



City of Chattanooga

INTERNAL AUDIT

City Hall

Chattanooga, Tennessee 37402

Stan Sewell
Director

Ron Littlefield
Mayor

October 19, 2011

Mayor and City Council
City of Chattanooga
Chattanooga, TN 37402

RE: Animal Care Trust Contract, Audit 11-02

Dear Mayor Littlefield and City Council Members:

Attached is the Internal Audit Division's report on Animal Care Trust Contract, Audit 11-02.

We thank the management and staff of the McKamey Animal Care and Adoption Center for their cooperation and assistance during this audit.

Sincerely,

Stan Sewell, CPA, CGFM
Director of Internal Audit

Attachment

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

**ANIMAL CARE TRUST CONTRACT
AUDIT 11-02
AUGUST 17, 2011**

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Auditor



Audit Director

**ANIMAL CARE TRUST CONTRACT
AUDIT 11-02**

INTRODUCTION

In July 2008, City of Chattanooga contracted with Animal Care Trust d/b/a McKamey Animal Care and Adoption Center, Inc. (McKamey) to provide essential animal services to the City. Under the contract, McKamey agrees to collect all fees and enforce all laws as required by City Code Section 7. For the performance of the services rendered, the City agreed to lease the land to McKamey and pay a total contract price of \$1,114,572 for the initial term. The contract price for each additional year is determined by City Council during the annual budget process.

The contract gives the City Mayor authority to designate a city official responsible for supervising the agreement (“City Representative”). McKamey’s Board of Directors will include the City Representative and such representative will have the same voting privileges as any other board member. Further, the City Representative must serve as a full voting member of the executive committee of McKamey at all times.

STATISTICS

Contract Expenditures		
	FY 09	FY 10
Budgeted	\$ 1,114,572	\$ 1,474,572
Actual	\$ 1,114,572	\$ 1,476,714
City Fees Collected*		\$ 179,637

Source: Oracle Financial Records; McKamey’s Audited Financial Statements

*Includes adoption fees, licensing fees and boarding fees collected by McKamey

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Division's 2011 Audit Agenda. The objectives of this audit were to determine if:

1. The contractor complied with the contract (Section 1.3 part G) regarding the sale of and accounting for city license fees;
2. The contractor complied with the contract (Section 1.3 Part I) regarding the spay/neuter program;

3. The contractor complied with the contract (Section 1.3 Part M & Q) related to city fee rates; and
4. The contractor has adequate internal controls, operations, and governance.

STATEMENT OF SCOPE

Based on the work performed during the preliminary survey and the assessment of risk, the audit will cover the terms of the contract related to city fees and reporting from January 1, 2010 to December 31, 2010, as well as current operations. Source documentation was obtained from McKamey and the City's Finance department. Original records as well as copies were used as evidence and verified through physical examination.

STATEMENT OF METHODOLOGY

We reviewed the contract between McKamey and the City, as well as City Code Section 7, for pertinent facts related to our audit. We reviewed McKamey's board meeting minutes, McKamey's written policies and procedures, and interviewed staff to gain an understanding of the contractor's operations. In addition, we reviewed a sample of Shelter Buddy (software system) receipts and various support documentation.

The sample size and selection were statistically generated using a desired confidence level of 90 percent, expected error rate of 5 percent, and a desired precision of 5 percent. Statistical sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

To achieve the audit's objectives, reliance was placed on computer-processed data contained in both the Shelter Buddy and City financial systems. The City's financial system was previously determined to be reliable and no additional work was necessary. We assessed the reliability of the data contained in the Shelter Buddy system and conducted sufficient tests of the data. Based on these assessments and tests, we concluded the data was sufficiently reliable to be used in meeting the audit's objectives.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

AUDIT CONCLUSIONS

Based upon the test work performed and the audit findings noted below, we conclude that:

1. The contractor did not comply with all terms of the contract related to the sale of and accounting for city license fees;
2. The contractor did not comply with all terms of the contract related to the spay/neuter surcharge and program;
3. The contractor did not comply with the contract related to city fee rates; and,
4. The contractor appears to have adequate internal controls, operations, and governance.

