

2018

Travis County Auditor's Office Review of City of Austin and Travis County Animal Services and Public Health ILAs



Travis County Auditor's Office
Risk Evaluation & Consulting Division
2/9/2018

TRAVIS COUNTY
AUDITOR'S OFFICE

NICKI RILEY, CPA
COUNTY AUDITOR



TRAVIS COUNTY
700 LAVACA
P.O. BOX 1748
AUSTIN, TX 78767
(512) 854-9125
FAX: (512) 854-9164

To: Stephanie Hayden, Interim Director, Austin Public Health
Lee Ann Shenefiel, Interim Austin Chief Animal Services Officer
Sherri Fleming, Travis County Executive

From: Nicki Riley, CPA
Travis County Auditor

Date: February 9, 2018

Subject: Review of Animal Services and Public Health Interlocal Agreements

Scheduled as part of our statutory requirements, specifically those in Section 115 of the Local Government Code, the Risk Evaluation and Consulting (REC) Division of the Travis County Auditor's Office has completed a review of the Travis County Health and Human Services Department's Public Health and Animal Services Interlocal Agreements (ILAs) with the City of Austin (City). We conducted our examination in accordance with the applicable statutes governing the County Auditor's Office, and those relating to County financial and accounting protocols. As a result of our examination, we are providing this report on our findings and recommendations.

BACKGROUND

Through the Animal Services ILA, sheltering, enforcement, and prevention services are provided for companion animals. The focus of the Public Health ILA is to promote community-wide wellness, prevent disease, and protect the community from infectious diseases, environmental hazards, and epidemics. The City administers the programs, and allocates a portion of their program costs to the County.

SCOPE OF EXAMINATION

The primary objective of this review was to verify the accuracy of the City's Animal Services and Public Health ILA billings issued to the County for the 24 months ended September 30, 2016. When findings related to billing errors/potential breaches of contract were noted, we obtained either estimated or actual amounts related to those findings for fiscal years 2008 to 2014. It should be noted that the first Animal Services and Public Health ILA with the City covered fiscal year

2008. This report details our findings, and it includes an assessment of the adequacy and effectiveness of the City's system of financial controls in place for handling these two ILAs.

EXAMINATION METHODOLOGY

Our work was based on applying sampling procedures to office records and on verbal and written representations from the City. Sampling relates to examining, on a test basis, evidence supporting the amounts and disclosures in the financial records and statements. The use of sampling techniques would not necessarily disclose all material issues and weaknesses in this functional area of the City. In regard to the written and verbal representations made by the City, unless otherwise noted in this report, office management maintains that the assertions we relied upon in the examination were correct to the best of their knowledge.

SUMMARY OF FINDINGS & RECOMMENDATIONS

Multiple departures from ILA terms and billing errors resulted in the County being overbilled by over \$1.1 million. The majority of this overbilling stemmed from the County being billed for expenses disallowed in the ILA. We also noted multiple cost allocation/billing errors, a materially-overstated not-to-exceed amount, and failure by the City to remit the County's share of Animal Services program revenue for over five years.

OPINION OF INTERNAL CONTROL SYSTEM

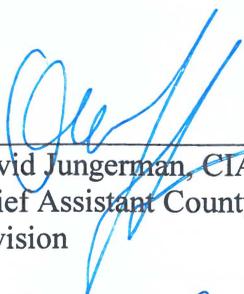
Due to the large number of significant findings and the internal control weaknesses noted, we gave the system of internal controls for this functional area our rating of "Inadequate." This rating indicates the existing system of internal controls is materially ineffective. See Attachment A for an explanation of our grading system for the overall control environment.

EXAMINATION TEAM

Joanne Englund, CPA, Senior Auditor
Camille Cortez, Staff Auditor
Travis Lee, Staff Auditor

CLOSING

This report is intended solely for the information and use of your office and the Commissioners Court. We greatly appreciate the cooperation and assistance received from the management and staff of the City during these reviews. Please contact us if you have any questions or concerns regarding this report.



David Jungerman, CIA
Chief Assistant County Auditor I - REC
Division



Patti Smith, CPA
First Assistant County Auditor



Nicki Riley, CPA
Travis County Auditor

REPORT DISTRIBUTION

- Lora Livingston, Judge, 261st Judicial District
- Brenda Kennedy, Judge, 403rd Judicial District
- Sarah Eckhardt, Travis County Judge
- Jeff Travillion, Commissioner, Precinct 1
- Brigid Shea, Commissioner, Precinct 2
- Gerald Daugherty, Commissioner, Precinct 3
- Margaret Gomez, Commissioner, Precinct 4
- Jessica Rio, County Executive, Planning and Budget Office
- John Hille, Division Director, County Attorney's Office
- Managers, Travis County Auditor's Office
- Travis County Executive Managers
- Examination File

EXECUTIVE SUMMARY

As the result of our review, we noted the City inappropriately billed costs that were not eligible for reimbursement, inaccurately allocated ILA costs, and did not remit program revenues to the County. These exceptions resulted in a loss of County funds totaling \$1,102,277, as follows:

Description of Exception	Fiscal Years 08-10	Fiscal Years 11-13	Fiscal Years 14-16	Total
Inappropriately billed: Other post-employment benefits (OPEB) ¹	\$197,818	\$245,631	\$447,113	\$890,562
Billed full cost of vehicles rather than a portion based on County population %			78,996	78,996
ILA not-to-exceed amount overstated, resulting in County overpayment			63,063	63,063
Inappropriately billed: consulting, food, and employee awards/recognition	6,925	6,465	15,139	28,529
The City collected County Animal Services fees, but did not remit them to the County. ²	9,000	7,385	10,465	26,850
Cost model allocation and invoice errors resulted in County overpayments			8,279	8,279
Inappropriately billed: recruiting expenses (human resources, not program expense)			5,770	5,770
Inappropriately billed: food reimbursed by the City through a Mini-Grant			228	228

Total lost County funds \$213,743 \$259,481 \$629,053 \$1,102,277

The ILAs specifically state that the following expenses are not eligible for reimbursement: other post-employment benefits, employee awards/recognition, food and beverages, and consulting not related to services provided within the scope of the ILA. We noted a number of instances where the County was billed for these disallowed expenditures.

We also noted the City inappropriately billed the County for 100% of the cost of two vehicles purchased in FY16. In addition, although preapproval in the form of a contract amendment is required by both ILAs when a program's costs exceed its original budget by over 25%, the Austin Healthy Adolescent Program's FY16 expenses exceeded its budget by 155.8% (\$63,063) in FY16, and no amendment was obtained.

¹ According to the National Association of State Retirement Administrators, other post-employment benefits (OPEB) refers to the benefits, other than pensions, that a state or local government employee receives as part of his or her package of retirement benefits. Typically retiree medical insurance is the most significant OPEB offering, though other benefits such as life insurance are also covered by this umbrella term.

² The City did not remit the County's portion of Animal Services fees for fiscal years 2008-2010 or for portions of 2011-2013. They did not provide reporting of the amounts collected, so we provided estimates of these amounts.

BACKGROUND

The original ILA between the County and the City covering fiscal year 2008 encompassed both Animal Services and Public Health. Beginning in fiscal year 2013, the two program areas were split into separate ILAs. The FY16 programs provided under these ILAs are listed below:

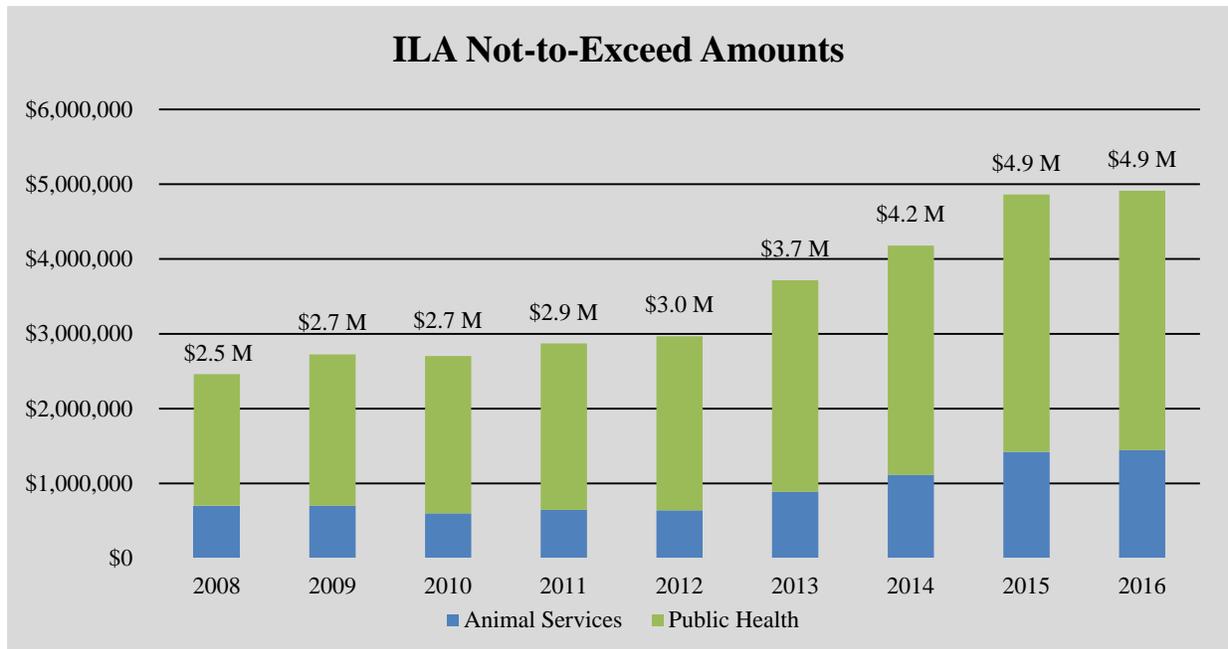
Animal Services

- Animal Control
- Prevention
- Shelter Services
- Spay/Neuter Clinic
- Coyote Abatement

Public Health

- African American Quality of Life
- Austin Healthy Adolescent
- Comprehensive Public Health Planning
- Chronic Disease Prevention and Control
- Communicable Disease
- Epidemiology and Health Statistics
- Health Authority
- Health and Safety Code Compliance
- Immunization
- Information, Referral, and Permitting
- Injury Prevention
- Office of Vital Records
- Rodent Vector Control
- Sickle Cell Services

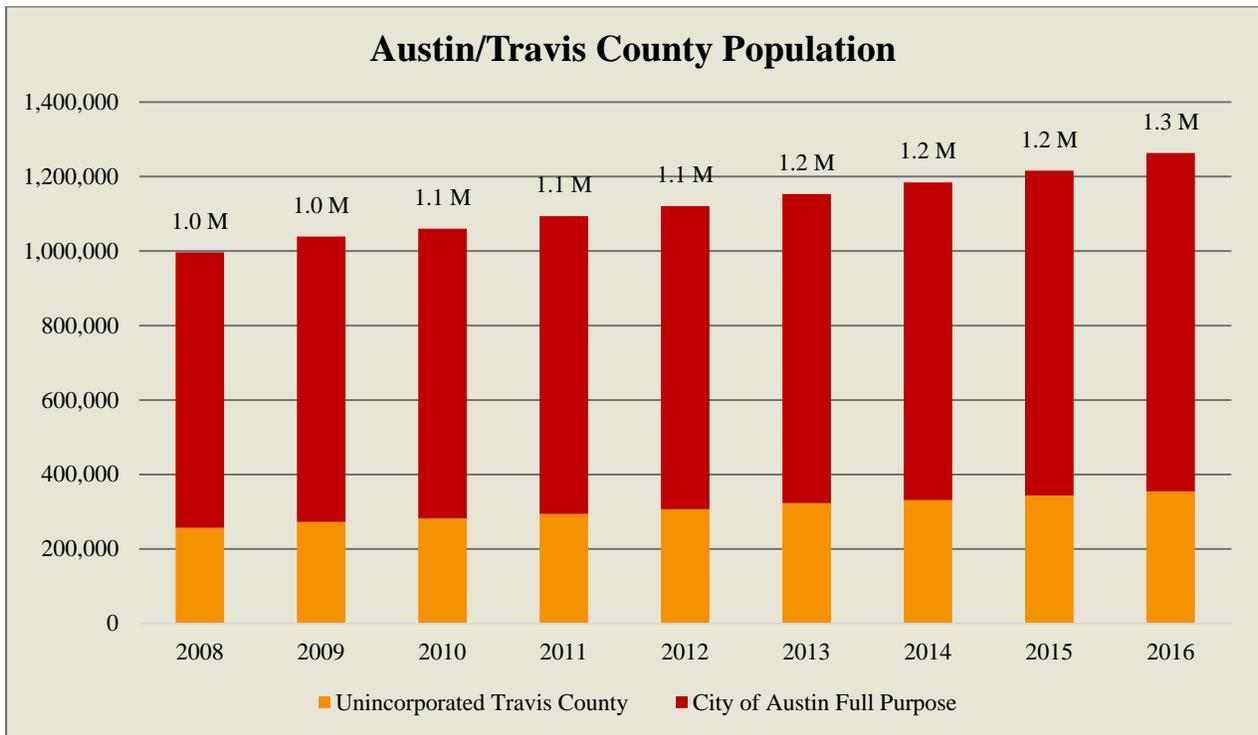
The two ILAs include a cap on the amount to be paid by the County to the City for providing ILA services, referred to as the not-to-exceed amount. The County is not responsible for paying more than this amount unless Commissioners Court approval is obtained and the ILA is amended. The not-to-exceed amounts for Animal Services and Public Health for the nine years ending September 30, 2016 are provided below:



