I. EXECUTIVE SUMMARY

In this review, we examined accountability of reported cash collections, the adequacy of internal control procedures, and compliance with City cash handling policies at Animal Services. Additionally we performed an inventory of all controlled substances at the facility and reviewed control procedures over these substances. We accounted for all reported cash receipts within the test period and for all controlled substances purchased during the fiscal year ended June 30, 2010. Additionally, the results of this review indicate adequate internal control procedures over the Animal Services operations and, in general, compliance with City cash handling policies. However, we noted the following findings that require management attention to improve control over the inventory of controlled substances and ensure compliance with prescribed policies.

- OPI noted that Animal Control personnel do not conduct a biennial inventory of all controlled substances on hand. Federal regulations require that veterinarians perform a biennial inventory of all controlled substances and that they keep the inventory on file in the case of an audit.

- OPI noted that there are no specific controls in place for the prescription drug Propofol. Although Propofol is not a controlled substance, it is an intravenously administered agent that has the potential for misuse. Based on the potential misuse of this drug, Animal Services personnel should utilize the same controls over Propofol that they use for controlled substances.

- OPI noted that all of the controlled substances in the clinic area are kept in a locked metal cabinet. Animal Services personnel could enhance security over these drugs if they stored only inventory needed for the upcoming week in this cabinet and stored excess inventory in a more secure area such as a safe. This would minimize the impact to the department in the event of an internal theft or external break-in.

II. BACKGROUND, OBJECTIVES AND SCOPE

A. Assignment

The Office of Public Integrity routinely examines cash collection procedures and related internal controls at various City locations. The Rochester Police Department requested this review.

B. Background

Animal Services responds to animal related complaints, impounds unleashed animals, euthanizes sick and abandoned animals, issues summonses for unlicensed animals, and temporarily houses stray animals. Additionally, it provides veterinary care for impounded animals and makes unclaimed dogs and cats available for public adoption. The City of Rochester assumed the operation of Animal Services from the Humane Society and assigned the responsibility of day-to-day operations to the Police Department on July 1, 2000.

Cash collections result from animal license sales, redemption and adoption fees, and deposits required by City Code or State law. Animal Services also collects fees for rabies vaccinations and emergency veterinary services. Additionally, Animal Services accepts charitable contributions from citizens to the Animal Control Gifts Fund.

Animal Services maintains an inventory of veterinary supplies used in the care of impounded animals and the euthanasia of sick and abandoned animals. These supplies include several controlled substances including Ketamine, Somnasol, Fatal Plus (Pentobarbital), Morphine, Telazol, Butorphanol and Diazepam. Animal Services personnel record purchases of controlled substances and quantities used on "Controlled Substance Administered/Dispensed Log Sheets". These logs serve as a perpetual inventory record.

C. Objectives and Scope

The objectives of the review were to determine whether Animal Services has adequate cash collection procedures in place that comply with City Cash Collection Policies, to determine that they can account for cash collections and, to determine that controls over the inventory of controlled substances are adequate. Additionally, we performed a physical inventory of controlled substances to determine that the perpetual inventory records accurately reflect the actual quantities on-hand. The scope of this review included cash receipts and corresponding records applicable to fees and contributions collected at Animal Services for the month of April 2010 and, all controlled substances purchased during the 2010 fiscal year.

Management is responsible for establishing and maintaining a system of internal accounting and administrative control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and

that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of accurate, informative reports that are fairly stated.

Because of inherent limitations in any system of internal accounting and administrative control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any system evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

The recommendations presented in this report include the more significant areas of potential improvement that came to our attention during the course of the examination, but do not include all possible improvements that a more extensive review might develop.

III. RESULTS OF REVIEW

The results of this review indicate that, in general, internal controls are adequate, revenue is adequately reported and deposited in a timely manner and, the City's Cash Collection Policies and procedures are followed. Additionally, we were able to account for all controlled substances purchased during the fiscal year ended June 30, 2010. However, we noted the following findings that require management attention to improve administrative and internal controls and to ensure compliance with prescribed policies.

A. Inadequate Controls Over Controlled Substances And Propofol

OPI noted non-compliance with federal regulations and control weaknesses related to the inventory of controlled substances. These include:

1) The clinic area of Animal Services performs all surgical procedures that take place at the facility. Animal Services personnel store the entire supply of controlled substances for this area in a double lock metal door cabinet. Animal Services personnel could enhance security over these substances if they only keep a limited supply of them in this cabinet and store excess supplies in a more secure area such as a safe. This would minimize the impact to the department in the event of an internal theft or external break-in.

2) Federal mandates and Article 33 of the New York State Controlled Substances Act require that veterinarians perform a biennial inventory of all

controlled substances and that they keep the inventory on file in the case of an audit. OPI noted that Animal Services personnel have not been performing a biennial inventory of controlled substances.

3) Animal Control personnel maintain a supply of non-controlled prescription drugs at the facility. Controls over these prescription drugs are not as stringent as the controls over the controlled substances. For example, Animal Services personnel do not maintain log sheets for non-controlled prescription drugs and they perform monthly inventories for ordering purposes only. OPI noted that one of the non-controlled drugs is Propofol. Although Propofol is not a controlled substance, it is an intravenously administered agent that has the potential for misuse. Based on the potential misuse of this drug, Animal Services personnel should utilize the same controls over Propofol that they use for controlled substances.

- Recommendation

We recommend that:

1) In the clinic area, Animal Services store controlled substances not needed for the upcoming week in a safe.

2) Animal Services should immediately conduct a physical inventory of controlled substances and keep the inventory on file as required by federal mandates. Although federal regulations require that veterinarians perform a biennial inventory of all controlled substances every two years, OPI recommends that Animal Services do this at least annually.

3) Animal Services should follow the same control procedures for Propofol that they utilize for controlled substances. This should include that Animal Services record purchases of Propofol and quantities used on "Controlled Substance Administered/Dispensed Log Sheets" and that they count the quantity on hand as part of physical inventories.

IV. DEPARTMENT RESPONSE

The response of the Police Department follows.