NOTEWORTHY ACCOMPLISHMENTS

We commend McKamey management for establishing and effectively implementing its policies and procedures. Based on our review and observations, it appears management and staff are dedicated to the welfare of animals placed in its care. The facility appears to operate efficiently and effectively. We noted the euthanasia rates are significantly lower than other animal shelters.

While the findings discussed below may not, individually or in the aggregate, significantly impair the operations of the McKamey, they do present risks that can be more effectively controlled.

FINDINGS AND RECOMMENDATIONS

The contractor did not comply with the City Codes related to issuance of licenses.

License fee waivers

One of McKamey's missions is to reduce the unwanted pet population through an effective spay/neuter program. As part of this mission, a license waiver program was implemented by McKamey management. Management referred to this program as the Differential Licensing Incentive program.

Under this program, pet owners receive counseling by McKamey staff regarding the benefits of altering pets. If the pet owner agrees and has their pet spayed or neutered, the license fee is waived for one year.

City Code Section 7-31 and 7-32 requires city residents to purchase a license for every dog and cat over the age of three months. The only exceptions found in City Code are for nonresidents of the City traveling through or visiting for a period of less than thirty days and animals rescued by a registered rescue organization for a period of one year. Per City Representative, City Council has not approved the license waiver program.

Recommendation 1:

The contractor should obtain approval from City Council to waive licensing fees under the “Differential Licensing Incentive” program. If approval is not obtained, the contractor should collect license fees in accordance with City Code.

Auditee Response:

I agree with the Auditor's finding "the terms of the contract are outdated". Formal approval will be sought from City Council. Although council is aware of the program and many council members have had a positive opinion, formal written approval of the program was not obtained. Differential licensing was reviewed with the city council members in conjunction with a committee meeting regarding ordinance changes. The program was discussed at that time along with other ordinance related issues. The program has proven to be successful, and has been a positive step towards encouraging spay/neuter in the community, and enforcing licensing for the first time in city history in a creative and supportive manner.

Agreement with Veterinarian

Recently, a local veterinarian offered to sell city pet licenses. McKamey agreed to provide license applications and tags at no cost to the veterinarian. On a monthly basis, all original applications, monies collected and a current rabies certificate is forwarded to McKamey. In exchange, the veterinarian collects and retains a \$2 fee per license.

City Code Sec. 7-32 states “annual licenses will also be **sold** to participating licensed veterinarians by the McKamey Animal Center for resale to clients.” [Emphasis added]. As shown by the lack of participation, veterinarians are reluctant to purchase a bulk of licenses that ultimately may not be resold.

Recommendation 2:

We recommend 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 recommend future agreements require unused tags be returned to McKamey for reconciliation purposes. If council approval is not obtained, we recommend the contractor sale the annual licenses to the veterinarians as required by City Code.

Auditee Response:

City code changes have been drafted but due to a shortage of personnel in the city attorneys' office they have not yet been completed.

When the veterinarians were approached about supporting city licensure, the general consensus was that they were uninterested in being what they called "tax collectors" for the city. Most of the veterinarians have allowed the placement of licensing brochures in their

practices, but very few actually explain the process to their clients. When one well-respected veterinarian was willing to try the program, we were very pleased. We agreed to allow him to sell, without purchase, on a trial basis, to encourage him to tout the benefits to the rest of the veterinary community. The drafted city code update includes removing the necessity of veterinarians to purchase the licenses in order to sell them.

It is our fervent hope that veterinarians will be more proactive about educating their clients about this ordinance requirement and will be more diligent in their efforts to ensure citizens understand the benefits, i.e., as an identification method that could help reduce euthanasia in our community and ensure their clients can be reunited with their lost pets.

We have implemented a system where all tags that were provided to the veterinarian were audited and recorded by license number. We verbally explained that all unsold licenses would need to be returned at the end of the sale period and would be replaced with licenses for the upcoming year.

The City's pet licensing compliance rate is extremely low.