In both ILAs, Section 13.3, *Cost Model*, describes how the City’s costs are to be allocated to the County. After a mark-up of 6.5% is applied to the City’s costs, and program revenues are deducted, the net amount is multiplied by the ILA allocation percentage(s) to calculate the County’s portion of expenses. The allocation percentages for fiscal years 2015 and 2016 are provided below:

Unincorporated Travis County	FY15	FY16
Population percentage	28.25%	28.09%
Food permits	6.837%	8.872%
County animals accepted at City shelter	11.00%	10.83%

With the exception of the Information, Referral, and Permitting Program and the Health and Safety Code Compliance Program, which both use a hybrid formula, Public Health program expenses are allocated to the County based on the percentage of residents living in the unincorporated areas of Austin/Travis County. A breakdown of the population residing in the unincorporated Travis County area versus the full purpose area³ of the City of Austin for the nine years ending September 30, 2016 is provided below:



For the Animal Services ILA, costs incurred by the City to provide animal control services are allocated to the County based on the population percentage. Expenditures for prevention and shelter services, including adoption and rescue, are allocated to the County based on the percentage of animals accepted at the shelter that are attributed to the County using a 3-year rolling average.

³ In the full purpose area, the City provides full municipal services, assesses taxes, and enforces City ordinances and regulations.

AREAS OF CONCERN/ISSUES NOTED

1. Other Post-Employment Benefits

According to Section 13.3.2 (a) of the Animal Services and Public Health ILAs, the County is not responsible for reimbursing the City for other post-employment benefits. Other post-employment benefits (OPEB) include retiree benefits other than their pension, such as healthcare and life insurance. The City budgets and records all employee benefits together, for active and retired employees, as insurance expense. As a result, a portion of the insurance expense billed to the County through the ILA billings was attributable to OPEB. It was therefore necessary to determine how much OPEB was billed to the County.

The City provides access to medical, dental, vision, and life insurance for retirees and their families, with the City paying for allowed medical costs and 100% of retiree life insurance premiums. Group dental and vision coverage is available to retirees and their eligible dependents. Retirees pay the full cost of dental and vision premiums.

Although the City budgets and records employee benefits for all employees combined (active and retired), there are a few schedules that make it possible to determine how much OPEB was billed to the County. The City is required by Governmental Accounting Standards Board Statement Number 45 (GASB 45) to provide a note to the basic financial statements about OPEB in their Comprehensive Annual Financial Report (CAFR). Specifically, they must provide the City's annual contributions attributable to OPEB compared to annual OPEB cost.

According to the available information, City contributions attributable to OPEB during fiscal year 2016 totaled \$39,314,000. In addition, the City includes an Employee Benefits Fund schedule in their budget package which provides the budget for total City contributions, as well as actuals for a few previous years. Using these schedules we determined that the County was incorrectly billed OPEB totaling \$817,809 during fiscal years 2008-2016. See Attachment B for calculation details.

OPEB Recorded as Grant Support Expense

We also noted that this insurance expense comprises a portion of the grant support expense which is periodically posted to units for which the County is billed. Since this insurance expense contains OPEB, the County is being billed for OPEB in the grant support expense line item as well. The grant support expense line item is utilized when a grant program does not have sufficient budget to pay program expenses. The excess expenses are transferred from the grant fund to another unit which has been determined to have excess budget.

In order to estimate the amount of OPEB billed to the County in the grant support line item, we reviewed the FY15 supporting documentation for this expense. We determined that \$198,396 (19.36%) of the \$1,024,914 in grant support expense was originally charged to insurance expense within the grants in that period. To calculate the portion of the insurance expense attributable to OPEB, we multiplied the insurance expense of \$198,396 by the FY15 OPEB rate of 26.33% (see Attachment C), for total OPEB of \$52,243. We separately entered this amount in the Public Health ILA cost model and determined that the County was billed \$15,718 for OPEB during FY15 in relation to grant support.

In lieu of a resource-consuming process to determine the exact amount of insurance expense included in the grant support line item for fiscal years 2008-2014 and 2016, we performed an extrapolation. This process utilized the FY15 percentage of grant support expense attributable to insurance expense of 19.36%, which was applied to grant support expense for each of the remaining fiscal years. We then multiplied the estimated annual insurance expense amounts by the OPEB rate applicable to each fiscal year (Attachment C). Finally, based on the estimated OPEB amounts, we calculated the OPEB billed to the County, utilizing the ILA cost models for each fiscal year. Based on this process, we estimate that the County was billed \$72,753 for OPEB on grant support expense during the nine years under review. See Attachment C for calculation details.

Significance:

The item noted above is significant because Section 13.3.2 (a) “Cost Model” of the Animal Services and Public Health ILAs states the following:

“The cost model does NOT include, either directly or indirectly, any of the following:

(a) Other Post-Employment Benefits (OPEB) for City employees whether or not those costs are for current year benefits, prior year benefits, or future year benefits;”

Recommendation:

City of Austin

We recommend that the City implement procedures to ensure the County is not billed OPEB costs in the future. Also, the City should refund the County \$817,809 for invalid OPEB billings for fiscal years 2008-2016. In addition, the City should either refund the County \$72,753 for invalid OPEB costs included with grant support expenses, or they should review the supporting documentation for grant support expense and calculate/refund the exact amount of OPEB billed to the County during fiscal years 2008-2016. If the second option is chosen, the City should provide the applicable supporting documentation to our office, as well as Travis County HHS for review.

The City should adjust the FY17 cost models to ensure that OPEB is not billed to the County for this and any future periods. Any OPEB expenses already billed since September 30, 2016 should be credited to the County or refunded.

Travis County

Going forward, Travis County HHS personnel should implement review protocols to ensure that OPEB costs are properly estimated and credited back to the County on the applicable cost models. This process should include a detailed verification that all City insurance costs allocated to the County in the cost model were taken into account in the City’s OPEB cost estimate, including insurance costs recorded as “grant support” expenses.

Management Response:

City of Austin - Partially Agree

- a. We concur with the TCA (Travis County Auditors) Audit Condition/Fact NO. 1. OPEB expense was included in “Insurance Expense” (Object Code 5185) billed to the County, when Section 13.3.2 (a) of the APH and ASO ILA contracts specifically exclude OPEB.
- b. However, management does not concur with either the amount of Insurance that was billed, nor do we agree with the percentage of the insurance line item that is attributable to OPEB.
- c. In the future, we believe that the County should pay OPEB as it is a cost of doing business associated with services provided by APH and ASO on the County’s behalf.

Travis County

In the interest of being consistent with other interlocal agreements between the City and County, in terms of future contract periods, HHS believes that the continued disallowance of OPEB under the Public Health and Animal Services Interlocals is appropriate.

To that end, this issue was addressed and resolved between the City and County through a negotiation process between City and County staff which included the Auditor’s Office. The new contract for the remaining portion of FY18 (January 1, 2018 through September 30, 2018) explicitly states the calculation methodology that the City will use to remove OPEB charges from the Quarterly Invoices submitted to the County for Public Health and Animal Services.

In terms of the appropriateness of number of years in which OPEB charges should be examined, HHS understands that there is no time limit on an auditor for a public entity to seek reimbursement of improper charges.

The City’s assertion that nine years (FY2008 – FY2016) is past its records retention requirements, and is therefore, not a reasonable period for an audit is incorrect for two reasons. First, the City is contractually and statutorily obligated to retain the records at issue. Secondly, the City actually retained the records at issue and provided them to the County Auditor, or they were available from the City’s website. Section 8.1 of both agreements states the following:

“Retention and Maintenance of Agreement Records. *City shall create and maintain all records and reports required and/or created relevant to performance under this Agreement, including but not limited to those specifically set out in this Section 8.0 (and all other applicable provisions of this Agreement), including all fiscal records, documentation about operations and documentation for all expenditures pertaining to this Agreement, and all operational and statistical reports related to performance in a readily available state, until all evaluations, audits and reviews are resolved satisfactorily to County. Such creation, maintenance and retention of records by City shall be in accordance with the schedule and requirements of City established pursuant to Local Government Records Act, Texas Local Government Code, Chapters 201-205, and the City of Austin Code, Chapter 2-11, and other applicable laws and regulations. City will provide County with a copy of such schedule annually.”*

Section 8.1 requires the City to keep all records relevant to performance under the agreements “until all evaluations, audits, and other reviews have been completed and all questions or issues (including litigation) arising from those evaluations, audits and reviews are resolved satisfactorily to County.” If an auditor for a public entity has no time limit in which to seek reimbursement for improper charges, then the City could theoretically be required to keep all records related to performance under the agreements for an indefinite period of time.

The City argues that its repayment obligations under the agreements should be limited to the time period it is required under its retention schedule to retain the documents. While it is true that Section 8.1 also requires the City to follow its retention schedule, it is a false dichotomy to say that the City’s obligation to follow its retention schedule should preclude the County Auditor from examining records that the City has contractually obligated itself to retain. In other words, the City’s legal obligation to retain its records is different than its contractual obligation. The City’s legal obligation does not negate its contractual obligation to retain its records until such time that audits are completed.

Assuming, for the sake of argument, that the City’s assertion is true – that it has no obligation to retain its records beyond its retention schedule, the types of records that the County Auditor relied upon to determine the OPEB repayment obligation are the types of records that the City must keep permanently. The County Auditor relied upon the City’s annual budget and financial reports to determine the OPEB repayment obligation. The retention period established for local governments by the Texas State Library and Archives Commission for annual budget and annual financial reports is permanent [Texas Admin. Code §7.125 (a)(1)]. Using the City’s argument, to the extent that the OPEB calculation relies on the City’s annual budget and annual financial reports, which the City is required to keep permanently, HHS believes there is no limit on how far back we can utilize those records to determine the City’s repayment obligation.

Secondly, the City actually retained the records at issue and provided them to the County Auditor or they were available to the County Auditor from the City’s website. Putting aside the issue of how long the City is legally required to retain the records, the City’s actions to provide the records they had in their possession was in compliance with Section 8.1. It is not reasonable for the City to now argue that the County should ignore those records when the City was contractually obligated to provide them in the first place.

2. Capital Expenditures

During the two fiscal years ending September 30, 2016, the City purchased 10 vehicles at a cost of \$284,668 to be used for ILA purposes. For eight of these vehicles, the City correctly allocated the costs to the County. For the remaining two, the City billed the County 100% of the \$112,716 cost of two Animal Services specialty vehicles, which were purchased for newly-hired Animal Services Officers. This charge is not in compliance with the cost-sharing arrangement for Capital Acquisition Property⁴ stated in Section 6.2.2 (b), *Replacement*, as follows (next page):

⁴ Section 6.2.2 (a), *Replacement*, defines Capital Acquisition Property as any tangible, non-expendable property with a value of more than \$5,000.

“Cost to the City of Property required because of replacement or because of expanded services shall be:

(i) approved by City and County in the budget process related to the year in which the equipment will be purchased; and

(ii) charged to County in the year that the equipment was purchased. The County's responsibility for cost of equipment will be based on the percentage of the residents living in the unincorporated areas of Austin/Travis County.

(c) such purchases shall be made subject to the mutual agreement of the Parties as to the need, purchase price, and proportionate share of County.”

Under Section 6.2.2 (b) (ii), there is no provision in the ILA under which the County would be responsible for reimbursing the City 100% of the cost of Capital Acquisition Property (capital asset) or any other expenditure. The City’s justification for billing the full cost, rather than the County’s 28.09%⁵ share, was that the vehicles would be used to perform animal services in the unincorporated areas of Travis County 100% of the time. According to the ILA, the County’s reimbursement to the City is based on the percentage of residents living in the unincorporated areas of Austin/Travis County – not the percentage of time the capital asset will be used in the unincorporated areas.

