contract terms have been updated and negotiated with the contractor. However, due to delays in the City Attorney's Office, the contract is pending execution.

*We recommended (**Recommendation 8**) that McKamey have city related fees established and approved by City Council, as required by contract. Alternately, McKamey could request a change to the contract removing the requirement to receive Council approval for rates not established by ordinance.*

The contractor did not obtain Council approval for established fee rates, as required by the current contract. The new contract will remove the requirement to receive Council approval for every rate change. It is unknown when the contract will be finalized.

We thank the City Representative and McKamey personnel for their assistance in conducting this review. We will consider this report to be final unless directed to continue our review.

Sincerely,



Stan Sewell, CPA, CGFM
Director of Internal Audit

cc: Dan Johnson, Chief of Staff
Audit Committee Members
Marie Chinery, City Representative
Karen Walsh, Executive Director