The City budgeted \$1.47 million in fiscal year 2010 for animal control services. McKamey's operating expenses for the same year were \$1.84 million. As part of our review, we examined the licensing compliance rate to determine if the program could generate needed resources to fund animal control services.

It should be noted the contractor has made great strides in improving licensing compliance in the City. McKamey Animal Care and Adoption Center began operations in July 2008. McKamey issued 2,250 pet licenses during the 2009 calendar year. A comparison of 2009 and 2010 licenses indicates a 51.5% increase in compliance over the course of one year.

In order to estimate licensing compliance, we calculated the estimated number of pets in Chattanooga. Based on our calculations¹, we estimate our community has 88,000 cats and dogs. During calendar year 2010, McKamey issued 3,416 pet licenses and collected \$45,230 in city licensing fees. This accounts for only 3.88% of the estimated pet population. The calculations clearly show a low compliance rate despite the contractor's efforts.

If the compliance rate citywide were 50%, pet license fees could generate an average² of \$1.32 million per year. The increase in revenues could greatly reduce the appropriations made from the City's general fund. In addition, stricter enforcement of pet licensing could persuade more pet owners to spay/neuter pets; thus, reducing the unwanted pet population as well as the live animal intakes at the City's shelter.

¹ We used formulas developed by American Veterinary Medical Association for estimating percentage of pet-owning households and pet population. These formulas assume the demographics and rates of pet ownership are similar to national, state and regional demographics and rates. The formulas use sample survey data and are not intended to be 100% accurate.

² Data is not available to estimate the number of unaltered versus altered pets in the City limits. Estimated pet license revenue was calculated using the average licensing fee of \$30 (\$10 altered + \$50 unaltered/2) multiplied by 50% of the estimated pet population in the community.

Citizen compliance does not rest solely on the efforts of McKamey. The contractor needs cooperation from local veterinarians, City Administration, City Courts, and Hamilton County to effectively promote and obtain compliance with licensing requirements.

Recommendation 3:

We recommend McKamey, with the assistance of City Administration, consider utilizing the following options to increase compliance with City licensing requirements.

- **Obtain rabies records from Hamilton County Health Department** – T.C.A. 68-8-103 and TN Department of Health Rule 1200-14-1-.34 requires all veterinarians to submit a copy of every rabies vaccination certificate to the local health department. This information would assist with enforcement of licensing requirements.
- **Ordinances and Enforcement** – To facilitate greater compliance, City should consider adopting stricter penalties, as well as increasing enforcement through City Courts.

Auditee Response:

Responding to the auditors recommendations:

1) The Health Department only receives the numbers of rabies vaccinations in the community from the local veterinarians. Veterinarians only inform the health department of how many dogs and how many cats have been vaccinated. Since the Health Department is not provided with the actual client information no information that would be useful for licensing can be provided to the city. Due to HIPPA regulations, local veterinarians will not provide the city with information about their clients or their patients. Veterinarians have also expressed concern about being used as city “tax collectors”. Some veterinarians provide licensing information to their clients, others refuse. The McKamey Center personnel created a licensing brochure, provided brochure holders to all veterinary hospitals and businesses frequented by pet owners, and distributed additional brochures as needed. Ten thousand brochures were distributed in 2010 -2011.

2) The penalty for late purchase of a city license is \$20. If a citizen is cited to court for a city license, the largest penalty that can be levied is \$50 plus court costs. It is mandated by State law that the penalty cannot be larger than \$50. The following procedure is required by the court when a citizen is found to have an unlicensed pet: first they are given a licensing brochure, next is a formal warning, and finally, if they are still not compliant a citation is issued. Many hours of the Officers' time are spent on this process to try to retain and create compliance. If a citizen comes into compliance prior to their court date, the judge does not require them to come to court, and all fines and fees are waived. All fines and fees are routinely waived even if the pet was previously licensed and the person did not renew. The judge is concerned that fining people when they say that they cannot afford the license and will create an additional hardship for them. If the citizen owes additional money to the city in fines and fees, it will make them less likely to be able to come into compliance. Without the support of the court system through consistently enforcing the fines of the code, the objective set for creating citywide compliance is impossible. The only cities that have been

able to achieve high rates of compliance are those that enforce stiff penalties and insist on responsible pet ownership.