During the review period, the City purchased 10 vehicles utilized under the ILAs at a cost of \$284,668. Regarding purchases of these vehicles, the City did not adhere to the requirements of ILA Sections 6.2.2 (b) and (c). Specifically, the City did not obtain County approval for the purchase of these vehicles during the budget process, nor did they obtain the County’s agreement on the need for and purchase price of these vehicles prior to their actual purchase.

We noted two additional issues with the two animal services vehicles for which the County paid 100%. These vehicles are titled in the City’s name, even though the County paid 100% of the cost of the vehicles. In addition, the City billed the County for these vehicles during FY15 when the funds were only encumbrances, rather than in FY16 when the actual payment was made. ILA Section 6.2.2 (b) (ii) requires the City to bill the County during the year the equipment was purchased.

Finally, when the City and County signed the combined FY08 Animal Services and Public Health ILA, several County-owned vehicles were set aside to be used for ILA services and were listed in Attachment G of the ILA. Section 6.2.1, *Jointly Provided*, states the following:

“County shall retain title to that equipment listed in Attachment G, "Inventory of County Property." City shall make such County Property available to County annually for inventory purposes and provide assistance pursuant to Section 6.4. City shall provide all other necessary supplies and equipment and shall provide for

⁵ In FY16, the year the Animal Services vehicles were purchased, the percentage of residents living in the unincorporated areas of Austin/Travis County (County’s share) was 28.09%.

the maintenance of all such supplies and equipment (including that property owned by County).”

In addition to the City being responsible for providing all supplies and equipment for replacement or expanded services, the City is required to assist the County with capital asset tracking. Section 6.4.1, Annual Inventory, states the following:

“City shall provide an annual written inventory regarding all property received from the County to the County Purchasing Agent, with a copy to the County Executive, pursuant to Section 6.2, and certifying the continued use of such property. Such inventory shall be reviewed by County and subject to County acceptance and approval.”

When we consulted with the County’s Fixed Asset Manager, we learned that the City has not been meeting the above Section 6.4.1 requirement to provide the County a written inventory of the transferred vehicles, certifying their continued use.

Changes to the terms of either the Animal Services or Public Health ILAs, such as proportionate share of ILA expenses to be reimbursed by the County, are only enforceable if documented in the form of a contract amendment approved by the Commissioners’ Court. The following sections of the ILA are pertinent to this issue:

Section 4.1 Written Amendment. *Unless specifically provided otherwise in this Agreement, any change to the terms of this Agreement shall be in writing and signed by the Parties.*

Section 4.2 Acknowledgements as to Amendments. *It is acknowledged by the Parties that no officer, agent, employee or representative of either Party has any authority to change the terms of this Agreement unless expressly granted that authority by the governing entity of that Party under a specific provision of this Agreement or by separate action of that governing entity.*

Section 4.4 Submission - Amendments. *All requests for all changes, alterations, additions or deletions of the terms of this Agreement or any attachment to it shall be submitted to the County Executive, the Director and the County Purchasing Agent or their designees. Upon agreement by the City Department and County Department, the request will be presented by the County Purchasing Agent to the Commissioners Court and by the Director to the City Council or appropriate City authority for consideration.*

Section 5.1 Inclusive Agreement. *All oral and written agreements between the Parties to this Agreement relating to the subject matter of this Agreement that were made prior to the execution of this Agreement, including the applicable terms of the Agreement, have been reduced to writing and are contained in this Agreement.*

Significance:

County assets are at greater risk for loss/theft when they are not secured on County premises. The ILA requirement for an annual written inventory is an important control that, if properly used, could reduce the risk of loss of County funds.

Recommendation:

City of Austin

The City should reimburse the County \$78,996 for the portion of the two Animal Services vehicles purchase price the County was not responsible for paying. The computational details for this recommendation can be found below:

Vehicles' Purchase Price	6.50% Admin Mark-up	Total to Allocate	28.09% County's Portion	Paid by County	County Refund
\$112,716	\$7,327	\$120,043	\$33,720	\$112,716	\$78,996

In addition, the City should work with the Travis County Purchasing Agent to develop a process for meeting the Section 6.4.1 requirements for annual written inventory and County approval.

Travis County

Going forward, we recommend that County HHS personnel review and verify all capital asset purchases allocated to the County in the cost model. This should include verification that these items were properly approved and that the appropriate costs were allocated to the County. Questions of title (where applicable) and residual value should also be addressed.

Management Response:

City of Austin - Agree

While it is not disputed that there was an oral agreement between the parties of the ILA to purchase these vehicles, the parties did not formally enter into an agreement. Therefore, the City agrees to repay the county for the vehicles. However, these vehicles would now need to be titled to the City and cannot be used in areas outside the City of Austin.

Travis County

The capital expenditure issue has been addressed and resolved with the renegotiation of Public Health and Animal Services ILAs for the remainder of FY18 (January 1, 2018 through September 30, 2018).

Staff concur with the Auditor's recommendation that the City reimburse the County \$78,996 for the portion of the two Animal Service vehicles the County was not responsible for paying. HHS disagrees with the City's assertion that the two new Animal Services vehicles should not be used in areas outside of City limits. There is no mention in the ILAs of any problem with a vehicle titled to the City operating outside of City limits. As a matter of fact, since FY14, all replacement and new vehicles are titled to the City of Austin and operate in the unincorporated areas of Travis County.

In regard to the process for keeping track of inventory, the City has provided HHS staff an updated list of all Travis County equipment/property in their possession with identifying information on a

yearly basis and that information has been added to the ILA as an attachment. However, our Department has not included the Purchasing Office in the correspondence nor updated them on a yearly basis. Going forward, HHS will include the Travis County Purchasing Office in the correspondence and will update them on a yearly basis.

Audit Rejoinder:

To clarify, we recommend that the City reimburse the County \$78,996 for the portion of the two Animal Services vehicles the County was not responsible for paying. Under this recommendation, the costs associated with these vehicles would meet the provisions of the ILA, and the vehicles could continue to be used in all ILA jurisdictions. The City’s preference to reimburse the County for 100% of these vehicles’ purchase price is also a viable alternative. In regard to the vehicles’ titles, according to City personnel, these vehicles are already titled to the City, even though the County paid 100% of their purchase price.

3. Calculation Errors - Not-to-Exceed Amounts

The “not-to-exceed” amounts in the Animal Services and Public Health ILAs represent the maximum the County will be required to pay the City for ILA services each fiscal year. Each year, the City uses a cost allocation spreadsheet (cost model) to calculate the not-to-exceed amount, which is based on the City’s budgets for program expenses and revenues. In the cost model, budgeted program expenses are marked up by 6.5% for an administration allocation, and that computed amount is then reduced by any applicable, budgeted program revenue. This net amount is then multiplied by the County’s allocation percentage(s) to calculate the County’s budgeted share of expenses. The total of these budgeted County expenses is the County’s not-to-exceed amount.

In the Public Health cost models for fiscal years 2015 and 2016, the City multiplied budgeted program revenues by the County’s allocation percentage before netting the revenues against budgeted program expenses. This resulted in the not-to-exceed amounts being overstated by \$152,106 and \$216,880, respectively, for those two years. The FY15 billings would not have surpassed the not-to-exceed amount had it been correctly calculated. However, because of this computation error, the County was billed \$198,236 in excess of the properly-computed not-to-exceed amount in FY16. This item is detailed below:

	Budgeted Program Expense	6.50% Admin Mark-up	Total Budgeted Expense	Program Revenue	Total with Revenue	Not-to-Exceed Amount	Billed to the County	Under/ (Over)
FY2015								
Original	\$14,136,383	\$918,865	\$15,055,248	\$(211,994)	\$14,843,254	\$3,441,683	\$3,008,057	\$433,626
Revised	14,136,383	918,865	15,055,248	(750,421)	14,304,827	3,289,577	3,008,057	281,520
Difference	-	-	-	(\$538,427)	(\$538,427)	(\$152,106)	-	(\$152,106)
FY2016								
Original	\$14,136,383	\$918,865	\$15,055,248	\$(211,994)	\$14,843,254	\$3,466,683	\$3,448,039	\$18,644
Revised	14,136,383	918,865	15,055,248	(979,711)	14,075,537	3,249,803	3,448,039	(198,236)
Difference	-	-	-	(\$767,717)	(\$767,717)	(\$216,880)	-	(\$216,880)

When calculating the FY16 Public Health not-to-exceed amount, the only change to budgeted program revenue and expense from FY15 was to add the Teen Pregnancy Feasibility Study budget of \$25,000. The City did not update the County’s FY16 allocation percentages from those in the FY15 cost model. For example, the population percentage, which is used for most of the cost allocations, decreased from 28.25% in FY15 to 28.09% in FY16. The not-to-exceed amount would have been lower if these allocation percentages had been updated in the cost model. We did not incorporate these changes in allocation percentages in our recalculation of the not-to-exceed amount because we did not deem the impact to be material.

The \$216,880 error in calculating the 2016 not-to-exceed amount resulted in the City billing the County 155.8% more than the Austin Healthy Adolescent Program’s original budget. Section 4.3 of the ILA requires that the City submit preliminary program budgets to the County by April 1st of each year, with the understanding that final budgets may not become available until the end of September. Between the preliminary and final budget deadlines, the City is required to immediately communicate budget changes to the County.

On September 8, 2015, Austin City Council approved additional budget of \$329,315 for three new FTEs for the Austin Healthy Adolescent Program (specifically Teen Pregnancy). Although this represented a budget increase of 205% for this program, the City did not notify the County and amend the ILA or otherwise obtain approval for this increase from the Commissioners’ Court. Had the budget increase been properly handled, the not-to-exceed amount would have increased by \$99,079. The details are as follows:

Fiscal Year 2016	Budgeted Program Expense	Admin Mark-up	Total Budgeted Expense	Budgeted Program Revenue	County Portion
City's Preliminary budget	\$160,310	\$10,420	\$170,730	-	\$48,231
City's Adopted budget	489,625	31,826	521,451	-	147,310
Increase	\$329,315	\$21,405	\$350,720	-	\$99,079

When asked why they did not notify the County of the budget increase and revise the not-to-exceed amount, the City said they were not aware that City Council was going to approve these additional budget funds when they completed the 2016 cost model. By the time they found out, the County had already submitted their 2016 budget to Commissioners Court.

In addition to the Section 4.3 requirement to timely communicate budget changes to the County, Section 6.1.3 (c), *Major Changes*, requires a written amendment for any major annual changes and prior written approval in the form of an ILA amendment for any major changes occurring during an ILA term. In this context, the definition for “major change” is a change that decreases or increases program cost or performance by more than 25%. Further, the word “program” is defined as the program areas described in the ILA Work Statement Section. The budget increase of 205% for the Austin Healthy Adolescent Program fits within these parameters as the increase is more than 25% and the program is listed in the 2016 ILA Program Work Statement. Consequently, the City should have met the requirements of this ILA section by amending the ILA for this budget increase.

Consequently, in the absence of creating a written amendment to the ILA, Section 6.1.3 (c) precludes the City from billing the County for an individual program's expense to the extent it exceeds the program's original budget by more than 25%. As indicated above, the County adopted a 2016 budget of \$48,231 for the Austin Healthy Adolescent Program. The ILA allows the City to bill up to 25% more than the budget or \$60,289 for this program. During 2016, the City billed the County \$123,352 for this program, which exceeds the 25% threshold by \$63,063. Since the City did not obtain an amendment to the ILA for this budget increase, the County was overbilled by \$63,063 for this program.

Contractual Detail:

Section 6.1.3 (c), *Major Changes*, states the following:

- “(i) *Annual Major Changes.* City and County agree that any major changes in programs/service/activities provided under this Agreement will be discussed by the Parties and agreed to during the budget process prior to each Renewal Term and agreed to only by written amendment to this Agreement.
- (ii) *Major Changes in an Agreement Term.* No major changes in ongoing programs/services/activities provided to County under this Agreement will be made by City during an Agreement Term without prior written approval by County in the form of a written amendment to this Agreement. "Major" changes will be defined basically as any change which would increase or decrease program performance or cost by more than twenty-five percent (25%). "Program" will be defined as those program areas described in Attachment A, Work Statement, Sections III., A - L.”

