



THE CITY OF SAN DIEGO

DATE: August 30, 2011
TO: Honorable Members of the Audit Committee
FROM: Eduardo Luna, City Auditor
SUBJECT: **Supplemental Memo – Animal Services Audit**

Background

On June 24, 2011, the Office of the City Auditor released a performance audit of the Animal Services Agreement between the City and the County of San Diego. On July 11, 2011, we presented the report to the Audit Committee and included ten recommendations that identified an estimated \$4.1 million of savings and potential revenue for the City over the next five years. The recommendations focused on fixing unfavorable contractual provisions, improving contract management and oversight, and enhancing public health and cost recovery. Specifically, the audit identified \$3.2 million in savings through fixing unfavorable contract provisions. Those provisions—the cost allocation formula between the County and contract cites and the use of budgeted costs without reconciling to actual—result in the City subsidizing County animal services activity.

The City's agreement with the County precluded the City from conducting a performance audit of the entire San Diego County Department of Animal Services; however, the City's agreement with the County allows for the City Auditor to conduct a compliance review. Accordingly, the main objectives of this compliance audit were (1) to determine the extent to which the County and City comply with the contract and (2) to assess the extent to which the contract represents a fair agreement between the County and the City.



OFFICE OF THE CITY AUDITOR
1010 SECOND AVENUE, SUITE 1400 • SAN DIEGO, CA 92101
PHONE (619) 533-3165 • FAX (619) 533-3036

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Additional Requested Information and Analysis

As part of its motion to move the report to the full City Council, the Audit Committee requested the Office of the City Auditor provide additional information regarding opportunities for expanded partnerships with non-profits, opportunities to streamline Animal Services' operations, and ways to alter the fee structure to improve cost recovery.

Non-Profit Partnership, Operations, and Volunteer Services

The San Diego County Department of Animal Services (Animal Services) utilizes a wide array of partnerships with non-profit organizations to deliver services and control costs. According to Animal Services, Animal Services partners with 154 non-profit animal rescue groups to adopt out animals, especially hard-to-adopt breeds. Each year, the adoption partners care for and adopt out about 25 percent of all the animals available for adoption. The animal rescue groups take custody of the animal and reach out to their networks at no additional cost to the County. According to Animal Services, the County is no longer passing the daily cost of holding that animal onto the City. The County leverages non-profit partnerships to retain a high save rate for adoptable animals that remain difficult to adopt.

Beyond its partnerships with non-profits, Animal Services has other strategies in place to maintain efficient operations. Its 123 full-time employees are responsible to providing animal control and sheltering services to seven jurisdictions with over two million residents covering over 4,000 square miles of land¹. Animal Services patrol officers leave their base shelter with a list of calls to respond to and receive new calls from 6:00 A.M to 10:00 P.M. According to Animal Services, all three animal shelters are operating at or very near capacity with kennel staff fulfilling many roles during an eight-hour shift, including conducting interactions with prospective adopters, cleaning cages, feeding animals, and monitoring for disease. About 24 kennel staff members care for approximately 750 animals between the three shelters seven days a week. Nine Registered Veterinary Technicians—three at each shelter—perform treatments prescribed by one of three on-staff veterinarians, as well as assist with incoming injured and sick animals seven days a week. Clerical staff at all three facilities work the front counters, process licenses, process service dog tags, answer phones, work dispatch and notify owners that their pet

¹ According to San Diego Association of Governments.

has been rescued. During our on-site observations, staff were consistently working to deliver services without significant down time.

Animal Services has a robust volunteer program where volunteers perform many of the tasks that would otherwise need to be completed by paid staff. In fiscal year 2011, Animal Services reports having 589 unique volunteers who contributed 35,741 hours socializing animals, assisting veterinary staff, conducting some basic administrative duties, and supporting kennel staff with various housekeeping chores. Animal Services calculated the net benefit of its volunteer program as over \$673,000, meaning the City's benefit is approximately \$400,000 based on the current contractual formula. While we did not audit Animal Services' volunteer activity and claimed net benefit, we found Animal Services generally provides contractually required services despite reduction in administrative positions and little change in overall staffing during the past four years. Some of this can be attributed to its volunteer program, which also helps the Department control costs. However, as noted in the audit report, we did find unexplained differences in services when comparing service call and licensing activity between City Council districts and other contract cities. The audit includes recommendations to address this issue.

Although the focus of the audit was on compliance, we did have the opportunity to review some animal services operations. Animal Services generally met overall response requirements and maintained a facility with the capability of providing required services to the City. Our cursory review did not identify significant operational risk, which would require expanding the current audit scope and conducting additional fieldwork in operational areas not already addressed in the audit report.

Animal Services Fees

The audit report also contained information regarding Animal Service user fees (*see Appendix A for a listing of select fees*). Currently, the City defers to rates established by the County's Board of Supervisors; however, the City has the option of changing the animal services ordinance so that it can set its own rates. In fiscal year 2010, City-related animal services generated only about \$1.7 million of \$9 million (19 percent) in City cost. We recommended the City examine the fees considering the General Fund User Fee Policy, which states there must be justification and a standard method for adjusting fees that do not recover 100 percent of a program's cost.

Given the significantly low cost recovery rate, a fee review would be prudent to reduce the general fund subsidy. At the time of our audit, the City's Business Office was working on a study of Animal Services fees and stated it tentatively plans to release that analysis by October 31, 2011.

The County is not the only animal services provider in the region. Throughout San Diego County, municipalities enter into contractual agreements with non-profits and other jurisdictions. For example, Chula Vista provides animal control and sheltering services to Lemon Grove and sheltering services to Imperial Beach, and the San Diego Humane Society provides animal control services to Oceanside. Other municipalities, such as Coronado, provide their own animal services. While the City can examine changing animal service providers or creating its own department to provide this service, the City can improve cost recovery and operations in its current arrangement with the County by implementing our audit recommendations.

Conclusion

The audit addresses issues of cost allocation to the City and the significantly low rate of cost recovery for animal services. Further, the audit identifies potential issues with how the County provides equitable service to the City as well as opportunities to enhance services. Taken together, the audit should result in a reduction of financial burden on the general fund and improvement of services offered to City residents.

Respectfully Submitted,



Eduardo Luna
City Auditor

cc: Honorable Mayor Jerry Sanders
Honorable City Council Members
Jay M. Goldstone, Chief Operating Officer
Mary Lewis, Chief Financial Officer
Jan Goldsmith, City Attorney
Andrea Tevlin, Independent Budget Analyst

Appendix A – Animal Services Fee Schedule

Dog License Fees

License Period	Altered	Unaltered
1 year	\$14.00	\$28.00
2 years	\$26.00	\$52.00
3 years	\$36.00	\$72.00

Adoption Fees

Puppy or Dog	\$69.00
Kitten or Cat	\$58.00
Cat or Dog (Senior) – 5 years of age or older	\$35.00
Kitten, Cat, Puppy, or Dog for Senior Citizen/Disable Person	\$35.00
Rabbit	\$25.00

Other Fees/Fines

Late Fee	\$10.00
Low-Cost Microchip	\$20.00
Low-Cost Rabies Vaccination	\$6.00
Relinquishment Fee (at a shelter)	\$40.00
Relinquishment Fee (in the field)	\$60.00
Failure to Comply with Dog Licensing Requirements (forgiven with proof of correction)	\$50.00