There are approximately 172,921 citizens in the city of Chattanooga. Using the formula of human population divided by the number of households or $2.5 = 69,168$ households $\times 0.372$ (dogs) per household = 25,731 dogs in Chattanooga. Cats using the same formula $\times 0.324$ per household = 22,411 domesticated cats in Chattanooga. The amount of time spent by our officers trying to enforce city licensing code is a source of constant frustration. In fact, it actually costs the city money instead of creating revenue which would support valuable programs for education and lessen the problem of pet overpopulation.

It has become standard practice in the neighborhoods to wait to be caught rather than purchase an annual license. Even with vigilant efforts and the creation of creative licensing programs, an effective program can only happen when all branches of government work together. Education and enforcement work well together to effect change. We can look at the seatbelt law as proof of the ability to change a culture in just one generation, if the law is effectively utilized. In its present form, licensing is a drain on funds not a revenue source.

Auditor Comment:

Per T.C.A. 68-8-103 (e), veterinarians are required to evidence rabies vaccines with a certificate that contains, among other information, the owner's name and address. Department of Health Rules and Regulations 1200-41-.34 requires copies of the rabies certificate be kept by the local health department. Therefore, the necessary information should be available for use by McKamey. Also, HIPPA regulations do not apply to animals.

We reaffirm our audit finding and recommendation.

City fee collections were not deposited with the City Treasurer.

Since contract inception, McKamey has collected and kept all City related fees³. The City Representative stated the intent of both parties was to allow McKamey to keep all City fees collected as well as the monthly contract payment.

City Code Section 7-7 states "all fees and the proceeds of the sale of animals shall be collected by the McKamey Animal Center as agent of the City of Chattanooga and remitted to the City Treasurer unless otherwise provided by contract approved in advance by the City Council."

We reviewed the contract and noted the following:

- Article 1 Section 1.5 of the agreement states the "**total contract price** for the Initial Term, shall be **deemed to include** all fees and charges collected by ACT as required by Chapter 7 of the City Code." [Emphasis added]

³ Per contract, city related fees include permits, licenses, boarding, impound, adoption, euthanasia, pickup services, and rescue services.

- Article 1 Section 1.4 states the contract price for each additional year (after the initial term) shall be determined by the City Council during the annual budget preparation process for that fiscal year.
- Article 1 Section 1.3 (G) states “City may, at its sole option, apply the total revenue generated each month from the sale of all City Licenses to the Contract Price, as defined in Article 1, Section 1.4; or direct that the collected funds be used by ACT in furtherance and support of a spay/neuter initiative targeted to low income and special needs residents of the City.”
- Article 1 Section 1.3 (M) states “City may, in its sole discretion, apply fees collected as an offset against monthly billing.”

The City has never applied the city fees collected by the contractor to the contract price. The contract terms are unclear as to how the City exercises the option to apply the fees to the contract each year. Further, we found no indications that City Council gave approval for the contractor to keep all city fees collected.

For the fiscal year ending June 30, 2010, the City Council approved a \$1,474,572 budget for Animal Services (McKamey). In accordance with the contract, the price set by council shall be deemed to include all fees and charges collected by McKamey. If the contractor is allowed to keep all city fees collected (\$179,637 in 2010), it appears the contractor’s payments exceeds the amount budgeted and approved by City Council.

Recommendation 4:

We recommend 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.

Auditee Response:

We agree with the Auditor's finding "the terms of the contract are outdated". The contract is outdated and needs to be revised completely. This was known shortly after the center opened in 2008. While the contract revision was recognized as an important need, there were more pressing demands of reorganizing the Center's operation. However, a contract revision was begun in early November of 2010, prior to the beginning of this audit in February 2011. Contract changes are drafted, but due to a personnel shortage in the city attorneys' office, have not been completed.