Section 4.3, *Budget Submissions for Renewal Terms*, states the following:

4.3.1 Initial Budget Submission. The Parties agree to exchange by April of each year the information necessary to prepare and compile the forthcoming Fiscal Year's budget so that annual costs and expenses associated with the performance of this Agreement may be appropriately considered and budgeted. The "information necessary" will include updated cost model information reflecting updated population numbers; any cost drivers and other forecasting data being utilized by City; that information specified in this Agreement, including that information required in the quarterly and year-end report as set forth in Attachment D; all available projections for the next following fiscal year; and such other information as mutually agreed to by the Parties.

4.3.2 Supplemental Budget Submission(s). The Parties agree that the information exchanged under Section 4.3.1 above will be preliminary information and subject to updating and changes made as a result of the budget process of each Party. The Parties agree to communicate additional information between April and September of each year as that additional information becomes available. Final and complete numbers may not be available until, at the latest, September of each year, and will be exchanged at the earliest time possible as they become available.”

Section 4.4, Submission – Amendments, states the following:

“All requests for all changes, alterations, additions or deletions of the terms of this Agreement or any attachment to it shall be submitted to the County Executive, the Director and the County Purchasing Agent or their designees. Upon agreement by the City Department and County Department, the request will be presented by the County Purchasing Agent to the Commissioners Court and by the Director to the City Council or appropriate City authority for consideration.”

Significance

City personnel appear to be billing the County for program costs without regard to individual program budgets, as long as the total billed for the ILA term does not surpass the overall not-to-exceed amount. This practice, along with the incorrectly calculated excess cushion of \$198,236 in the not-to-exceed amount, resulted in the City billing the County outside the budgetary limits of the ILA in FY16, particularly for the Austin Healthy Adolescent Program.

Recommendation:

City of Austin

- The City should refund the County for the Austin Healthy Adolescent Program overage of \$63,063. This represents the amount billed to the County that was in excess of 25% of the program budget and for which they did not obtain preapproval from the County in the form of a written amendment to the ILA.
- The City should adhere to all ILA requirements, including, but not limited to, those for timely notification of budget changes, written amendments, and/or preapprovals of major changes.
- Finally, the City should compare actual program costs to budget on a regular basis, and if there is a program for which actual expenses are likely to exceed budget by more than 25%, steps should be taken to address Section 6.1.3 (c) requirements for major changes.

Travis County

The Travis County Health & Human Services Department (HHS) should attempt to recoup the remaining \$135,173 (\$198,236 - \$63,063) overpayment resulting from the City’s overstatement of the FY16 not-to-exceed amount.

Going forward, Travis County HHS should significantly improve its process for reviewing the City’s calculation of the not-to-exceed amount, including but not limited to, verifying that individual budget items such as program revenue are correctly handled in the calculation and the numbers used to calculate ILA allocation percentages are in agreement with appropriate support. In addition, they should improve tracking of actual program costs against program budget, enforcing ILA requirements for County preapproval before paying the ILA invoice.

Management Response:

City of Austin - Disagree

- a. We do not concur that Travis County was not informed of FY16 budget increases. Further, we do not concur that a change in the program activity (not scope) of the APH Austin Healthy Adolescent Program was not communicated. The performance measure for AHA, Number of sexuality education and skills development encounters provided to youth ages 12-17 was increased from 1,200 clients served to 2,300 clients and this was communicated to the County. This performance measure increase serves as direct notification in the program's change.
- b. It should also be noted that despite the increase in the City's program budget, this was not met by an increase in the overall increase in the not-to-exceed amount to the County.
- c. Due to the fact that during the September timeframe, when significant policy changes have been traditionally adopted, neither the City nor the County has the chance to both propose changes to the cost model and reach agreement with the other side to accept those changes. We concur that APH Budget Unit multiplied budgeted program revenues by the County's allocation percentage before netting the revenues against budgeted program expenses during FY15 and FY16. APH also reaffirms its position that APH should bill for program costs without regard to the individual program budgets, as long as the total billed for the ILA term does not surpass the overall not-to-exceed amount. ILA Section 6.1.3 (c) precludes the City from billing the County for an individual program's expense to the extent it exceeds the program's pre-increase budget by more than 25%. APH billings to Travis County in FY15 or FY16 did not exceed the agreed upon Not-to-Exceed amount in the executed ILAs. It is not clear in the ILA contract language whether the Not-to-Exceed amount prevails over program budget increases when determining if Council and Commissioner's Court approval is required to amend the ILAs. Contract language is unclear on responsibilities of both APH and Travis County HHSVS for obtaining ILA amendment approvals.

Travis County

The County Executive for the Travis County Health & Human Services Department (HHS) will obtain an opinion from the Travis County Attorney's Office as to whether the remaining \$135,173 (\$198,236 - \$63,063) overpayment resulting from the City's overstatement of the FY16 not-to-exceed amount is recoverable from the City. However, staff would also like to point out that in the FY16 ILA, we added Section 4.5. See below for text:

"3. Amendment. Section 4.0 is amended by adding a new section 4.5 to read as follows:

4.5 Transfer of Funds without Amendment. Notwithstanding Section 4.0, and as specifically applicable, City may transfer budgeted funds of public health programs between one another without a written amendment to this Agreement ONLY if the transfer will not change the scope or objective of the programs funded under this Agreement."

Section 4.5 requires an amendment when funds are transferred from one program to another only if there will be a change in scope or objective of the programs. In HHS’ opinion, the transfer did not result in a change in the program’s scope or objective; therefore, it did not require an amendment. The Austin Healthy Adolescent Program staff communicated a change in program activity to the County via the amended Work Statement in which the performance measure “Number of sexuality education and skills development encounters provided to youth ages 12-17” increased from 1,200 clients served (the measure in FY2015) to 2,300 clients (the measure in the FY2016 work statement). HHS did not consider an increase in the number of clients being served as a change in the program’s scope or objective.

Both the NTE and the program costs are important to the County as we strive to be transparent to the community in our contracting. The cost model informs the County of the cost of each of the programs being purchased by the County. If there is a need for an infusion of funds into one of the programs and another requires less funding than anticipated, there should be a mechanism for communicating these changes in program budgets to County staff in a timely fashion so that the County Executive can inform the Court members should the need to do so arise.

To that end, this issue was addressed and resolved with the renegotiation of the FY18 nine-month renewal of the Interlocal Agreements for Public Health and Animal Services. We’ve implemented methods for the City to communicate minor and major changes in funding or scope of work of Programs to the County Executive in order to ensure that the County is kept informed of these.

Audit Rejoinder:

We do not agree with the City’s assertion that the ILA language is unclear about whether the not-to-exceed amount prevails over program budget increases of 25% or more when determining if Council and Commissioner’s Court approval is required to amend the ILAs. We believe these ILA sections are separate and unrelated, meaning they have standing on their own. Stated differently, the City is not entitled to disregard other ILA terms because a sufficient balance in the not-to-exceed amount exists to cover any desired changes.

4. City Expenses Not Eligible for Reimbursement

Section 13.3.2 of the Animal Services and Public Health ILAs provides a list of expenses that are not eligible for reimbursement by the County. A few examples of these expenses include employee recognition/awards, consulting services, and entertainment/gifts (including in-town meals and beverages). An excerpt of the ILA containing the complete list of expenses ineligible for reimbursement is provided in the “Significance” section below. During fiscal years 2008-2016, the County was incorrectly billed a total of \$28,529 for these types of expenses. A breakdown is provided below:

Expense Type	FY08 to FY14	FY15	FY16	Total Expenses	6.5% Mark-up	Total With Mark-up	Paid by County
Food and Beverages	\$72,509	\$10,036	\$15,116	\$97,661	\$6,348	\$104,009	\$21,482
Consulting Services	-	18,902	18,975	37,877	2,462	40,339	4,402
Emp. Awards/Recog.	21	6,635	9,199	15,855	1,031	16,886	2,645
Total	\$72,530	\$35,573	\$43,290	\$151,393	\$9,841	\$161,234	\$28,529

Food and Beverages

According to the ILAs, food and beverages are not reimbursable expenses, even if related to a business purpose, unless the expenses were incurred by employees during out-of-town travel. During fiscal years 2008-2016, the City charged food and beverage expenditures totaling \$97,661 to ILA units and allocated \$21,482 of these expenses to the County. See Attachment D for a detailed breakdown of the food and beverage disbursements posted to these units during FY15 and FY16.

Consulting Services

Consulting expenses are generally not reimbursable, but there is an exception when it is related to services provided within the scope of the ILA. We reviewed the City's consulting expenses for fiscal years 2015 and 2016, noting the County was incorrectly billed \$4,402 relating to consulting expense disbursements made by the City which totaled \$37,877. The details are provided below:

- Animal Services paid \$26,375 to a consulting firm for executive coaching sessions and billed \$3,055 of the cost to the County. These sessions included SWOT (strengths, weaknesses, opportunities, and threats) analysis, assistance with identifying core values, and developing vision and mission statements. This sort of consulting represents strategic planning support which is a management-level function. It is not a service needed to address the practical details of providing animal services as they are described in the ILA Program Work Statement.
- During FY15, the City paid \$11,502 to an engineering firm for the “schematic/preliminary design phase” of an energy management engineering project that involved street lights for the Town Lake Animal Center. The total cost of the project was \$115,021, so this specific payment represented the last 10% of the project cost. This payment was charged to a Shelter Services program expense line item, of which \$1,347 was billed to the County via the cost model. This appears to be a facility expense rather than a program expense; therefore, it should not have been billed to the County. Further supporting our assertion that this expenditure is not appropriate, the City determined that the initial \$103,519 of costs related to this project were not billable to the County.

Employee Awards/Recognition

During fiscal years 2008-2016, the City incurred employee awards/recognition expenses totaling \$15,855. After the administrative mark-up and the County's allocation percentages were applied, the County was billed \$2,645 of these costs. Examples of the awards/recognition provided to City employees include massages and gift certificates. See Attachment E for a breakdown of the employee awards and recognition expenses for FY15 and FY16.

Significance:

The charges noted above were disallowed under both ILAs and should not have been charged to the County. Specifically, Section 13.3.2 “*Cost Model*” of the Animal Services and Public Health ILAs states the following (next page):

“The cost model does NOT include, either directly or indirectly, any of the following:

- (a) Other Post Employment Benefits (OPEB) for City employees whether or not those costs are for current year benefits, prior year benefits, or future year benefits;*
- (b) employee recognition, rewards or awards other than performance pay documented pursuant to Council adopted compensation schedules;*
- (c) entertainment and gifts, including meals or beverages, even if related to a business purpose. This subsection (c) notwithstanding, the cost model WILL allow for payment for meal and beverage expenses for employees incurred during out-of-town trips or conferences related to services provided under this Agreement and incurred according to the City travel policy (a current copy of which has been provided to County; copies of amendments will be provided to County whenever changes are made).*
- (d) legislative consultant services;*
- (e) donations to non-profit or private organizations;*
- (f) legal services (the Parties agree that the City has no obligation to provide legal services to County under this Agreement);*
- (g) consulting services. This subsection (g) notwithstanding, the cost model WILL allow for payment for consulting services related to services provided within the scope of this Agreement.”*

Recommendation:

City of Austin

The City should implement procedures to ensure the County is only billed for expenses that are considered reimbursable by the ILA. These procedures should include a requirement for County preapproval of any consulting expenses that are potentially not tied directly to providing ILA services. In addition, the City should reimburse the County for the incorrectly billed \$28,529 expenses as soon as possible. Adjustments should also be made to the FY17 billings as applicable.

Travis County

Going forward, Travis County HHS personnel should obtain detailed, transaction-level supporting documentation for each quarterly billing received from the City. This support should be reconciled to the relevant lines of the cost model to ensure it is accurate. County HHS personnel should then review this support in detail, selecting any unusual or potentially non-compliant payments for further testing. HHS should then request copies of the invoices that support these payments for further review. Areas of particular interest should include, but not be limited to food, employee appreciation, capital items, consulting, and recruiting.

We also recommend selecting a random sample of invoices, journal entries, and payroll disbursements for further review. Any disbursements/entries that are not allowed under the ILA should be disallowed from that quarter's payment. Any costs that require specialized approval in the ILA, like capital expenditures, should be disallowed if this additional approval was not obtained.

Management Response:

City of Austin - Partially Agree

1. We agree that ineligible expenses were billed to the County for Food and Beverages and Employee Awards and Recognition. However, we disagree that reimbursements from periods prior to the record's retention schedule should be refunded. We also disagree that programmatic consulting services are unallowable.
2. ILA language is subjective on determination of when "consulting services" are directly related to services provided in ILA Program Work Statements, as follows:

"§13.3.2 "The cost model does NOT include, either directly or indirectly, and County will not pay for... (g) consulting services. This subsection (g) notwithstanding, the cost model WILL allow for payment for consulting services related to services provided within the scope of this Agreement."

