

DeKALB COUNTY, GEORGIA



POLICE DEPARTMENT

AUDIT REPORT

2015 COMPLIANCE AUDIT – ANIMAL SERVICES - LIFELINE ANIMAL PROJECT

**PREPARED BY
INTERNAL AUDIT DIVISION**



Finance Department
Internal Audit

**Interim Chief Executive
Officer**

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Board of Commissioners

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District 7
Stan Watson

TRANSMITTAL MEMORANDUM

DATE: March 16, 2015
TO: Zachary Williams, Chief Operating Officer/Executive Assistant
FROM: Cornelia Louis, Deputy Director of Finance – Internal Audit
SUBJECT: Audit Report – LifeLine Animal Project Contract # 13-902635

Attached is the report of the LifeLine Animal Project Contract. The issues raised in this report were discussed with Claudette Leak during an exit conference on March 16, 2015. The issues were also discussed with Rebecca Guinn, Executive Director of LifeLine Animal Project, Inc. (LifeLine) on April 29, 2015.

As is customary with our audit work, we do not include the auditee's comments in our report.

We appreciate the cooperation and assistance received from LifeLine staff and DeKalb Animal Control personnel during the course of this review. If you have any questions about the audit or this report, please feel free to contact me at 404-371-2639.

Sincerely,

Cornelia Louis

cc: Board of Commissioners (BOC)
Gwendolyn Brown-Patterson, Chief Financial Officer
Dr. Cedric Alexander, Deputy Chief Operating Officer-Public Safety
James Conroy, Interim Chief of Police
Xan Rawls, Director of Animal Control
Rebecca Guinn, Chief Executive Officer, LifeLine Animal Project
Claudette Leak, Administrative Project Manager

CL/MW

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GENERAL INFORMATION

CONTRACT BACKGROUND

On May 3, 2012, a Request for Proposals (RFP) #12-500232 was issued for Outsourcing of Animal Services for DeKalb County, Georgia.

On February 26, 2013, the Board of Commissioners (BOC) approved a resolution to outsource Animal Services for DeKalb County, Georgia. LifeLine Animal Project, Inc. (LifeLine) was approved to provide animal shelter operation services.

Contract # 13-902635 (Contract), effective June 3, 2013, between DeKalb County and LifeLine calls for LifeLine to run the day-to-day operations of the existing DeKalb County animal shelter.

The DeKalb County Police Department remains responsible for Animal Services Enforcement.

CONTRACT TERMS

Under the contract services will begin on July 1, 2013 with automatic renewals on each January 1st, unless terminated. The contract will terminate absolutely on June 30, 2018 unless extended by Change Order, adopted and approved by the BOC and LifeLine.

LifeLine shall be paid monthly payments of \$168,437.43 for services with total annual monetary obligation as follows:

LIFELINE TOTAL CONTRACT OBLIGATIONS	
Period	Monetary Obligation
July 1, 2013 - December 31, 2013	\$1,010,624.60
January 1, 2014 - December 31, 2014	\$2,021,249.20
January 1, 2015 - December 31, 2015	\$2,021,249.20
January 1, 2016 - December 31, 2016	\$2,021,249.20
January 1, 2017 - December 31, 2017	\$2,021,249.20
January 1, 2018 - June 30, 2018	\$1,010,624.60

All adoption and licensing fees collected are kept by LifeLine.

In addition, the County provides four County vehicles to LifeLine for operational use; gasoline and maintenance to be provided by the County.

LIFELINE CONTRACTUAL RESPONSIBILITIES

The animal shelter must be opened for a minimum of 50 hours per week.

Daily operations at the animal shelter should include, but not be limited to:

- Impounding and boarding/feeding of animals.
- Identifying and notifying owners of animals, if possible.
- Determining and caring for injuries, diseases, or parasites.

- Maintaining a healthy and clean environment for all animals.
- Having staff and veterinary services sufficient to provide humane treatment to animals.
- Promote adoption or transfer of unclaimed animals with euthanasia being a last resort.

AUDIT PURPOSE

The purpose of this audit is to determine if LifeLine is operating in compliance with Contract # 13-902635.

AUDIT SCOPE

Our audit covered the period July 1, 2013 through September 30, 2014. We reviewed RFP # 12-500232's Scope of Work, Contract # 13-902635, monthly LifeLine reports, PetPoint (animal shelter data system), LifeLine time-clock records, W-2s, and other County expense/payment records. We also interviewed LifeLine staff, Animal Services personnel, and other County personnel.

