

Office of the City Auditor

City of San Diego

Performance Audit of the Animal Services Agreement between the City of San Diego and the County of San Diego

Unfavorable Contractual Provisions Negatively Impact the City
while Opportunities for Operational Enhancements Exist

Presentation to the Audit Committee

July 11, 2011



Objectives

- The main objectives of the audit were:
 - ♦ To determine the extent to which the County and City comply with the contract
 - ♦ To assess the extent to which the contract represents a fair agreement between the County and the City

Background

- The County has provided Animal Services to the City since 1971. As of July 1, 2011, the City and County are engaged in the fourth year of a five-year contract. The current contractual arrangement has been in place since 1998.
- The Police Department's Fiscal Division is responsible for the oversight and administration of this contract.
- The contractual formula allocates one half of Animal Services' shared costs by each jurisdiction's share of the total Animal Services-covered population and the other half by each jurisdiction's proportional share of total service requests.
- The City's net cost is equal to its gross cost minus expected revenue. In Fiscal Year 2010, the City's net cost was \$7,448,782. The net cost is paid from the City's general fund.
- The City's gross cost has increased steadily each year without corresponding increases in revenue.

Scope and Methodology

- Analyzed and Reviewed the following:
 - ♦ Budgetary and financial documents used to calculate the City's cost
 - ♦ Samples of license application and service request entries in the Chameleon database
 - ♦ Population and service demand figures for each contract jurisdiction
 - ♦ Spatial information on license activity and service requests
 - ♦ Animal Services and City internal controls for contract implementation
- Reviewed the following:
 - ♦ Other jurisdictions' agreements for the provision of animal services to contract cities
 - ♦ Model animal control ordinances from nationally-recognized city management, animal sheltering, and veterinary organizations
 - ♦ Reports prepared by City contract management staff
 - ♦ Reports prepared by County staff on animal intake/disposition and service-call response time
 - ♦ Animal Services policies and procedures for follow-up on delinquent accounts
- Met with and interviewed:
 - ♦ Police Department staff in charge of contract oversight
 - ♦ Animal Services staff responsible for creating performance and financial reports

City Subsidizes Unincorporated County Activity through Current Cost Allocation Formula

- City pays for a higher percentage of Animal Services shared costs than it uses.
 - ◆ The City's proportional share of the population is consistently above its proportional share of the service requests, while the opposite is true for the Unincorporated County.
 - ◆ From fiscal year 2008 – 2010, the City paid \$1.1 million for services not received by the City, while non-City residents benefited.
 - ◆ The County was unable to provide research or analysis to show population is an appropriate cost driver.

Recommendation: The City Administration should enter into negotiations for a new cost allocation formula that reflects the City's actual use of services.

The City Subsidizes the County's Animal Services Cost because the County does not dispense Department Savings

- The County pays for a fraction of Animal Services Costs, but realizes 100% of Departmental savings.
 - ♦ The contract cities pay in four quarterly installments based on the Department's budget while the County only makes up the difference.
 - ♦ During each year in our study, the County spent considerably less than it budgeted for Animal Services. From fiscal year 2008 – 2010, the City paid nearly \$750,000, which the County used to pay down its own contribution.
 - ♦ The City pays for a greater share of Animal Services' costs than it should under the contractual formula and pays for a portion of the County's contribution for Animal Services.

Recommendation: The City Administration should attempt to recover surplus payments and renegotiate the contract to allocate savings similar to the allocation of cost.

County Animal Services has not Given Best Effort

- Animal Services does not employ policies and procedures to increase the rate of licensed dogs in the City.
 - ♦ The County discharges the majority of delinquent accounts for dog licenses without dispensing a best effort to register the animal or ensuring proper compliance with the County Code.
 - ♦ The County underutilizes other points of animal contact to ensure residents maintain licensed dogs.
 - ♦ The City's license compliance rate was 25.6%, while the Unincorporated County was 39.2% and all the jurisdictions combined were 29.9%.

Recommendation: Increase dog license compliance by strengthening the delinquent account follow-up process and examine opportunities to utilize other points of animal contact.

County Animal Services has not Given Best Effort

- Animal Services does not conduct spatial analyses to quantitatively identify at-risk areas, explain why these areas are at greater risk than others, or develop appropriate programming to improve public health and compliance within them.
 - ♦ Our analysis suggests the southern quadrant of the City is the highest risk area in all of Animal Services' coverage area.
 - ♦ The City prohibits the County from hosting low-cost vaccination and microchipping clinics on dedicated recreation lands.
 - ♦ Weekend public clinics are better-attended and lead to more vaccinations than weekday clinics held at the animal shelters.

Recommendation: Request a formal opinion regarding the permissibility of low-cost clinics on recreation lands and communicate the availability of those lands to Animal Services.

The City Subsidizes Animal Services' Cost Increases

- City staff do not consistently evaluate the City's Animal Services cost and evaluate its user fees.
 - ◆ During fiscal year 2008 – 2010, the City's cost increased 21.8 percent, but expected revenue only increased 3.2 percent.
 - ◆ The City does not comply with its General Fund User Fee Policy, which requires explicit cost recovery goals, explanations for current fee levels, and a process for adjusting fees.

Recommendation: Review the Animal Services fee schedule to bring it into compliance with the General Fund User Fee Policy.

The City's Contract Oversight can be Improved

- The City does not work with the County to take a strategic approach mitigating risk to improve public health and ensure cost recovery from the Animal Services program.
 - ♦ City staff responsible for oversight do not perform regular compliance review of the contract.
 - ♦ The Police Department relied on the old Office of the Auditor and Comptroller to conduct biannual audits – No such review performed since 2003.

Recommendation: Enhance City contract oversight by conducting more in-depth analysis related to Animal Services' performance.

Feline Vaccination and Registration

- The Animal Services Agreement does not maximize public health and safety nor equitably distribute the City's Animal Services costs.
 - ♦ Unvaccinated cats pose a significant health risk to resident and pets.
 - ♦ Nationally recognized organizations recommend the mandatory vaccination and registration of cats as a pillar of an exemplary animal control program.
 - ♦ Dog owners and general taxpayers subsidize what would otherwise be the cat owners' cost.

Recommendation: The City should consider the mandatory vaccination of cats and negotiate with the County for the registration of all cats residing in San Diego.

Recommendations

- We made a total of ten recommendations
- City Administration agrees/partly agrees with nine
 - They disagreed with one - to consider mandatory cat vaccination and registration. City management claims, “The City does not have the resources to fund additional registration services and cannot be assured it could be done on a cost recoverable basis.”