Regarding the \$1,347 billed to the County as its share of "design phase" costs associated with a street lighting project for the Town Lake Animal Center, the definition of "Capital Acquisition Property" does not specifically exclude capital project costs that benefit the facility where services under the Agreement are being provided.

Travis County

The City will be reimbursing the County for FY17 billing of food and beverages and employees awards. What is at issue for these two types of expenses is how far back we go. In terms of the appropriateness of number of years in which the above charges should be examined, HHS understands that there is no time limit on an auditor for a public entity to seek reimbursement of improper charges. In regard to improper billing for food/beverages and employee awards, we concur with seeking reimbursement for the number of years for which the City has provided records (See HHS' response regarding OPEB for further analysis on far back the County should examine the records to determine the City's repayment obligation in regard to billing for food and beverages and employee awards.).

In contrast, in regard to consulting expenses for management training, the County Auditor only reported exceptions for FY15 - FY16; which is recent enough for the City to not have an issue at least in terms of how far back to examine the records. In regard to payment for consulting services, the FY18 nine-month contract for both Interlocal Agreements includes edits to Section 13.3.2 which clarifies the instances in which the County will or will not pay for consulting services.

Audit Rejoinder:

Overall, we do not agree with the City's assertions regarding inappropriately billed expenditures, and we again recommend that all of the expenditures in question be refunded to the County. In

addition, we were unable to find a legal basis in the ILA or elsewhere for the City's assertion that "...we disagree that reimbursements from periods prior to record should be refunded". We found no limit on the number of years of billing errors that can be pursued for reimbursement.

5. Animal Services Revenue

Chapters 822, "Regulation of Animals," and Chapter 826, "Rabies," of the Texas Health and Safety Code are pertinent to the collection of Animal Services fees in Travis County. In addition, Section 6.3, "Fees", of the Animal Services ILA authorizes the City to collect Animal Services fees on behalf of the County. Animal intake, reclaim (after impound), veterinary care, sterilization, and dangerous dog registration fees are examples of fees on the City's FY16-17 Animal Services Fee Schedule. The jurisdiction of the fees collected by the City is based on the pet owner's address. Fees collected from pet owners who reside in an unincorporated area of Austin/Travis County are to be remitted to the County.

We noted that the City's Animal Services Office submitted an FY18 revenue estimate of \$5,625 for the County's portion of Animal Services (AS) fees. When consulted on this matter, County HHS employees stated that the fees had not previously been included in the revenue estimate. In order to determine the disposition of these fees in prior periods, we reviewed a listing of all checks issued by the City to the County that might relate to the remittance of Animal Services fees for FY08 through FY16. We also reviewed a download of the County's portion of FY15 and FY16 Animal Services collections, as well as HHS's financial records for these fiscal years. The results of this review are as follows:

- Approximately \$10,465 in Animal Services fees for FY15 and FY16 were not remitted to the County.
- We found no evidence that Animal Services fees were remitted to the County for FY08, FY09, and FY10. The amounts collected for those years are not currently available.
- According to the City's records, FY13 Animal Services fees totaling \$3,590 were remitted to the County on two checks. Neither of these checks were deposited by County personnel. In addition, the last check issued to the County was dated July 23, 2013; therefore, all of the FY13 fees were not disbursed to the County.
- Animal Services fees totaling \$3,131 for the first 11 months of FY11 were remitted to and deposited by the County in FY15. An unknown amount of Animal Services fees from September of 2011 are still due to the County.

Section 6.3.2 "Payment to County" of the Animal Services ILA states the following:

"City shall deposit fees as they are collected to a designated County account. Fee deposit forms and/or receipts will include the following information:

(a) *Receipts: Payor information (Name -individual or company; phone number (if provided by payor); payment method; amount received; amount applied; department (ASO); other receipt details if available.*

(b) *Fee Deposits: Amount, purpose of fee or program for which fee collected; permit receipt number; payor check number; amount - check or cash; other, where available; copy of deposit slips; copy of check.”*

Significance:

Travis County employees have a fiduciary responsibility to safeguard County funds. This includes collecting all funds to which the County is entitled.

Recommendation:

City of Austin

Based on the noted significance, we recommend that the City review all Animal Services receipts for the nine years ending September 30, 2016, identify the County’s portion of these fees, and remit all fees still due to the County as soon as possible. The City should also implement policies and procedures to ensure County Animal Services fees are deposited in the County’s designated bank account as they are collected as required by the ILA.

Travis County

Going forward, Travis County HHS personnel should implement procedures for the periodic (at least quarterly) review of revenue payments received from the City. The reviewer should verify that all revenues required by the ILA have been remitted to the County for all months under review. When a payment is not received from the City, County personnel should work with the City to ensure that the required funds are remitted to the County in a timely manner.

Management Response:

City of Austin - Agree

Austin Public Health (APH) Accounting Manager has networked with Travis County and ASO personnel on the detail of getting a process in place to pay Travis County for revenue collected by ASO as follows:

- Revenues are collected by ASO for two services 1) Animal Control – Dangerous Dogs Program and 2) Shelter Services – Reclaim Fees and Boarding Care.
- Once revenue is collected, it is posted in the ASO software system to a revenue account specifically for the above Travis County programs.
- On a quarterly basis ASO will generate a report showing total revenue collected. Budget will generate a revenue report verifying the revenue collected by ASO has posted to the City of Austin’s general ledger.
- Budget will forward the ASO quarterly report to the applicable Travis County personnel along with the quarterly billing.

- Upon receipt of the quarterly report Travis County will generate an invoice for the total amount of the report and email the invoice to the appropriate party.
- APH Accounting Unit will process the invoice for payment via ACH.

Travis County

The Animal Services Office was not a separate entity from Austin Public Health until FY13. Staff agree that there will need to be some discussion between the County Executive and the Animal Services Executive on the amount of revenue owed to the County from FY13-17. Also, we believe that the Animal Services Office may have forwarded revenue checks to the County but with insufficient backup documentation to ensure HHS was aware of the source of funds of the revenue. Staff concur that any revenue resulting from the programs purchased in the ILA should be sent in a timely fashion to the County and that communication of the amount and frequency should be done in an agreed-upon process. Staff worked on setting up such a process in FY17.

See HHS' response regarding OPEB for further analysis on how far back the County should review the records to calculate repayment amounts owed to the County.

Audit Rejoinder:

We have found no legal limit on the number of prior years for which we are entitled to be paid when contractually-required revenues are not remitted. We recommend that the City remit all funds payable to the County applicable to this audit comment regardless of period.

6. Billing and Cost Model Issues

We noted a number of accounting protocol and internal control issues during our review of the cost models used by the City to allocate Animal Services and Public Health ILA costs to the County for fiscal years 2015 and 2016.

Personnel Credits

Section 6.8, "Personnel", of the Public Health ILA, requires the City to reimburse the County for the personnel costs of County employees who directly provide ILA services that would otherwise be provided by the City. The reimbursement is to be in the form of a credit on the invoices the City submits to the County for ILA payments. In the same way that the City is given a 6.5% administrative mark-up for handling ILA disbursements, the County is contractually entitled to a mark-up on personnel expenses.

As far back as FY10, the City provided (added) the 6.5% mark-up on the County's personnel costs; however, during fiscal years 2015 and 2016, the City incorrectly subtracted the 6.5% mark-up, effectively giving it to the City. This subtraction of the mark-up resulted in a loss of County funds totaling \$3,645. Note that during fiscal year 2016, a single County employee provided ILA services. This party terminated employment after the first quarter of that year, so the County received 1/4th of the annual personnel credit.

A comparison of the personnel credits provided on the City’s invoices to the ILA credits for fiscal years 2010-2016 is provided below:

	2010	2011	2012	2013	2014	2015	2016	Total
<u>City invoices:</u>								
Salaries & benefits	\$174,537	\$180,931	\$184,416	\$54,663	\$55,993	\$58,234	\$14,558	\$723,333
Admin allocation	11,345	11,761	11,987	3,553	3,640	(3,785)	(946)	37,555
Total invoice credit	185,882	192,692	196,404	58,216	59,633	54,449	13,612	760,888
ILA Personnel credit	185,882	192,692	196,404	58,216	59,633	56,450	15,256	764,533
Over/(under)	-	-	-	-	-	(\$2,001)	(\$1,644)	(\$3,645)

Encumbrances Billed

Formulas in the FY15 Animal Services cost model were adjusted so that encumbrances totaling \$112,716 would be included in the FY15 year-to-date expenses to be allocated to the County. These encumbrances, which related to the purchase of two vehicles, were subsequently expensed and paid on February 4, 2016, during FY16. In effect, the County was billed in the fiscal year prior to the purchase actually occurring.

Data Entry Errors

- In the Public Health cost model, salaries and benefits for two specific City employees are deducted from Health and Safety Code Compliance expenses before costs are allocated to the County. The amount deducted for these employees was \$111,349 in the FY15 cost model; however, salaries and benefits for these two employees totaled \$136,217 in the general ledger used to populate the cost model. The \$24,868 difference resulted in a \$3,512 overbilling to the County.
- Although a credit of \$3,750 was posted to the City’s general ledger for the Communicable Disease Program during FY16, this credit was not included in the Public Health cost model. As a result, the County was overbilled \$1,122 when processed through the cost model.

Allocation Percentages – Supporting Documentation

We requested supporting documentation for the City’s allocation percentage calculations for the Animal Services and Public Health cost models for fiscal years 2015 and 2016. Although we requested system-generated reports, the City was not able to provide the requested data. Instead, Excel spreadsheets containing the data needed to recalculate the Public Health population and environmental health allocation percentages were received. Using this data, we recalculated the allocation percentages, noting there were no exceptions.

Animal Control expenses are allocated using the same population percentage used for Public Health. However, the remaining Animal Services expenses are allocated using a 3-year rolling average of the percentage of animals sheltered that are attributable to the County over total animals sheltered. The City provided an email listing of the figures needed to recalculate the FY15 and FY16 percentages, stating that they were no longer able to create system-generated reports for some of this data and that archived reports were not available.

Allocation Percentages – Computation

In regard to Animal Control expense allocation percentages, we found that the City’s calculations did not utilize the most current data. For example, the FY16 allocation percentage was based on the number of sheltered animals during fiscal years 2012-14 instead of 2013-15. Conversely, we noted that the environmental health allocation percentages were based on the number of activities from the same fiscal year the expenses were incurred, so the two-year delay in the figures used to calculate the sheltered animal percentage appears to be inappropriate.

Significance:

Personnel Credits

In the FY13 Public Health ILA, the administrative cost mark-up was described in greater detail than it was in subsequent years. It made it clear that the County was to receive, rather than pay, an administrative mark-up of 6.5% on the personnel costs incurred by the County for employees providing ILA services. Section 13.1.2 (b) (ii), “Administrative Costs”, states the following:

“County Administrative Costs. City expressly acknowledges and agrees that the amount to be credited to County under “Personnel Credit,” as stated in this Section 13.1.2, includes 6.5 percent for County administrative costs and agrees to credit these administrative costs to County on top of projected personnel costs.”

Encumbrances Billed

Encumbrances represent budget set aside for the anticipated cost of goods and/or services ordered in the current period that are expected to be delivered to the governmental entity in a future period. Encumbrances are budgetary transactions, not real purchases of goods and services.

Data Entry Errors

The County expects that the City’s cost models will be consistent with the formulas utilized in prior periods, unless changes occur in the ILA. In addition, year-to-date expenses reflected in the cost models should be in agreement with the City’s financial reports. Deviations from the established methods of completing the ILA cost models may also result in billing errors.

Allocation Percentages – Supporting Documentation

The City allocates their ILA costs to the County based on the allocation percentages described in Section 13.3.1, “Cost Model”, of the ILAs. The accuracy of the allocation percentage calculations made by the City is very important, as the percentages directly and materially impact how much of the City’s costs will be reimbursed by the County.

Proper supporting documentation should be maintained in its original, unaltered form from the applicable source. Accidental or intentional changes could be made to performance reporting entered in a spreadsheet, figures listed in an email, or the demographer’s spreadsheet.

Allocation Percentages – Computation

Travis County employees have a fiduciary responsibility to safeguard County funds. This responsibility extends to the duty to ensure the County does not pay in excess of the amounts it is contractually required to pay.

Recommendations:

City of Austin

- The City should reimburse the County \$8,279 for the above items.
- The City should obtain approval from the County before making any changes to cost model formulas or entering expense or revenue amounts that differ from the City's financial reports.
- The City should retain unalterable copies of the system-generated reports used to calculate ILA allocation percentages. In addition, they should create and retain a form detailing the demographer's population figures, initialed or signed and dated by the demographer.