Our review was conducted in accordance with Generally Accepted Auditing Standards and included such tests of records and other auditing procedures as were considered necessary under the circumstances.

TESTING FOR COMPLIANCE

Monthly Reports

LifeLine is required to submit monthly reports to the County providing the following information:

- Animals taken in, by species and category of intake
- Licenses issued/Rabies certifications, by category
- Fees received, by category
- Disposition of animals, by species and category
- Personnel employed, by position and hours worked with turnover statistics
- Volunteer hours worked and summary of activities
- Staff Training completed
- Public education/outreach statistics

Monthly reports for the audit period were reviewed. Reports for the months December 2013 through March 2014 were selected for comparing data to the PetPoint System.

Staff information was verified by agreeing information to Electric Time Card reports and W-2s obtained from LifeLine's accountant. This was to ensure compliance with minimal staff requirements of the Contract.

Animal information was verified by tracing information to PetPoint reports.

Other information was verified by interviewing staff and examining relevant documents.

Animal Treatment

The impound area was toured and cages/walkways were found to be clean as specified in the Contract's Scope of Work. Animals were segregated by species and observed to have identifying collars. Cages were observed to have information sheets (cage cards) identifying individual animals and containing pertinent information. Staff was interviewed and appeared knowledgeable about required treatment of the animals. In addition to requirements of the Contract, County personnel with specialized knowledge of animal treatment were interviewed.

Intake Procedures

Intake staff and the Veterinarian were interviewed regarding intake procedures and found to be knowledgeable of required intake procedures. Due to lengthy intake procedures, they are not listed here.

Records

To compare the accuracy of information on the system versus the physical existence of the animals, a sampling of animals was selected from Petpoint and compared to cage cards and a sampling was selected from cage cards and compared to Petpoint .

CONCLUSION

In our opinion, LifeLine is primarily in compliance with the minimum requirements of Contract # 13-902635.

OBSERVATIONS AND RECOMMENDATIONS

Observation I – RFP Recommendation

During our review of the RFP for Outsourcing of Animal Services, it was noted that LifeLine was the only respondent. The Evaluation Committee recommended against accepting LifeLine's proposal in their September 18, 2012 meeting and again, in a re-vote, in their October 12, 2012 meeting. Despite the committee's recommendation, approval of awarding the RFP to LifeLine was put forth on the January 8, 2013 BOC Meeting Agenda and was approved by the BOC on February 26, 2013.

There was no documentation in the RFP bid package to indicate the awarding of this contract despite the Committee's recommendation.

Recommendation I

We recommend that, when a County contract is awarded to a bidder that is contrary to the recommendation of the Evaluation Committee, adequate documentation of the justification for the selecting the awarded bidder be placed into the RFP bid package.

Observation II – Possible Conflict of Interest

During the period of the RFP process and the Board’s awarding of the Contract, the former Chief Operating Officer/Executive Assistant of DeKalb County was listed as the Chief Financial Officer of LifeLine Animal Project, Inc.

While not being directly involved in the evaluating or awarding process, this is a possible violation of the following County Conflict of Interest ordinances:

Sec 20-20 (a) No employee covered by the provision of this chapter shall:

- (1) Engage in any business or transaction or have a financial interest or other personal interest, direct or indirect, which is incompatible with the proper discharge of official duties or which would tend to impair independence of judgment or action in the performance of official duties;
- (2) Engage in or accept private employment or render services for a private interest when such employment or service is incompatible with the proper discharge of official county duties or would tend to impair independence of judgment or action in the performance of official duties;
- (4) Participate in the negotiation or the making of any contract with any business or entity in which the employee has a financial interest.

Recommendation II

We recommend that executives file a notification whenever they are an officer of a company vying for a County contract.

Observation III - Cost of Outsourcing

During our review of reported fees collected, we noted that LifeLine collected \$394,183 for the 12 month period July 2013 – June 2014. In the past, these funds were remitted to the County. Below is a summary comparison of overall costs.

	July 2012-June 2013 (County Enforcement And Shelter)	July 2013-June 2014 (County Enforcement, LifeLine Shelter)	Increase	Percentage of Increase
County Expense	\$2,976,442	\$1,505,707		
LifeLine Fees	-	\$2,021,249		
Revenue Lost	-	\$394,183		
Totals	\$2,976,442	\$3,921,139	\$944,697	31.7%

Recommendation III

We recommend a detailed analysis be performed between the costs of outsourcing vs in-house services.

