

**CITY OF BUFFALO  
DEPARTMENT OF AUDIT AND CONTROL**

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**FOLLOW UP TO THE AUDIT REPORT ON THE  
INTERNAL CONTROLS OVER REVENUE AT THE  
BUFFALO ANIMAL SHELTER**

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## **Preface**

In accordance with the goals set forth in the Annual Audit Plan, we conducted a follow-up to the August 2015 Audit Report on the Internal Controls Over Revenue at the Buffalo Animal Shelter (the “Shelter”). The audit documented and evaluated the internal controls over revenues received from customers adopting dogs and cats, surrendering pets for adoption and customer donations to the Shelter.

The objective of the follow-up procedures was to determine if recommendations cited in the audit have been implemented. This follow-up audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

The following terms will be used throughout the report:

**Audit Recommendation** – recommendations from the original audit.

**Testing Performed** – follow-up testing completed to assess if the audit recommendation has been implemented.

**Status** – commentary provided by Department of Audit and Control (DAC) on the progress made towards implementing the audit recommendation.

## **Summary**

DAC visited the Shelter on December 22, 2016 to perform testing and gather information. Based on testing performed, a majority of the recommendations cited in the Audit Report on the Internal Controls over Revenue at the Buffalo Animal Shelter have been implemented. The implementation of these recommendations has improved internal controls over revenue at the Shelter. The Shelter should continue to work toward implementing any remaining recommendations in order to move towards the optimal internal control environment.

## **Status of Significant Audit Recommendations**

### **Use Pre-Numbered Receipts**

**Audit Recommendation:** For all transactions, two copies of a pre-numbered receipt should be printed. One copy should be given to the customer. The second copy should be signed by the customer, verifying that the payment on the receipt is the amount paid by the customer. The signed copy should be scanned and saved with other documentation provided by the customer. This would decrease the ability to have unrecorded transactions.

**Testing Performed:** DAC reviewed the supporting documentation for a sample of daily batch deposits from fiscal year (FY) 2017. Based on testing performed the cash register generates a sequential number for each transaction. For each transaction, the customer is given the paper receipt from the cash register and the shelter retains a copy. The Shelter enters the cash register receipt/transaction number when recording the amount in MUNIS. This receipt/transaction number allows for reconciliation between the cash register and MUNIS. The daily cash register tape summary and other supporting documentation are scanned and saved to a network drive.

**Status:** The recommendation has been implemented.

### **Standard Treatment, Supporting Documentation and Recording for All Transactions (including Cash Donations)**

**Audit Recommendation:** All cash and checks received should be recorded in the cash register, MUNIS and PetPoint when received. Checks should be immediately restrictively endorsed. The Shelter should retain a copy of each day's receipts, appropriate supporting documentation and PetPoint report. This will help align the systems and keep PetPoint up to date on a daily basis.

**Testing Performed:** DAC obtained FY 2017 cash register receipts, MUNIS deposit details and PetPoint reports to determine if transactions are recorded consistently in each system. No variances between the cash register receipts and MUNIS were noted, and there was an insignificant variance between MUNIS and PetPoint.

DAC observed that cash and checks received are recorded in the cash register when received. Checks are immediately endorsed with a stamp that states "Buffalo Animal Shelter" but does not state "for deposit only". Each day's supporting documentation, MUNIS batch report and PetPoint report are scanned to a network drive.

**Status:** The recommendation has been implemented with the exception that checks received are not immediately restrictively endorsed with a "For Deposit Only" stamp.

### **Management Review**

**Audit Recommendation:** Management should review the cash register daily summary tape for excessive "no sales" or "voids". Additionally management should count the daily receipts at the close of each day and reconcile amounts to the daily summary tape. Management approval should be necessary for any waived/reduced fees, voided transactions or returns. Only management should place and remove cash from the register.

**Testing Performed:** DAC obtained the cash register tapes for FY 2017 and reviewed for excessive "no sales," "voids" and for management approval of voided transactions. DAC did not observe an excessive number of "no sales" or "voids." Management review of voids was not documented.