Travis County

HHS employees should thoroughly review the City's cost models before they request payment for the City's ILA invoices. This includes verifying the accuracy of the formulas, verifying amounts entered in the cost models are in agreement with the City's financial reports, and discussing/approving any changes to the cost model, such as the addition of line items, after verifying that the changes are congruent with the ILA.

As stated in Comment #4 above, we recommend that Travis County HHS personnel obtain detailed, transaction-level supporting documentation for each quarterly billing received from the City. This support, once agreed to the cost model, should be reviewed in detail, and the support for any questionable expenses should be obtained and reviewed. A random sample of invoices and payroll disbursements should also be reviewed. Any costs not allowed under the ILA should then be disallowed from the quarterly billings.

Management Response:

City of Austin - Partially agree

We agree that errors in calculations were made in the APH cost model. However, we disagree that intentional changes to the cost model were implemented. We do agree that expense and revenue amounts should agree to the City's financial reports, or that reconciliation of any differences should be documented and provided to the County.

APH and ASO management does not maintain or control the City demographer's methodology of files. The demographer's calculations, as well as percentage calculations were retained and provided to TCA during fieldwork. APH Budget did retain the email from the demographer providing his calculations, which should suffice in lieu of initialed / dated population figures.

Travis County

We agree with the Auditor that the County should be reimbursed for the expenses described in this section totaling \$8,279. At the beginning of FY17, Finance staff began the process of doing a thorough review of the City's ILA cost models when they request payment via invoice. We've worked on verifying the accuracy of the formulas, and verifying amounts entered in the cost models are in agreement with the City's financial reports.

Finance, Program Lead and PBO staff will work on setting up a process for understanding the formulas and discussing/approving any changes to the cost model, such as the addition of line items, after verifying that the changes are congruent with the ILA.

The newly negotiated FY18 nine-month renewal of the ILA’s clearly states that the County will only reimburse the City for costs associated with the activities and deliverables delineated in the program work statements included as attachments to the ILA’s.

Travis County staff will, from this point forward, request a description of methodology used by demographer to determine population percentage and follow up directly with the demographer should we have any further questions.

HHS staff will strive to monitor the ILAs on a yearly basis. At this time, HHS staff has monitored the Public Health ILA twice during the periods of July 22-31, 2013 and October 23 – November 2, 2017.

Staff have monitored the Animal Services ILA on three separate occasions:

- July 16-17, 2013,
- February 8 and 9, 2016 and,
- August 15 and 16, 2017.

7. Recruiting Expenses

During Fiscal Year 2015, the City incurred almost \$50,000 in expenses to recruit and relocate a new Chief Animal Services Officer. The person they hired began employment with the City during June 2015 and later resigned effective May 14, 2017. The County was billed for \$5,770 of these expenses through the Animal Services ILA as follows:

Description	Actual Expense	6.5% Mark-up	Billable Total	County Portion
Recruiter - GOVHR USA	\$19,119	\$1,243	\$20,362	\$2,240
Moving Expense - Mayflower	11,095	721	11,816	1,300
Airfare - Recruitment	7,593	494	8,086	889
Lodging - Hyatt Hotel	5,329	346	5,675	624
House Hunting	3,822	248	4,071	448
Miscellaneous	2,296	149	2,445	269
Total Recruiting Expenses	\$49,253	\$3,201	\$52,455	\$5,770

Significance:

The above recruiting and relocation processes relate to human resources functions, not to program-specific functions that can be charged to the County under the ILA. Furthermore, Section 13.3.2 (c), “Cost Model”, of the Animal Services ILA states that the County will only reimburse its share of travel expenses if the costs are incurred during out-of-town trips or conferences directly related to services provided under the ILA. Based on this, the human resources-related airfare and lodging expenses for relocation and recruiting do not qualify.

Overall, the expenses incurred to recruit and relocate the new Chief Animal Services Officer, which included over \$5,300 in lodging at a Hyatt Hotel during relocation, appear to be excessive compared to the County and inappropriately billed.

Recommendation:

City of Austin

Based on the noted significance, we recommend that the City reimburse the County \$5,770 for the recruiting expenses as soon as possible. Going forward, the City should not charge the County for recruiting expenses without written approval from the appropriate County personnel.

Travis County

Going forward, when Travis County HHS personnel review invoices in detail, as recommended in Comment #4 above, they should include any notable invoices for recruiting expenses. Unapproved, excessive recruiting expenses should be disallowed from the applicable quarterly billings.

Management Response:

City of Austin

The ILA language does not adequately describe program specific billable charges “related to services.” In addition, the TCA did not perform comparative analysis to determine recruiting expenses were “excessive.” Our request that this verbiage be modified was denied by TCA.

Travis County

HHS understands the City’s perspective that it may not be entirely clear whether recruiting expenses are directly tied to providing ILA services. In response, staff have edited the section of the ILA (which is reflected in the FY18 nine-month renewal of both the Public Health and Animal Services contracts) to clearly state that the County’s participation in any recruitment activities will be a decision made by the County Executive and any expenses incurred by County staff will be paid for with County funds.

Audit Rejoinder:

In response to the City’s request for a comparative analysis, we analyzed Travis County’s recruiting and relocation expenses for FY15, FY16, and FY17. During this review, we noted that Travis County spent a combined total of \$20,267 from its General Fund on recruiting and relocation expenses, an average of \$6,756 per year. Travis County’s total for this three year period was less than half of the total expenses for the single recruitment/relocation of the Chief Animal Services Officer.

8. Disbursement Controls

We selected a sample of 85 Animal Services and Public Health ILA disbursements totaling \$711,914 issued during FY15 and FY16. During our review, we noted 9 (10.6%) issues totaling \$19,955 (2.8%), which are detailed below:

- The City did not obtain sufficient supporting documentation for three (3.5%) mini-grant disbursements totaling \$8,975. The Chronic Disease Program offers annual mini-grants of

up of to \$3,000 to fund programs to prevent chronic diseases such as cancer and heart disease. Grantees were required to pay expenses up front and then submit receipts/invoices in order to obtain reimbursement. During the exam period, the City granted 14 mini-grants totaling \$41,093. We sampled six mini-grants totaling \$17,975, noting that three grantees (50%) were disbursed a total of \$2,428 in excess of the receipts/invoices they provided. In addition, the County was billed \$228 for disallowed food purchases on one of the sampled mini-grants (See finding #4 for further explanation about food purchases.).

- For four (4.7%) disbursements totaling \$8,928, there was either no invoice/support, or the documentation provided was insufficient to substantiate the amount paid.
- One (1.2%) payment of \$2,000 represented the balance forward on a statement rather than an actual invoice. There was no breakdown of the balance forward amount, so it was not possible to verify that the proper amount was paid.
- One (1.2%) payment of \$52 represented a duplicate mileage reimbursement from December 2015.

Significance:

The items noted above are significant for the following reasons:

- It is important to obtain detailed invoices and supporting receipt copies for mini-grant disbursements to ensure grantees only receive reimbursements for actual, valid expenditures for project activities approved by the City. In addition, without this information, the City cannot verify that the reimbursed expenditures were allowable to be billed to the County per the ILA.
- The requirement to provide a valid invoice, rather than a statement, with a disbursement request is an important accounts payable internal control designed to help prevent fraudulent or otherwise incorrect or duplicate payments.
- When the City incorrectly disburses funds and then allocates a portion of the expense to the County through ILA billings, the County may incur an inappropriate loss of funds.

Recommendation:

City of Austin

We recommend that the City improve their disbursement controls by enforcing the requirement that valid invoices properly and completely support each payment. This is particularly important for the mini-grants because the City is required to rely on a third party to make the disbursements, rather than having it go through the City's purchasing process. The City should also reimburse the County \$228 for the food reimbursed through the mini grant.

Travis County

When County employees review specific City invoices, as recommended in Comment #4 above, they should also verify that the City's disbursement support properly and completely supports each payment, forwarding their findings to the City for corrective action as appropriate.

Management Response:

City of Austin - Partially agree

The APH Internal Auditor located most invoices and supporting documentation for specific deficiencies noted in the TCA report. Some supporting documentation was retained by other City departments, such as technology invoices that were processed by CTM. Some support was located within APH Accounting files, and one instance of inadequate documentation was caught by internal controls in place in 2016, and corrective action was already taken by APH Accounting.

The TCA reported that the City's Accounts Payable procedures were not reviewed as part this finding. The City's Accounts Payable procedures prohibit retention of original invoices and supporting documentation in City departments. These documents are forwarded to the Controller's Accounts Payable Office. There are 3 levels of review for accounts payable within the City prior to payment of an invoice; 1) department level, 2) Controller's Accounts Payable Office, 3) Controller's Internal Controls Office.

City procedures also prohibit paying invoices where only a balance forward statement is provided. Any statements presented for support on payment requests must detail the charges being paid.

Travis County

We concur on the refund of \$228 for payment of food costs.

ATTACHMENT A – INTERNAL CONTROLS RATING KEY

A good internal control system reduces the risk of errors, defalcations, and misappropriations of funds. Weak internal control systems provide an environment in which errors, defalcations, and misappropriations of funds can go undetected. The following details the various grades we assign to internal control systems:

RATING	RATING DESCRIPTION
Satisfactory	Well-established internal controls with no material weaknesses noted.
Satisfactory, with findings noted	A solid overall system of internal controls is in place; however, some material weaknesses were noted.
Inadequate	The existing system of internal controls is materially ineffective.

ATTACHMENT B

Other Post-Employment Benefits (OPEB) Billed to the County During the Nine Years Ending September 30, 2016

	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
City Contribution Amounts (in 000s)										
B Retirees (OPEB)	\$21,067	\$19,563	\$21,707	\$22,712	\$24,223	\$26,959	\$33,283	\$39,482	\$39,314	\$248,310
A-B=C Active employees	75,330	82,755	78,516	89,302	97,684	100,680	103,176	110,453	134,017	871,913
A Total City Contributions (step #1)	96,397	102,318	100,223	112,014	121,907	127,639	136,459	149,935	173,331	1,120,223
City Contribution Percentages										
B/A=D Retirees (OPEB)	21.85%	19.12%	21.66%	20.28%	19.87%	21.12%	24.39%	26.33%	22.68%	
C/A=E Active employees	78.15%	80.88%	78.34%	79.72%	80.13%	78.88%	75.61%	73.67%	77.32%	
D+F Total City Contributions (step #2)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
City Contributions Charged to ILA Units										
GxD=H Retirees (OPEB)	317,219	330,596	377,114	406,987	429,367	472,111	562,579	705,248	757,883	4,359,105
GxF=I Active employees	1,134,298	1,398,484	1,364,047	1,600,243	1,731,507	1,763,126	1,743,970	1,972,964	2,583,546	15,292,184
G Total City Contributions (step #3)	1,451,517	1,729,080	1,741,161	2,007,230	2,160,874	2,235,237	2,306,549	2,678,212	3,341,429	19,651,289
OPEB Billed to County										
J Animal Services	16,214	16,983	16,432	15,056	16,528	23,571	31,982	48,982	49,173	234,921
K Public Health	40,211	45,262	51,445	55,349	54,275	61,349	74,785	92,867	107,345	582,888
J+K Total OPEB Billed to the County (step #4)	\$56,425	\$62,245	\$67,877	\$70,405	\$70,803	\$84,919	\$106,767	\$141,849	\$156,518	\$817,809

Overview

The City budgets all employee benefits (active and retired employees) together as insurance expense and as one amount rather than track active and retired employees separately. The Animal Services and Public Health Interlocal Agreements (ILAs) do not allow the City to bill the County for benefits other than retirement provided to retirees. These retiree benefits are referred to as other post-employment benefits (OPEB). It was therefore necessary for us to determine how much OPEB was incorrectly billed to the County.

City Contributions

The City records all of their employee benefit transactions in their Employee Benefits Fund. The money they transfer to this fund to pay employee benefits for active and retired employees is referred to as City Contributions. The City transfers the full City Contribution budget amount to the Employee Benefits Fund every year, so actual insurance expense always equals budget. Insurance expense is made up entirely of City Contributions.

Break Down City Contributions: Active vs Retired Employee (OPEB)

Although the City budgets active and retiree benefits as one amount, their Employee Benefits Fund budget schedule and their CAFR provide sufficient information to break out these amounts separately. Both of these schedules are provided on the City's website.