The contract was originally written based on a completely different shelter model; the Humane Educational Society. The original contract was drafted by entities at the city and the Animal Care Trust that had no previous experience in shelter management plus no knowledge of how to create a contract that would achieve the goals of the city and ACT. The current model for the McKamey Animal Center has far exceeded the requirements and expectations of the city. The city's Finance department is aware of the financial structure of the Center and has not requested a change in monthly financial reporting or any reimbursement for these fees.

Auditee Response (City Representative):

City licensing and other fees collected by Animal Care Trust were never intended to be a meaningful source of income. The Animal Care Trust contract was negotiated prior to the opening of the Center, July 1, 2008. It was a new business enterprise for the City and ACT and there were many unknowns. The Center almost went bankrupt in the first quarter of operation. This was the first indication that the initial management team was not capable of operating the city's animal shelter. In July 2009, a new Executive Director was hired and in little more than two years, under this leadership, the Center has emerged from the chaos into a more financially and operationally sound business.

In view of the fact the Operating Agreement was negotiated prior to the opening of the Center and by parties with no experience in animal services/control, in November of 2010, the process began to renegotiate the contract and to more accurately address the pertinent issues of animal control. Due to a number of situations beyond anyone's control, it is still under review. However, a revised Operating Agreement will be submitted to the City Attorney before the end of this year.

McKamey has not used city license fee revenues to fund a spay/neuter program for low income and special needs residents.

The contractor provides several spay/neuter programs for City of Chattanooga residents.

- Trap-Neuter-Release Program – The contractor provides spay/neuter services for feral cats in the community. This program is designed to assist residents with controlling the feral cat population in our local area. Caretakers trap feral cats; McKamey alters the cat for a nominal fee; and, the caretaker releases them back into the “wild” the following day.
- Spay a Stray Program – This program provides a low cost spay/neuter for stray cats. Unlike the feral cat program, the stray cat will remain with the caretaker as a pet.
- Bully Blockade Program – In 2011, the contractor was awarded a grant from PetSmart Charities. The mission of the program is to alter 1,000 pit bulls or pit mix dogs in the community through the assistance of several local veterinarians.
- Adopted Pets – The contractor provides spay/neuter to all adoptable pets in its care.

As noted in the previous finding, the licensing fees were kept by the contractor; therefore, the revenues generated must be used to support a spay/neuter program aimed at low income and special needs residents of the City. During calendar year 2010, the contractor collected approximately \$ 30,000 in city license fees that were used for facility operations. Per contract, the contractor should have used these funds to support a spay/neuter program for low income residents.

Recommendation 5:

We recommend 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. We recommend 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.

Auditee Response:

I agree with the Auditor's finding "the terms of the contract are outdated". In addition to the spay/neuter programs already enumerated above by the auditor, McKamey Animal Center actively participates in other community programs. When the Humane Educational Society provided city animal services, they did not have the ability to provide in-house spay/neuter. In order for the McKamey Center to be built without protest from local veterinarians, a non-compete MOU was signed. The McKamey Center is funded primarily from the City of Chattanooga taxpayer dollars. If the McKamey Center/the city offered low cost or free spay neuter to the citizens, there would be the same criticism from veterinarians as there was when the city built the Chattanooga hotel in direct competition to other hotels. Wally's Friends opened specifically to provide the services described in the recommendations of the auditor. Wally's has received minimal support and much animosity from local veterinarians because they are subsidized by grants and compete with local veterinarians for surgeries. Many veterinarians do not support low cost spay neuter program even when those clients would never otherwise go to a veterinary clinic. The Bully Blockade is the third attempt of the McKamey Center to work in conjunction with local veterinarians. This grant has also been a difficult one to execute jointly, as the veterinarian's clients outside of the city have mistakenly been included in reimbursement requests. Certificate recipients in some clinics have been confused by requests for additional fees when the grant is supposed to cover the procedure.