Observation IV – Contract Oversight

The County's policy regarding contract oversight is that the User Department will appoint a Project Manager/Contract Manager to oversee the contract. This manager would have specific knowledge and experience in order to evaluate the quality of the work being performed. For this contract, the oversight is being performed by Purchasing & Contracting personnel rather than Animal Services personnel.

Recommendation IV

We recommend Animal Services personnel be given oversight responsibility for this contract.

Comment

During our compliance testing of the following areas, there were no discrepancies noted. We did not observe an intake procedure when we performed a walkthrough.

- Monthly Reports
- Animal Treatment
- Intake Procedures
- Records

We noted that the August 2014 report totals in the animal disposition table were similar to the July 2014 report totals.

**LifeLine Animal Project
Report to DeKalb Animal Services Advisory Board:
LifeLine Response to 2015 Compliance Audit Report – Animal Services
June 4, 2015**

LifeLine Animal Project (LifeLine) received a copy of the 2015 Compliance Audit Report prepared by DeKalb County's Internal Audit Division (Compliance Report) on May 27, 2015. Throughout the audit process, LifeLine was confident the County auditor would reach the conclusion, as stated in the Compliance Report on page 5, that LifeLine is in compliance with the requirements of the outsourcing contract. Because the Compliance Report does not contain any metrics for evaluation of LifeLine's performance, however, LifeLine submits this response to the DeKalb Animal Services Advisory Board to provide key performance metrics and respond to the "Observations and Recommendations" section of the Compliance Report.

Contract Compliance

The Compliance Report summarizes contract compliance in three operational areas: animal treatment, intake procedures, and records. For example, under "Animal Treatment," the report finds:

The impound area was toured and cages/walkways were found to be clean as specified in the Contract's Scope of Work. Animals were segregated by species and observed to have identifying collars. Cages were observed to have information sheets (cage cards) identifying individual animals and containing pertinent information. Staff was interviewed and appeared knowledgeable about required treatment of the animals. In addition to requirements of the Contract, County personnel with specialized knowledge of animal treatment were interviewed.

Likewise, the auditor reported favorably on LifeLine's intake procedures and record keeping.

As the Advisory Board is aware, these three operational areas were in distress prior to the outsourcing contract.

Before LifeLine's management, the animal areas were not "found to be clean," and about a half-inch of standing water permeated the facility. Intake procedures had not been followed, particularly for cats, resulting in a deadly disease outbreak among the entire feline population, already in full force on the first day of LifeLine operations. LifeLine staff encountered several animals dead or dying in their cages. With respect to record keeping and identification of animals, LifeLine staff also discovered on the first day of operations that none of the cats were identified through the cage card system and about a third of the dogs lacked identifying cage cards. In the database system, 85 animals were shown as present in the shelter that were no longer there, and several animals in the shelter were not in the database.

LifeLine made equipment repairs and instituted cleaning protocols to keep the animals safe and the aging facility clean and dry. We eradicated and continue to control the spread of disease. For the first several weeks of operations, LifeLine quarantined the cat areas of the shelter to control the inherited disease outbreak and diverted DeKalb County's entire cat intake to LifeLine's private shelter in Avondale Estates until the County shelter could be made safe again for feline intake. Staff painstakingly corrected, updated and continue to maintain the shelter's database system so that all of the animals are accounted for at all times and their medical records are up to date.

Performance Metrics

LifeLine's contract compliance with respect to animal treatment, intake procedures, and record keeping represents a substantial improvement and benefit of outsourcing to the pets and people of DeKalb County. The results of the organization's lifesaving efforts, which were not included in the Compliance Report, are even more remarkable.

In the last 12 months of the County's management, July 2012 to June 2013, the County placed 692 animals in adoptive homes. In the most recent 12 months of LifeLine's tenure, June 2014 to May 2015, LifeLine adopted 2,277 animals – a 229% increase over the County's adoption rate. LifeLine has cut the euthanasia rate by 55%, even with intake rates increasing 19% since the commencement of the contract. This translates to thousands more dogs' and cats' lives saved over the contract term.

