

Ethics Tipline Incident #120074221
Metro Animal Services Donation Fraud Allegation
Review
Review Summary

Introduction

The Office of Internal Audit (OIA) investigated an allegation of fraud which was made through Louisville Metro's Ethics Tipline. Specifically, incident #120074221 reported that in February 2013, there was an injured dog named Sadie admitted to Metro Animal Services. Sadie had a broken leg which required surgery. The complainant stated after the general public became aware of Sadie's medical needs, outside agencies raised funds for Sadie's surgery. The complainant stated that Sadie never had the surgery and died in the Spring of 2014 as a result of her injuries. The complainant alleged that Metro Animal Services' (MAS) senior management (Donald Robinson and Margaret Brosko) made the decision to use funds donated specifically for Sadie's surgery for other animals in the shelter. The Office of Internal Audit investigated the allegation to determine if it could be substantiated.

Methodology

Interviews were conducted with key personnel in order to understand the policies and procedures related to Metro Animal Services' processing, recording, monitoring and reporting of donation activity. Also, the Louisville Metro Government Donation Ordinance (§ 20.15) and Louisville Metro Donation Policy were reviewed to determine MAS compliance with this law and related regulations. All MAS donation activity (i.e., animal care, building and Spot funds) recorded in their data management system from the period January 2013 through April 2014 was reviewed. Documentation reviewed included quarterly donation reports, departmental donation records, canceled check images, financial system activity as well as the activity from Metro Animal Services' data management system. Documentation was reviewed to determine whether the allegation could be substantiated.

During our review, it was revealed that there was significant noncompliance with the requirements detailed in the Louisville Metro Donation Policy (Policy). MAS did not maintain the required documentation for any of the donations received during the review period. The Policy states, "For all donations, regardless of value, departments are required to maintain a file of documentation on all donations received. The documentation required is 1) donation data sheet; 2) donor letter; 3) donor acknowledgement letter; 4) department's distribution plan and 5) a resolution from Louisville Metro Council, if required by Louisville Metro Code of Ordinance § 20.15."

As a result of the noncompliance with the Policy, MAS was unable to provide sufficient documentation regarding donor intent. In an attempt to verify the total amount of funds donated for Sadie's surgery, OIA obtained alternative documentation regarding the donor's intent. Alternative documentation included, but was not limited to; cancelled checks (memo line) and reference notes in MAS' animal management system.

Results

- MAS has not maintained the Donation Data Sheet, Donor Letter, Acknowledgement Letter, or Distribution Plan the donations, as required by the Office of Management and Budget Policies and Procedures. MAS does not consistently prepare, distribute, and/ or maintain the documentation as required. As a result of noncompliance, MAS is unable to provide sufficient documentation regarding donor intent.

See w/p Ethics Tipline 120074221-1-3b (1-3), Tick C1

See w/p Ethics Tipline 120074221-1-2, Exhibit A General Observation

- There was one donation greater than \$5,000. MAS did not maintain the Council Resolution for the donation, as required by the Office of Management and Budget Policies and Procedures for the donations greater than \$5,000. As a result, it cannot be determined if the donation was appropriated through the proper channel without further investigation. **(Review Summary Only)**

See w/p Ethics Tipline 120074221-1-3b (1-3), Tick G2 (1 of 1)

- 15 of 3,895 donations were specifically designated for either the Building Fund or the SPOT Fund. However, the funds were recorded into the account for the Animal Care Fund within Louisville Metro Government's Financial Accounting System (LeAP). As the funds were not recorded into the proper LeAP account, there is a greater risk that the funds will not be spent as intended by the donor. **(Review Summary Only)**

See w/p Ethics Tipline 120074221-1-3b (1-3), Tick H1.1 (15 of 3,895)

- 2 of 3,895 donations were specifically designated for a specific use, described in alternative documentation as "Medical Expenses". The alternative documentation does not specifically reference Sadie. However, due to the timing of the donation and the nature of Sadie's needs, there is a significant chance that these funds could have been intended for Sadie. However, due to the vagueness of the alternative documentation and overall lack of documentation OIA cannot conclude that these funds were intended for Sadie. **(Review Summary Only)**

See w/p Ethics Tipline 120074221-1-3b (1-3), Tick H1.2 (2 of 3,895)

- For 3,764 of 3,895 donations, the donor's specified use of these donated funds cannot be determined because there is insufficient documentation regarding the donation designation. It is a general best practice to expend donated funds as specified by the donor. Otherwise, it can be assumed that the funds were collected under false pretenses. Further, OMB policy requires that when a donor specifies an intended use for donated funds, the funds must be used as intended. Otherwise, the donated funds should be returned to the donor.

See w/p Ethics Tipline 120074221-1-3b (1-3), Tick H2 (3,782 of 3,895)

- 3 of 3,895 donations were specifically designated for Sadie, as evidenced by the documentation provided by the Office of Management and Budget and/ or MAS management. The donations were identified as follows:

9/29/2014

- One donation in the amount of \$10, was identified by way of information provided in the memo line of the donor's check as well as information documented by the MAS cashier within the Chameleon System.
- Two donations in the respective amounts of \$50 and \$200 were identified by way of information documented by the MAS cashier within the Chameleon System.

See w/p Ethics Tipline 120074221-1-3b (1-3), Tick H (3 of 3,895)

Recommendations

MAS personnel should review the results and implement necessary corrective actions. Specific recommendations include the following.

- ✓ The Office of Management and Budget, the Metro Donation Policy owner, should review the reporting requirements of the Donation Policy. The policy has not been updated in eight years and the intended purpose of the reporting requirements may need to be reviewed to ensure it is still beneficial for all departments. It may not be feasible for some departments to maintain a file of required documentation, especially those of nominal value or monetary amount.
- ✓ Metro Animal Services should implement documented Inter-Departmental policies and procedures for the solicitation, processing, recording, monitoring and reporting of donation activity. Inter-Departmental policies and procedures should include the following:
 - Policies and procedures must clearly define the responsibility of MAS employees. Refer to titles, positions, and departments not specific individuals.
 - Policies and procedures should be formally documented (i.e. typed and maintained in a location accessible to all MAS staff).
 - Policies and procedures should be revised at least annually or when there is a significant change in the program or process.
 - Policies and procedures should be clear and concise and accurately describe the subject(s) addressed.
- ✓ Metro Animal Services should ensure proper monitoring is performed for donation activity. This includes verifying the accuracy and completeness of donation files as well as information recorded on the MAS animal management system.

Conclusion

Based on interviews of key personnel, and reviews of supporting documentation, the allegation cannot be substantiated. There is no evidence to substantiate the fraud allegation; however, the significant noncompliance issues limited our assurance on whether or not funds donated to MAS during the review period were for Sadie's surgery.