Auditee Response (City Representative):

The contract does require McKamey to direct such funds in support of a spay/neuter initiative targeted to low income and special needs residents under current funding practices. However, the application of all such funds to this program is not practical. We will address this issue when the contract is revised.

The contract terms related to the spay/neuter surcharge should be updated to reflect current operations.

City Code Section 7-32 provides for an annual surcharge of \$40 levied against all dogs and cats (\$50 for potentially dangerous dog licenses) which are not neutered. The surcharge revenues are to be used exclusively for the sterilization of companion animals.

The contract requires McKamey to report all revenue collected for the spay/neuter surcharge as part of its monthly billing. McKamey has not complied with this term in the contract. Based on our review, we determined surcharge collections for calendar year 2010 were approximately \$16,000.

Prior to the City contracting with McKamey, Humane Educational Society (HES) managed the City's animal shelter. The spay/neuter surcharge was used to fund the coupon program aimed to spay/neuter pets adopted from the City's animal shelter. HES' facility was not equipped to spay/neuter pets prior to adoption. Instead, the adopter received a coupon to present to their veterinarian that would perform the procedure. The surcharge revenue was separately accounted for and used to fund the spay/neuter procedure performed by the veterinarian.

The contract requires the revenue and expenditures related to the spay/neuter program be accounted for separately within McKamey's accounting system. Currently, all animals at the shelter are altered prior to adoption. Since the coupon program is no longer utilized, the contractor has no expenditures related to this program. It appears the terms of the contract are outdated.

Recommendation 6:

We recommend McKamey report monthly surcharge revenues as part of their monthly billing statement as required by contract.

Auditee Response:

I agree with the Auditors finding, revenue will be reported in future invoices. While the coupon program no longer applies, surcharges in no way cover the costs of providing spay neuter for impounded and relinquished pets. Our costs associated to the spay and neuter of animals from January of 2010 to December of 2010 were \$121,000. Unlike a certificate program, our in- house spay/neuter ensures that no animal is returned to the community with the ability to procreate.

Auditee Response (City Representative):

This recommendation will be reviewed when the contract is revised.

Recommendation 7:

We recommend City Administration review and update the contract terms.

Auditee Response:

We agree with the auditor that the terms of the contract are outdated and in need of complete revision. The fact that it is outdated has generated most of the findings in this audit and consequently has been referenced in almost every response.

The issue of the outdated contract became apparent shortly after the center opened in 2008. While the contract revision was recognized as an important need, there were more pressing demands of reorganizing the Center's operation. However, a revision was begun in early November of 2010, prior to the beginning of this audit in February 2011. Contract changes are drafted, but due to a shortage of personnel in the city attorneys' office, have not been completed.

The contract was originally written based on a completely different shelter model; the Humane Educational Society. The original contract was drafted by entities at the city and the Animal Care Trust that had no previous experience in shelter management plus no knowledge of how to create a contract that would achieve the goals of the city and ACT. The current model for the McKamey Animal Center has far exceeded the requirements and expectations of the city.

McKamey's established fee schedule has not been approved by City Council.

McKamey management has developed a fee schedule for all fees collected at the facility with the exception of adoption fees. The adoption fees vary based on market. The City Representative stated management establishes the rates and consults with her as well as the McKamey board.

The contract requires "fees for impoundment, board, disposal, euthanasia, licenses, permits, pickup services, adoptions, and rescue services of owned, stray, homeless, or unwanted animals" be at the rates set forth in the City Code. "All other City related fees for service shall be established/approved by the City Council prior to implementation." We noted several of the stated fees are not set by ordinance; and, other City related fees have not been approved by city council.

Recommendation 8:

We recommend McKamey have city related fees established and approved by city council, as required by contract. Alternately, McKamey might request a change to the contract removing the requirement to receive council approval for rates not established by ordinance.

Auditee Response:

The issue of the outdated contract became apparent shortly after the center opened in 2008. It was also recognized it would be necessary to periodically change fees/rates based on the market conditions and obtaining council approval would be problematic.