Steps to determine the dollar amount of OPEB billed to the County:

- Use the following schedules to break out the insurance expense dollar amounts attributable to active vs retiree benefits:
 - Employee Benefits Fund Budget Schedule provides total City Contributions (active and retirees).
 - The CAFR Other Post-Employee Benefits Note provides the portion of the City Contributions attributable to retirees (OPEB)
- Calculate the percentage of City Contributions attributable to retirees (OPEB) vs active employees.
- Obtain insurance expense for each of the ILA units from the City's detailed budget vs actual reports for fiscal years 2008-2016. Multiply the annual insurance expense amounts by the applicable OPEB rates (step #2) to calculate the OPEB dollar amount for each fiscal year.
- Separately enter the OPEB amounts into the Animal Services and Public Health ILA cost models to calculate the financial impact to the County.

ATTACHMENT C

Estimate of Other Post-Employment Benefits Included in Grant Support Expense For the Nine Years Ending September 30, 2016

	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
A Grant Support Expense (step #1)	\$327,727	\$276,660	\$360,739	\$572,053	\$446,898	\$630,303	\$921,003	\$1,024,914	\$995,643	\$5,555,941
Ax19.36%=B Estimate insurance expense (step #2)	63,448	53,561	69,839	110,750	86,519	122,027	178,306	198,396	192,756	1,075,603
C OPEB rate (Attachment B)	21.85%	19.12%	21.66%	20.28%	19.87%	21.12%	24.39%	26.33%	22.68%	
BxC=D Estimated OPEB amounts (step #3)	13,866	10,241	15,126	22,456	17,191	25,774	43,490	52,243	43,720	244,107
County's portion of estimated OPEB (step #4)	\$3,902	\$2,975	\$4,395	\$6,749	\$5,011	\$7,743	\$13,182	\$15,718	\$13,079	\$72,753

Note: Insurance expense was included in grant support expense only for the Public Health ILA.

Overview

Most of the transactions posted to the grant support line item were amounts that were transferred to the ILA cost centers from general ledger accounts where grant transactions are tracked. We reviewed supporting documentation for all of the FY15 grant support expense transactions to determine the nature of these expenses. This involved reviewing journal entries to see which accounts were credited in the grant fund from which the costs were being transferred. For FY15, we found that \$198,396 of the grant support expense totaling \$1,024,914 consisted of insurance expense.

Percentage of FY15 grant support expense comprised of insurance expense:

Actual insurance expense posted to grant support expense	198,396	a
Total grant support expense	1,024,914	b
Percentage of insurance expense in grant support expense	19.36%	a/b

Steps to estimate the dollar amount of OPEB included in grant support expense during FY08-14, and FY16, and billed to the County:

1. Obtain the FY08-16 dollar amounts for grant support expense from the City's detailed budget vs actual reports.
2. To estimate insurance expense for FY08-14, and FY16, multiply annual grant support expense by 19.36%, the FY15 percentage of insurance expense included in grant support expense. See yellow highlight above for calculation of the FY15 percentage.
3. To estimate other post-employment benefits (OPEB), multiply annual insurance expense by the OPEB rate, see Attachment B for rates.
4. To determine the County's portion of estimated OPEB, enter the OPEB amounts into the FY08-16 Public Health cost models.

ATTACHMENT D

Food and Beverage Disbursements For the Two Years Ending September 30, 2016

Date	Expenditure Purpose	Amount
	Public Health	
07/30/15	Corporate Caterers - Lunch For Summit	\$2,813
05/31/16	Sam's Club - Purchase For HIV/STD Clients	1,848
08/29/16	Corporate Caterers - Catering For Stigma Cast Day 2	1,482
01/05/16	Southern Hospitality - AHA Food & Venue Purchase Open Stage Night	972
10/10/16	Subway - Food For Take A Loved One Event	770
08/29/16	Corporate Caterers - Catering For Stigma Cast	653
08/03/16	No Description Provided	601
08/29/16	HEB - Mueller Cafe For Peer To Peer Parent Night	532
07/28/16	New World Deli - Box Lunches For Casper	528
01/27/15	Johnny Carino's - Employee Appreciation Lunch	475
12/01/15	Jason's Deli - Flu Clinic Food Purchase	383
10/01/15	Central Market - Purchase Chronic Disease Event	347
01/05/16	Jason's Deli - Employee Training Session	330
10/10/16	Panda Ice - Take A Loved One Event -Food/Snacks	300
10/07/15	Jason's Deli - Flu Food	288
02/29/16	HEB - P2P Snacks	277
01/05/16	Jason's Deli -Employee Training Session	248
12/01/15	Central Market - Food For TPP Partner Meeting	245
07/30/15	Jason's Deli -Strategic National Stockpile For Emergency	223
02/26/15	HEB - Food For AHA	219
08/29/16	HEB - Food For Peer To Peer Training	219
08/29/16	Paco's Tacos Purchased For Peer To Peer Training	195
06/29/15	Subway - Purchase Food For Job Fair	190
09/22/16	HEB - Snacks Purchased For P2P	189
10/01/15	HEB - Open House	183
08/29/16	Thundercloud - Sandwiches Purchased for PHE Training	183
08/29/16	Austin's Pizza - Purchased For PHE Training	166
05/31/16	Sam's Club - Food/Drinks For EHSD Spring Sunshine Social	156
10/07/15	HEB - Snacks for Peer To Peer Groups: Fruit Snacks, Crackers, etc.	152
06/29/15	Austin's Pizza - Food For P2P	151
08/29/16	P Terry's Burger Stand - Purchased For PHE Training	149
02/01/16	HEB - Food For P2P Training	144
09/22/16	HEB - Food For P2P Purchased At HEB	144
10/10/16	Domino's - Pizza For Mass Flu Clinic Rosewood Zaragosa Location	143
06/01/15	HEB - Snacks For P2P	142
09/28/16	Food For WIC Unit Recognition	135
10/30/14	Pizza Hut - Food Flu Mass Clinic	131
02/26/15	HEB - Food For Parent Nights	129
07/28/16	Sam's Club - Snacks For Juneteenth Parade Outreach	120
03/31/15	HEB - Food For AHA	119

**Food and Beverage Disbursements
For the Two Years Ending September 30, 2016**

Date	Expenditure Purpose	Amount
03/31/15	HEB - Food For Job Fair Vendors	110
02/29/16	Taco Cabana - Food For PYD	109
06/01/15	Pok-E-Jo's Smokehouse - Staff Team Building	104
07/28/16	HEB - AHA Food And Snack For P2P Summer Groups	102
10/07/15	Austin's Pizza - Food For YAP Meeting	98
10/07/15	Austin's Pizza - Food for YAC Meeting	98
10/28/15	Austin's Pizza - Food for Young Artist Project Meeting	98
08/28/15	Austin's Pizza - Food for Peer To Peer Theater Workshop	96
06/01/15	HEB - Food For Job Fair Vendors	93
11/25/14	Wal-Mart/ Food For Health Inspectors Working @COTA	88
10/01/15	HEB - Purchased Items For Career Day	88
06/29/15	HEB - (AHA) Teen Pregnancy Fruit Tray, Veggie Tray, Nuts, Ice, etc.	87
06/24/16	No Description Provided	85
06/29/15	Austin's Pizza - Del Valle P2P	83
06/30/16	HEB - Snacks For Peer To Peer	82
07/30/15	Einstein Bros - Strategic National Stockpile Emergency Preparation	80
03/31/15	Torchy's Tacos - Food For P2P	79
12/29/14	Einstein Bros Bagels And Coffee For Bio Watch Meeting At The Doc	77
06/01/15	Pita Fusion - Staff Team Building - Lunch	76
12/01/15	HEB - BF Mgmt Class	75
03/31/15	Austin's Pizza - Food for Parent's Night	62
06/24/16	No Description Provided	62
12/01/15	HEB - Veggie And Fruit Trays For TPP Meeting	62
02/26/15	Thundercloud - Sandwiches For AHA Parent's Night	60
05/06/15	Move From Grant	58
09/22/16	Gatti's Pizza Bastrop - Food Delivered For Over Staff During School Rush	56
08/28/15	HEB - Food & Ice - Strategic Planning Session	53
12/29/14	Pluckers - Rio Grande - Wings For AHA	51
02/29/16	HEB - Food For P2P	50
10/06/15	Food Items, Austin's Pizza	48
08/28/15	Gino's Pizzeria - Staff Planning Meeting	48
07/30/15	HEB - Peer To Peer Workshops Fruit, Bagels, Juices, etc.	48
02/01/16	HEB - Vaccine For Children Program Immunization Workshop Food	48
01/05/16	Papa John's Pizza For Del Valle Peer To Peer	47
10/10/16	HEB - Food For The Vaccine For Children Workshop	47
03/30/16	HEB - Food Purchase For Immunization Update Training	47
07/30/15	HEB - Food Purchase Immunization Update	47
03/30/16	WM Supercenter #1185 - Snacks/Water 101 Training attendees	46
03/31/15	HEB - Deli Trays For AHA	45
07/30/15	Sam's Club - Fruit Snacks For Juneteenth	45
06/30/16	Gatti's Pizza Riverside - AHA P2P (4) Pizzas For Final Day Of Class	44
07/28/16	HEB -Food And Drink For Immunization Workshop	44

**Food and Beverage Disbursements
For the Two Years Ending September 30, 2016**

Date	Expenditure Purpose	Amount
08/28/15	HEB - VFC Immunization Update Food	43
02/01/16	Paco's Tacos – Food Bought For Dobie Peer Health Educators	42
05/31/16	Papa John's - Pizza For P2P Celebration	41
06/01/15	HEB - Purchase Refreshments for Workshop Presenters	40
10/30/14	HEB - Flu Mass Clinic	39
01/05/16	HEB - Peer To Peer Snacks Fruit, Juice, Coffee Creamer	39
06/29/15	HEB - Food for Youth Adult Council Meeting	39
06/29/15	HEB - Immunization Workshop Food	39
02/01/16	HEB - Food for AHA Open Stage	38
04/28/16	Subway - Sandwiches For YAC Meeting	38
08/28/15	San Juanita's Tacos – no description	37
10/07/15	HEB -Immunization Update Food	37
08/28/15	HEB - Food & Ice Purchase	33
08/29/16	HEB - Texas Healthy Babies, Teen Interview, 08/09/2016	32
06/29/15	HEB - Purchase Food For Job Fair	31
02/26/15	Tex Mex Joes - Tacos For P2P	31
02/01/16	Chipotle - Epidemiology Health Statistics Lunch Interview Panel	31
03/31/15	HEB - Food For Training VFC	30
12/29/14	Austin's Pizza - Food for AHA	30
05/31/16	HEB - Drinks For P2P Celebration	29
03/30/16	Wal-Mart - Snacks For Job Fair	29
04/15/15	Purchased Food	26
10/01/15	HEB - Strawberries, Apples, Pineapples, Donuts	25
08/28/15	Torchy's Tacos	25
05/31/16	HEB - Snacks And Paper Goods For Job Fairs	24
06/24/16	Purchased Food	20
09/26/16	Pizza For Phoenix House Group	19
08/11/15	Food/Candy	15
09/22/16	HEB - TX Healthy Babies, Teen Interviews, 8/19/2016	15
08/28/15	Einstein Bros Bagels	15
06/24/16	No Description Provided	14
11/07/14	Food And General Items	14
04/28/16	HEB -Drinks for March YAC Meeting	13
08/29/16	Subway - Purchased Lunch Teen Life Planning Interviews	12
08/29/16	P Terry's Burger Stand - Food Purchased For PHE Training	12
01/05/16	Evite Invitations for AHA Open Stage Night	12
10/06/15	Food Item, HEB	12
02/26/15	Alamo South - Popcorn for YAC Youth At Selma	11
08/28/15	Gino's Pizzeria - Staff Planning Meeting	10
12/29/14	HEB - Chips And Cookies for AHA	9
09/22/16	Subway - Texas Healthy Babies, Teen Interviews	6
09/22/16	Subway - AHA Teen Interviews, August 10, 2016	6