As a direct result of outsourcing and with euthanasia rates now in the teens, DeKalb County is within a few percentage points of being considered a no-kill community and already is one of the safest communities in the nation for pets at risk. In Boston University's recent "21st Century Mayor's Leadership Survey" of 70 mayors from across the country, no-kill status was recognized as an important attribute for a well-managed city. LifeLine is very proud of our accomplishments to date and hope the DeKalb County government and its citizens share our pride as well as our determination to reach the no-kill goal.

Report Observations and Recommendations

Under the heading "Observations and Recommendations," the auditor listed four observations. While none of the issues discussed in this section are within LifeLine's contract performance or control, LifeLine here offers a perspective not reflected in the Compliance Report.

First, the auditor observed that the RFP Evaluation Committee recommended against the LifeLine proposal, despite LifeLine being the only respondent. LifeLine was not in any way involved in the Evaluation Committee's deliberations or recommendation and was unaware that the Evaluation Committee had not recommended LifeLine. It is noteworthy, however, that members of the Evaluation Committee were from the User Department, i.e., Animal Services. The outsourcing contract could have and ultimately did affect their job responsibilities and potentially meant that their own jobs or the jobs of their co-workers would be outsourced and thereby eliminated. It was clear from the commencement of LifeLine's management that the User Department generally opposed outsourcing.

Next, the auditor identified a possible conflict of interest because the former Chief Operating Officer of DeKalb County, Richard Stogner, was listed as the "Chief Financial Officer" of LifeLine.* To clarify, LifeLine is a non-profit IRS 501(c)(3) organization. Mr. Stogner served in a volunteer-only capacity as the Treasurer of LifeLine's all-volunteer board of directors. He has never received any monetary or other compensation from LifeLine.

With respect to conflict of interest, Section 22A, Paragraph (b)(7) of the DeKalb County Organizational Act states:

Interest means any direct or indirect pecuniary or material benefit held by or accruing to a member of the governing authority or to a member of the board of ethics as a result of a contract or transaction which is or may be the subject of an official act or action by or with DeKalb County. Unless otherwise provided in this section, the term "interest" does not include any remote interest. (Emphasis added.)

Paragraph (b)(14) of the same section further explains: "*Remote interest* means the interest of: (a) A nonsalaried director, officer, or employee of a nonprofit corporation...."

Thus, by definition, Mr. Stogner's volunteer service with LifeLine never posed a conflict of interest. At no time did Mr. Stogner take any action that could be deemed as incompatible with the proper discharge of his official duties. His volunteer service on LifeLine's board was well known, and he publicly acknowledged his board service in several meetings of the DeKalb County Board of Commissioners, always recusing himself from any Board discussions of the outsourcing RFP. Likewise, Mr. Stogner abstained from any votes of LifeLine's board on questions concerning the DeKalb proposal. The auditor noted that Mr. Stogner was not directly involved in the evaluating or awarding process, and Mr. Stogner retired from DeKalb County prior to the actual contract negotiations. He continues to volunteer on LifeLine's board although his term as Treasurer has concluded. Unlike members of the RFP Evaluation Committee, whose livelihoods genuinely could have been adversely impacted by the outsourcing contract, Mr. Stogner had no personal interest whatsoever, financial or otherwise, in the outsourcing RFP process or contract award. LifeLine is grateful for Mr. Stogner's volunteer service and his love for and commitment to the animals.

The Compliance Report next addresses the cost of outsourcing and presents a summary comparison of overall costs for Animal Services. The heading "Cost of Outsourcing" is somewhat inaccurate, however, as County officials opted not to capitalize on any savings potentially garnered by outsourcing shelter operations. Instead, rather than cut any personnel expenses in the User Department, which comprised the majority of the outsourced expense associated with shelter operations, the User Department retained all but two of the dozen or more employees associated with shelter operations. All customer service, shelter, supervisory, and management personnel previously engaged in shelter operations prior to the outsourcing contract were redeployed in the County's Animal Services Enforcement division. Senior management personnel with oversight responsibilities reduced by more than half were retained, and customer service personnel whose former job responsibilities were completely eliminated were likewise retained in the County's

* Mr. Stogner was not LifeLine's Chief Financial Officer. While not specified in the Compliance Report, the auditor likely obtained this information from the Georgia Secretary of State website, which allows for no distinction between officers and directors of a non-profit organization. In LifeLine's IRS Form 990, which is publicly available, Mr. Stogner is correctly listed as the board Treasurer, i.e., an individual director with no compensation, and not an officer of the corporation.