The subject of fees being established and approved by city council has been discussed with city council members on several occasions. It was suggested that in view of the need to provide a market based rate for adoptions and other fees that are affected by seasonal activity that city code be changed to eliminate the need for approval. This will enable the McKamey Animal Center to more effectively manage its operation.

Auditee Response (City Representative):

This recommendation will be discussed with the city Attorney when the new contract is reviewed.

McKamey has not provided, as part of the adoption fee, rabies vaccines and/or deposit fees for pets adopted under the age of three months.

We reviewed receipts for (18) eighteen adoptions that occurred during the audit period. We noted five of the eighteen animals (27%) did not receive a rabies vaccine because the animal was less than three months old. City Code Sec. 7-32 requires a valid rabies certificate be presented prior to the issuance of a city license. Therefore, city licenses are not issued for unvaccinated pets.

According to McKamey, the adoption fee charged, for pets less than three months of age, does not include the rabies vaccine or the deposit for the rabies vaccine. Management stated the owner must pay for the vaccine once the animal reaches the proper age (over 3 months). It should be noted pet adoption fees for animals older than three months includes the rabies vaccine. Further, based on the contract “the fee collected by ACT for the adoption of a pet” entitles the adopter of such pet a rabies vaccination and/or deposit fee.

City Code Section 7-1 states McKamey shall provide contracted services that include, in part, enforcement of animal-related codes as well as assisting in the enforcement of City and State laws regarding the vaccination of dogs and cats against rabies.

Necessity results in the adoption of pets prior to reaching the proper age to receive a rabies vaccine. To foster compliance with animal-related codes, McKamey should perform (and has agreed to implement) follow-up procedures to verify compliance with rabies vaccines by adoptees.

Recommendation 9:

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

Auditee Response:

Adoption fees are set based on nationally accepted standards recommended through the ASPCA and networking with other shelter programs. The goal of ACT is to move as many animals as possible through the system to adoption, rescue or reclaim in order to keep euthanasia rates as low as possible. In this way, the adoptable animals are provided with necessary treatments and surgery before adoption, but have minimal time to contract other health or stress related issues. The animals cannot be used as a profit center as adoption fees would have to be higher than the public will pay. Initially, McKamey had a "foster to adopt program". Our veterinarian was unable to provide pediatric spay/neuter, so animals younger than three months were not able to be altered. In order that any animal that was fostered, while too young to be altered, given rabies, or other necessary vaccinations, adoption was not finalized until all services were provided.

This system proved impractical as patrons would foster to adopt and then never return to finalize the adoption. Follow up calls often went unanswered or the foster home said that the animal was "lost". In this way McKamey was potentially contributing to the unaltered animals roaming free in the community rather than eliminating that problem. Veterinarians were also understandably upset that they agreed to provide free wellness checkups at a loss of \$40 - \$50 per initial visit, and the patient had already received all required services when it came for its initial wellness exam.

Per state law, an animal that is over the age of three months cannot be released without a valid rabies vaccination. So that motivator to form a veterinarian client patient relationship for the life of the pet is not there. The veterinarians have agreed to continue to provide the free initial wellness exam for those animals as they also see kittens and puppies that do receive an exam that includes other services. It is crucial that we maintain the relationships that we have forged with local veterinarians in order for the Center to continue to function at this high rate of service. It has been a directive that we are not to compete with private enterprise using tax dollars. By having this symbiotic relationship with the veterinary community, we have created a working partnership that has all but eliminated animosity in this area.

The contract is also contradictory in that it states, McKamey Animal Center cannot provide a city license to animal's under three month and then that a rabies vaccination and license will be provided under the adoption fee services.

A follow-up procedure was implemented in July, 2011. Adopters are called after every adoption and a customer satisfaction survey is completed. Adopters are reminded at that time that a rabies vaccination is required, as the pet is now old enough for vaccination. If the adopter does not comply by the next call cycle, they are contacted again. If they do not comply at that point, they are cited to court for non-compliance. If they are a city resident they are also cited for a lack of city license as well. They will be charged the \$20 late fee, if a citation is necessary to create compliance.