**Status:** The recommendation has been partially implemented. There was no documentation of managerial review of "voids" or "no sales" on the daily batch information. The Shelter should create a written policy as to what documentation is required to support "voids" and "no sales."

### **Segregation of Duties**

**Audit Recommendation:** An individual not responsible for preparing the batch deposit or entering receipts into the register should review the daily batch deposit for accuracy and completeness. An individual not responsible for preparing the batch deposit or entering receipts into the register should physically bring the deposits to Treasury.

**Testing Performed:** DAC reviewed batch deposits, noting that there is no evidence that the daily batch deposit is reviewed by someone independent of the receipts process. Per conversation with Shelter personnel the individual performing the MUNIS entry also enters

transactions into the cash register at times. An employee who does not enter transactions in the cash register or MUNIS brings the deposits to Treasury.

**Status:** The recommendation has been partially implemented. The Shelter should require that the deposit is reviewed by a person not involved in the process. The review should be documented.

### **Timeliness of Recording Transactions**

**Audit Recommendation:** Deposits should be made daily. Each day the Shelter is open should represent one deposit. If the Shelter staff is unable to have a runner bring the deposit to Treasury each day, then the Shelter should prepare a deposit for each day of the week and bring multiple deposits to Treasury at the end of the week.

**Testing Performed:** Based on discussion with Shelter personnel and a review of FY 2017 MUNIS data, the Shelter creates a deposit each day and delivers the deposits to Treasury on average twice per week.

**Status:** The recommendation has been implemented.

### **Treasury Count of Batch**

**Audit Recommendation:** Treasury should verify that the amount of cash and checks delivered, matches to the cash and check totals listed on the MUNIS Batch report.

**Testing Performed:** DAC reviewed amount recorded as cash and checks per the cash register, and agreed the amounts to MUNIS for all batch deposits selected for testing.

**Status:** The recommendation has been implemented.

### **Security Cameras**

**Audit Recommendation:** As there are numerous security cameras already in place, one should be pointed at the cash register and one pointed on the safe. This could help in the event there is ever a discrepancy related to revenue.

**Testing Performed:** Based on observation and Shelter representation, no cameras have been installed or repositioned to point at the cash register and safe.

**Status:** The recommendation has not been implemented. The Shelter personnel stated they are attempting to purchase additional cameras.

### **Non-allowable Purchases**

**Audit Recommendation:** The Shelter should make all purchases using the City of Buffalo standard requisition process.

**Testing Performed:** It was represented that all purchases are reviewed and approved by the Director.

**Status:** The recommendation has been implemented.

## **Expenditure Receipts**

**Audit Recommendation:** All expenditures should have a receipt. Supervisor approval should be noted on receipt.

**Testing Performed:** DAC examined FY 2016 petty cash expenditures to determine if transactions have a supporting receipt and supervisory approval. All transactions examined had a supporting receipt but no documentation of supervisory approval was noted.

**Status:** The recommendation has been nearly fully implemented.

## **Sales Tax**

**Audit Recommendation:** The Shelter should not reimburse employees for sales tax paid on purchases. Per NYS Department of Taxation and Finance Publication 843, New York Governmental Entities (including the City of Buffalo) are exempt from payment of sales tax on their purchases.

**Testing Performed:** DAC reviewed petty cash activity for FY 2016, noting that sales tax was not reimbursed.

**Status:** The recommendation has been implemented.

## **Refunds to Customers**

**Audit Recommendation:** The Shelter should not refund license fees to customers.

**Testing Performed:** Per discussion with Shelter personnel, license fees are not refunded to customers. Per review of the cash register tape daily summaries and MUNIS data for FY 2017, no refunds were noted.

**Status:** The recommendation has been implemented.

## **Conclusion**

Based on testing performed the majority of the recommendations from the audit have been implemented. This has enhanced the system of internal controls over revenue and improved the efficiency and accuracy of the Shelter's financial data.

The Shelter can further enhance internal controls by implementing the remaining recommendations. Management's commitment to continued improvement of the internal controls over revenue will allow the Shelter to establish a suitable internal control environment.

We thank the Animal Shelter and the Department of Public Works for their efforts to implement the audit recommendations and offer our assistance in implementing any remaining recommendations.