



MEMO

OFFICE OF THE INTERNAL AUDITOR

To: All County Council Members and Executive Pollitt,
From: Steve Roser, CPA, and David Fitzgerald
Date: October 29, 2012
Re: Wicomico County Animal Control

Message:

In closed session on July 17, 2011 Council Members asked some questions concerning the Humane Society:

1. How are the funds contributed to the Humane Society by the County spent?
2. Does some method exist to determine specifically how the County contributed portion of the Society's revenue was disseminated?
3. What is the nature and substance of the contract with the Town of Delmar to share a compliance officer?

IA requested the financial statements from FY2011 and FY2012 from PKS (PKS had previously forwarded the FY2010 financials). PKS forwarded the request to David Fitzgerald who communicated with IA indicating that the FY2012 financials had not been completed (this was confirmed by PKS). On 10/1/2012 David Fitzgerald delivered a copy of the FY2012 Humane Society financials and a copy of a Memorandum of Understanding (MOU) with the Maryland Mayor and Commissioners of Delmar, the Mayor and Council of Delmar (Delaware), and the Humane Society. The FY2011 financials were again requested and Mr. Fitzgerald indicated there was no copy in his files. Finally, in a communication dated 10/22/2012, Mr. Fitzgerald indicated that PKS prepared IRS form 990 for 2011. No financials were prepared. Mr. Fitzgerald also provided a budget report for Animal Control for FY2012 as an illustration (please see Appendix I).

A synopsis of the income and expenses for the Humane Society for the last three years follows:

Public Support and Revenues	<u>FY2010</u>	<u>FY2011¹</u>	<u>FY2012</u>
Wicomico County	250,758	247,555	200,000
City of Salisbury	67,311	67,311	64,162
Contributions	218,718	114,235	192,235
Fees/Sales	181,243	154,070	174,921
Investments	81,081	660	11,990
Other	88	-	-
Total Revenue	799,199	583,831	643,308
Expenses			
Program	(581,429)	(555,772)	(579,980)
Management	(52,854)	(69,557)	(42,062)
Fundraising	(4,632)	(14,270)	(45,651)
Total Expenses	(638,915)	(639,599)	(667,693)
Change in net assets	<u>160,284</u>	<u>(55,768)</u>	<u>(24,385)</u>
Endowment funds	279,682	N/A	331,058

It appears from available information that the County's share of the total revenue averages around 35%. There is no indication from the available financial information as to what specific expenses were paid with County funds. IA received a draft cost center report prepared by management to help further demonstrate the breakout of revenue and expenses (please see Appendix I).

The Delmar (MD) Town Commissioners and the (DE) Town Council delegated authority for animal control to Wicomico County Animal Control via a Memorandum of Understanding (MOU) dated August 27, 2012.

Quarterly payments breakout follows:

Delaware	\$ 13,200
Maryland	<u>\$ 8,800</u>
Total	\$ 22,000

The allocation is to cover all costs for animal control for the Town of Delmar including:

- Personnel hours
- Associated benefits, insurances, etc. for patrol
- Administrative expenses
- Animal care
- Vehicle, fuel, and maintenance
- Animal control equipment

¹ Estimated from a trial balance and IRS form 990, not the compiled financials

The towns maintain a holding facility and a workspace with computer access. The Towns intend to adopt the Wicomico County Animal Control Code. Additionally the MOU contains standard indemnification and hold harmless language. The agreement is reviewed annually as part of the budget process and may be terminated with ninety days written notice. A copy of the MOU is available upon request.

Management Response:

Thank you for the opportunity to provide you with information needed to answer the County Council questions. We supplied the IRS-990 forms for the last two years with a copy of the financial report that is prepared by our accounting firm, PKS and Company.

1. How are the funds contributed to the Humane Society spent? These are divided into two purposes: Animal Control and Sheltering. Pursuant to Sections 133-2 and 133-20 the Animal Control Authority receives all of its operational funding from the County budget. This includes personnel, equipment, utilities, and vehicle expenses. Secondly, the County funds 60% of the shelter operations costs by contract. These include personnel, building and equipment expenses, animal care costs, and utilities.

2. Does some method exist to determine specifically how the County portion of the Society's revenue was disseminated? We are in the process of refining our accounting structure to provide cost center reports for both animal control and sheltering. This is my first year in the full budget cycle and I identified to and consulted with the Board of Directors and our accounting firm to provide detailed division of invoices and assignments for accounts to appropriate cost centers. I have enclosed a draft report for animal control as an example. After review by our accounting firm, my goal is to have these reports available each year at budget presentation.

3. What is the nature and substance of the contract with Town of Delmar to share an animal control officer? Immediately upon my hiring last year, I recognized the public was not served with an animal control officer four hours per day. In the past, the County had four full-time animal control officers and a director/administrator. In order to minimize, the fiscal impact on the County, I looked for partnership and grant opportunities. Unfortunately, there are no grants for day-to-day operational aspects of animal control.

The Town of Delmar had employed its own Animal Control Officer part-time and the problems they experienced due to a part-time position were turnover, no coverage when the officer was off, officer safety with a single officer, slow response to the public calls, no on-call, etc. Coincidentally, I was experiencing these same operational problems with one officer. Instead of requesting the County fund the costs of a second full-time officer, I proposed the County increase the funding to make the current officer full-time and split the costs of the second officer with Delmar. This results in savings to the County. It provides for officer safety, quicker response to the public, potential to reinstate on-call services to law enforcement, and coverage when vacations and illnesses occur.

In addition, I would like to offer that over the past year my review of the operational and financial aspects has resulted in savings by rebidding services, use of non-profit and governmental contracts and services, taking advantage of pre-pay and early payment discounts to name a few. Some expenses that I presented at budget time are out of our control. These are the required personnel expenses, increased utility and fuel costs, and increase in animal care costs due to the amount of surrendered and stray animals received due to the economy.

Appendix I – FY2012 Budget Report²

WICOMICO COUNTY ANIMAL CONTROL Budget Report

July 2011 through June 2012

INCOME

4700 · Licensing	\$22,701.00	59.1%
4010 · Wicomico County	15,706.26	40.9%
4030 · Town of Delmar	-	
ANIMAL CONTROL REVENUE	\$38,407.26	100.0%

EXPENSE

5001 · Personnel-ACO	\$16,335.88	42.5%
5060 · Equipment - ACO's	1,298.20	3.4%
5090 · Cell Phone - ACO's	436.54	1.1%
5095 · Rabies Tags	757.02	2.0%
5100 · Telephone - ACO's	876.22	2.3%
5101 · Phone Maintenance- ACO	95.00	0.2%
5102 · Electric - ACO's	3,205.45	8.3%
5104 · Propane - ACO's	323.03	0.8%
5106 · Water/Wastewater - ACO's	662.86	1.7%
5110 · Training & Education - ACO's	508.16	1.3%
5120 · Truck Expenses - ACO's	11,782.29	30.7%
5130 · Uniforms & Pre-rabies - ACO's	123.00	0.3%
5140 · Vet Fees - Impounded Animal	1,296.74	3.4%
5145 · Office Supplies	543.74	1.4%
5147 · Postage	23.90	0.1%
5150 · Miscellaneous Expense	139.23	0.4%
Total 5000 · ANIMAL CONTROL EXPENSES	\$38,407.26	100.0%

DRAFT REPORT FOR EXAMPLE PURPOSES ONLY

² Compiled from QuickBooks records – not reviewed or audited