Animal Services Enforcement division. Former shelter personnel became County animal control enforcement officers.

Comparatively, in neighboring Fulton County, LifeLine provides both shelter operations and animal control enforcement services to a larger population at a substantially lower cost than the overall cost in DeKalb as calculated in the Compliance Report. LifeLine's shelter operations in Fulton County are similar in scope and budget to LifeLine's DeKalb operation. LifeLine's animal control officers in Fulton County, however, respond to twice as many calls for service each month compared to DeKalb County's enforcement officers. As in DeKalb, fees collected for licensing, adoptions and other shelter services offset the total budget for shelter and enforcement operations per the outsourcing contract. While LifeLine provides a comparable level of shelter operations in Fulton County at similar expense and double the level of DeKalb's enforcement services to a larger population, the total annual budget in Fulton County is \$3.1 million – \$821,000 *less* than the total costs cited in the Compliance Report for DeKalb's bifurcated model. Had DeKalb County outsourced both shelter operations and animal control enforcement to LifeLine, the savings to the County over the course of the contract would have been \$4 million when compared to the Compliance Report cost calculation.

Additionally, the auditor characterized fees collected and retained by LifeLine as "revenue lost" by the outsourcing contract. The stated amount represents fees for licensing and adoptions, but it is misleading to characterize the total fees as "revenue lost" to the County because the County never collected the bulk of these fees when it managed the shelter. As noted above, LifeLine increased adoptions by 229% over the County's previous annual rate, and thus the total amount of adoption fees collected increased as well, although LifeLine runs numerous reduced-fee and fee-waived adoption promotions. Also, when LifeLine began shelter management, our staff discovered several mail bins containing hundreds, if not thousands, of unopened and unprocessed pet licensing registrations, some dating back several months. LifeLine estimates a 60% increase in pet licensing compliance, which was accomplished primarily by effectively promoting and processing pet licensing registrations.

The outsourcing contract to LifeLine also has brought a value-added service to the pets and people of DeKalb County. In addition to the dramatic and measurable success at saving the lives of pets entering the shelter, LifeLine also provides services to DeKalb citizens to help keep animals out of the shelter in the first instance. LifeLine's spay/neuter initiatives in DeKalb County – the Free Pit Fix, SNIP DeKalb, and the DeKalb community cat program – have provided free spay/neuter surgeries and vaccinations to 1,596 pets owned by DeKalb residents and 2,051 community cats for a total of 3,647 dogs and cats to date. Every animal adopted from the shelter is spayed or neutered, fully vaccinated, microchipped and tested for disease at no additional charge to the adopter. LifeLine's Healthy Pets DeKalb events have provided over 1,000 free vaccinations to pets of DeKalb residents. This current level of service provided to the pets and people of DeKalb County and the lifesaving results for the animals are a direct result of the outsourcing contract.

Finally, the auditor recommends that the County's Animal Services Enforcement division, i.e., the User Department, be given oversight responsibility for the contract. When the contract itself was negotiated, the DeKalb County Administration recognized that LifeLine's philosophy and approach to animal welfare differed substantially from that of the leadership within the Animal Services User Department. Upon LifeLine's request, the Administration agreed to contract terms removing oversight from the User Department in an effort to support LifeLine's implementation of the

lifesaving agenda. In short, the County's purpose for outsourcing, in part, was to effectively change shelter operations and leadership to a progressive model that increased adoptions, reduced euthanasia, ensured humane care, and ultimately saved lives. While LifeLine has demonstrated in large measure the lifesaving success of its approach, differences with the User Department leadership persist. The Compliance Report does not mention that the recommended action of User Department oversight would be in violation of the explicit terms of the current contract.

Conclusion

For LifeLine Animal Project, the DeKalb County shelter operation is much more than a vendor contract to be measured in terms of compliance. It is a mission: to end the euthanasia of healthy and treatable animals in DeKalb County. As LifeLine comes closer to reaching and sustaining the ultimate goal, we recognize our lifesaving success is a shared success, and hopefully a shared vision, in partnership with DeKalb County, the Administration, and the Board of Commissioners. We believe that, working together, we can make DeKalb County a model community for animal welfare. The best shelter is a caring community, and LifeLine is honored to serve the pets and people of DeKalb County. We hope to continue our partnership for many years to come.