**Food and Beverage Disbursements
For the Two Years Ending September 30, 2016**

Date	Expenditure Purpose	Amount
03/31/15	HEB - Purchase	5
01/05/16	Evite Invitations For AHA Open Stage Night	5
12/01/15	Shell Oil - Ice For Breastfeeding Training Event	5
	Subtotal Public Health	20,673
	Animal Services	
08/28/15	HEB - Employee Recognition	332
03/30/16	Domino's - Lunch For Mandatory Training From ASPCA for CS Unit	206
11/25/14	Target - Snacks For Rabies Clinic	201
02/29/16	Jason's Deli - Emancipet Training	162
06/30/16	Jimmy Johns - Sandwiches for Shelter Staff	154
10/01/15	Pizza Hut - Food for Staff & Volunteers Staffing Shortages	150
10/01/15	Jim's Water - Public Media Event, Dogs Playing For Life Playgroups	150
02/01/16	Pizza Hut - Food for Animal Care Staff	138
02/29/16	Jason's Deli - Emancipet Training	132
06/30/16	Domino's - Staff Lunch Weather Emergency Event May 27, 2016	118
06/29/15	Little Caesars - Lunch for Staff Working Weather Event	118
01/05/16	Domino's - Pizza for Animal Care Staff	116
04/28/16	Target - Kitten Season Kick Off Event	116
06/30/16	Domino's - Staff Lunch Weather Emergency Event May 27, 2016	113
10/01/15	Stonysatx.Com - Public Media Event, Dogs Playing for Life Playgroups	110
01/27/15	HEB - Food And Ice For Community Cat Member Meeting	105
05/31/16	El Secreto Dela Abuela - Tacos for The Rabies Clinic	105
12/01/15	El Secreto Dela Abuela - Taco Order for RV Clinic Volunteers Staff	101
06/29/15	El Secreto Dela Abuela - Tacos for the Rabies Clinic - Volunteers	100
12/01/15	Domino's - Staffed Lunches Big Adoption Promotion Weekend	92
07/28/16	Southside Flying Pizza - Emergency Operations, Intake Closed	90
01/05/16	Jason's Deli - Lunch Dr. Marder	82
12/01/15	Domino's - Pizza for Service Staff Large Adoption Event Weekend	77
03/31/15	Wal-Mart - no description	72
01/27/15	Wal-Mart - Decorations, Candy, Cookies For Adoption Event	61
02/26/15	Pizza Hut - Food for Staff- Had to Work Through Lunch	60
02/26/15	Pizza Hut - Food for Staff- Had to Work Through Lunch	60
02/26/15	Pizza Hut - Food for Staff- Had to Work Through Lunch	60
04/28/16	Domino's - Pizza for CS & AC Due to Short Staffing & No Lunch Hours	56
04/28/16	Domino's - Pizza for CS & AC Due to Short Staffing & No Lunch Hours	56
08/29/16	Domino's - Pizza for Staff During Heavy Customer Demand	56
10/01/15	Pizza Hut - Lunch Dogs Playing tor Life Presenter	50
03/30/16	HEB - Food at The New Building Planning Open House Public Meeting	49
07/28/16	HEB - Animal Services Regional Jurisdictions Meeting	47
10/07/15	Jason's Deli - Lunch Meeting With Pet Health Representatives	46
10/05/16	Coffee For Regional AAS Jurisdictional Meeting	45
07/30/15	Domino's - Vet Services Short Staff, No Lunches	44

**Food and Beverage Disbursements
For the Two Years Ending September 30, 2016**

Date	Expenditure Purpose	Amount
04/28/16	HEB - Neonatal Kitten Season Kick Off Event 3-23-16	43
12/29/14	Jason's Deli - Lunch Meeting With ASO Recruiter - GovHR USA	41
06/29/15	WM Supercenter - Drinks for the Rabies Clinic Volunteers	38
05/31/16	WM Supercenter - Soft Drinks for Community Rabies Clinic	33
05/31/16	Wal-Mart - Food for Overnight Staffing of Shelter Animal Transferred	32
06/30/16	HEB - Snacks for Shelter During Heavy Memorial Day Rain	32
07/28/16	Domino's - Customer Service Lunch, Short Staffing & Heavy Demand	32
11/25/14	Target - Candy for Community Cat Program Mobile Mini	30
10/05/16	Refreshments for AAC Volunteer & Staff Austin Pride Prep Meeting	28
02/29/16	HEB - Volunteer Mentor Meeting Food	25
08/28/15	HEB - ASPCA Austin Partner's Meeting	23
09/22/16	HEB - Food for Volunteers Attending Pet Expo & Other Fall Events	23
12/01/15	HEB - Drinks for the Rabies Vaccination Clinic	23
10/28/15	WM Supercenter - Drinks for the Rabies Clinic	22
11/25/14	HEB - Purchased Snacks for Volunteers Participating in Off Site	22
10/07/15	Pizza Hut - Lunch for Customer Services Staff	21
10/06/15	Costco - Food Item	19
08/28/15	HEB - Snacks for Volunteers Attending Pet Expo & Future Events	17
04/29/15	HEB - Food for Photography Meet And Greet	16
10/13/15	Target -Halloween Candy for Outreach Events And Community	16
04/28/16	WM Supercenter - Community Rabies Clinic water 4/16/16	16
10/01/15	El Secreto Dela Abuela - Lunch - Dogs Playing For Life	15
06/01/15	HEB - Snacks for Volunteers for Large Adoption Event - Swamp Fest	15
08/28/15	Starbucks Austin - ASPCA Austin Partner's Meeting	15
10/01/15	El Secreto Dela Abuela - Lunch For Dogs Playgroups	13
10/06/15	HEB - Food Items	13
11/25/14	Exxon Mobil - Purchased Water For Rabies Clinic	8
10/06/15	HEB - Food Items	7
12/29/14	HEB - Purchased Water for Cityworks Academy Students	5
06/01/15	HEB - Water Large Off Site Adoption Event, Pecan Street Festival	5
11/25/14	HEB - Purchased Water for Volunteers	1
	Subtotal Animal Services	4,479
	Total ILA Food Disbursements	<u>\$25,152</u>

ATTACHMENT E

**Employee Awards/Recognition
For the Two Years Ending September 30, 2016**

Date	Expenditure Purpose	Amount
	Public Health	
01/27/15	HEB - Employee Appreciation Gift Cards	\$880
04/28/16	Rudy's Country Store - Employee Appreciation Event	740
08/31/16	Alamo S Lamar - Employee Recognition Event For CD Unit	264
04/28/16	Rudy's Country Store - Employee Appreciation Event	226
10/10/16	HEB – Gift Card With Remaining Employee Appreciation Money	205
09/22/16	Walmart.Com - Gift Cards for Employee Award & Recognition	200
09/22/16	Perry's Steak House - Staff Appreciation Luncheon	191
08/31/16	Alamo S Lamar - Employee Recognition Event For CD Unit	176
10/14/16	HEB- Gift Cards-Employee Recognition	175
08/29/16	Alamo Drafthouse - Employee Recognition	156
08/31/16	Alamo S Lamar - Employee Recognition Event For CD Unit	144
10/14/16	HEB Cards-Employee Recognition	140
04/05/16	Lunch For Employee Appreciation	123
08/17/16	Interdepartmental Transfer To Pay For PARD Facility Rental	100
04/28/16	HEB - Employee Appreciation Items	95
10/14/16	HEB Gift Cards - Employee Recognition	70
04/05/16	Purchase Movie Tickets For Employee Appreciation	68
10/10/16	Spun Ice Cream - Employee Appreciation	58
02/01/16	Threadgill's World Headquarters - Holiday Feast For Epidemiology	54
09/12/15	No description provided	44
10/14/16	HEB - Gift Cards Employee Recognition	35
10/05/16	Retirement Sign (Clyde's Way)	30
04/28/16	Starbucks Austin - Employee Appreciation	30
09/24/16	No description provided	26
09/24/16	No description provided	26
09/24/16	No description provided	25
09/24/16	No description provided	25
09/22/16	HEB - Employee Recognition Celebrating End Of Back To School Rush	24
09/24/16	No description provided	24
09/24/16	No description provided	19
	Subtotal Public Health	4,374
	Animal Services	
10/13/15	Austin Massage Com - Employee Recognition. 10 Min Massage 90 Employees	\$1,350
01/27/15	Flores Mexican Restaurant - Employee Recognition Christmas 12-10-14	1,261
09/22/16	Flores Mexican Restaurant - Employee Recognition Luncheon	1,105
02/01/16	Flores Mexican Restaurant - ASO Employee Appreciation - Holiday Luncheon	1,075
10/13/16	Amy's Ice Cream Catering - Employee Appreciation Event	418
10/13/16	Amy's Ice Cream Catering - Employee Appreciation Event	418
09/22/16	In Qless Inc. - System For Customer Service	370

**Employee Awards/Recognition
For the Two Years Ending September 30, 2016**

Date	Expenditure Purpose	Amount
10/07/15	Lucky Lab Coffee - Employee Recognition, 9-25-15	364
10/13/15	Amy's Ice Cream Catering - Employee Recognition Fy2015	340
04/29/15	WM Supercenter #1253 - Vs Employee Recognition	300
10/07/15	Juiceland Catering - Employee Recognition	285
09/22/16	Capital City Baker - Employee Recognition Event - September 21, 2016	280
04/29/15	Wal-Mart #1253 - Animal Care Employee Appreciation Snacks	235
09/22/16	Austin El Secreto De La Abuela - Employee Recognition Event-August 31, 2016	209
04/29/15	Domino's 6404 - Domino's Pizza For Staff Recognition Large Adoption Event	208
03/30/16	East Side Pies - Food For Employee Recognition	201
08/29/16	Good Times Ice Cream - Employee Recognition Ice Cream Truck 7-25-16	200
08/29/16	Goodtimes - Employee Recognition Ice Cream Truck 7-29-16	200
03/31/15	HEB #465 - Employee Recognition Animal Care	200
06/30/16	Austin El Secreto De La Abuela - Staff Recognition Breakfast	175
04/29/15	HEB #639 - All Staff, Sandwiches, Chips, Fruit 3-25-2015	154
06/30/16	Domino's 9259 - Employee Recognition Lunch	152
11/25/14	Domino's 6404 - Food For Employees Due To Very Short Staffed Day	134
01/05/16	Amy's Ice Cream Catering - Ice Cream Social 9-17-15	130
04/28/16	WM Supercenter Employee Recognition-Food Candy, Veggie Tray, etc.	123
07/30/15	Pizza Hut - All Staff Employee Recognition	115
06/01/15	HEB - Gift Card For Recognition Program	100
07/30/15	Little Caesars - Employee Recognition	97
06/29/15	Tiffs Treats - All Staff Employee Recognition	82
01/05/16	HEB - Cake And Veggie Tray- All Staff Party-A Caldwell Going Away.	74
02/01/16	HEB - Decorations & Candy For Employee Holiday Party	68
07/30/15	WM Supercenter - All Staff Employee Recognition	66
09/22/16	Target - Tablecloths & Desserts - Employee Recognition Lunch	64
10/13/16	Target - Staff Recognition	58
02/01/16	Hobby-Lobby - Employee Appreciation Holiday Luncheon Supplies	55
07/30/15	HEB - All Staff Employee Recognition- Ice Cream Novelties	52
05/31/16	HEB - Employee Appreciation	52
07/28/16	HEB - Staff Appreciation Cold Treats For Shelter Staff - July 4Th Holiday	50
04/29/15	HEB - All Employee Appreciation Drinks, Plates And Cups	48
10/10/16	Employee Recognition Holiday Luncheon	47
03/31/15	Current USA - Employee Recognition Cards	40
07/30/15	HEB - All Staff Employee Recognition	36
06/01/15	HEB - Treats Employee Recognition-Animal Care Vet Services	36
12/29/14	HEB - Employee Recognition	35
05/31/16	Wholefoods Gateway - Employee Recognition	34
05/31/16	Capital City Baker - Employee Appreciation Food	33
06/29/15	Capital City Baker - All Staff Employee Recognition	33

**Employee Awards/Recognition
For the Two Years Ending September 30, 2016**

Date	Expenditure Purpose	Amount
06/01/15	Wholefoods Lamar - Animal Protection Employee Recognition	32
09/22/16	WM Supercenter - Drinks Staff Appreciation/Recognition Lunch	32
06/29/15	HEB - All Staff Employee Recognition	28
06/30/16	HEB - Staff Recognition Breakfast	24
02/01/16	HEB - Employee Appreciation Holiday Luncheon Supplies	24
10/01/15	Wholefoods Lamar - Employee Recognition	23
07/28/16	HEB - Employee Recognition - Cake	22
07/30/15	Wholefoods Lamar - Recognition Cake For Employees	22
05/31/16	Wal-Mart - Staff Appreciation	17
05/31/16	HEB - Employee Recognition - Beverages	16
04/29/15	Wholefoods Lamar - Animal Protection Employee Recognition	16
03/31/15	HEB - Employee Appreciation Snacks	15
07/28/16	HEB - Angie Ortiz Transfer Farewell - Staff Appreciation	13
09/22/16	Dollar Tree - Tablecloths For Employee Recognition Lunch	10
01/27/15	Target - Employee Recognition	6
05/31/16	Target - Staff Appreciation	2
	Subtotal Animal Services	11,459
	Total Employee Awards/Recognition	\$15,834