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**TO:** Charleston County Council

**FROM:** Robert N. Stewart, Director of Internal Audit

**SUBJECT:** Contract with Charleston Animal Society (CAS)

**DATE:** May 17, 2024

### **History with Charleston Animal Society (CAS)**

The original contract with the Charleston Animal Society began in 1979 and CAS has been designated as the approved animal shelter for Charleston County including the current contract. A contract amendment was signed April 7, 2008, whereby CAS moved from its prior location to allow the County to construct the new Detention Center. The County contributed \$4,500,000 in funds and property towards the construction of the new animal shelter.

Over the years, there have been changes in the procedures between Charleston County and CAS. Previously, an office was maintained at CAS by the Sheriff's Animal Control officers. These officers delivered the animals to CAS, and prepared and periodically submitted the intake forms to CAS. Today, the Sheriff's Office no longer has an office on the premises and CAS retains all intake forms for animals delivered into their care. Also in prior years, CAS remitted the impound, redemption, and boarding fees collected for reclaimed animals to the County to offset the County's cost. Presently, these fees are not remitted but deducted from the total cost of operating the animal shelter allocated to the County.

### **Audit Objectives and Scope**

This audit was requested by Council Chair, Herb Sass, and County Administrator Bill Tuten. Our primary objective was to determine the accuracy and reliability of the cost data that CAS designates as the County's cost. A related objective was to determine if the contract requirements with CAS were being fulfilled. A final minor objective was to

determine if there were any notable non-financial exceptions for the Animal Shelter from our limited review of operational procedures. Specific audit procedures were completed as follows:

1. Reviewed background information such as the County contract with CAS, laws and ordinances relating to animal control, prior audits, etc.
2. Performed a walkthrough of CAS facilities on December 20, 2023, and met with CAS management.
3. Reviewed financial statements from CAS' external auditors with special attention to financial items relevant to Charleston County contract with CAS, for periods ended December 31, 2021, and 2020 and December 31, 2022 and 2021.
4. Reviewed County expenses for Org Key 124500002, the org key containing the expenses for the Animal Shelter agreement and sampled invoices for Fiscal Years 2023 and 2024.
5. Completed internal control questionnaires for CAS for the following areas: intake of animals, euthanasia, return to owners, and animal care and housing.
6. Selected a random sample of 14 animals from the 2023 intake file and examined supporting documentation, including the intake form, for accuracy and completeness.
7. Selected a random sample of 10 animals classified as return to owner from 2023 records and examined supporting documentation for accuracy and completeness.
8. Selected a random sample of 9 animals from the 2023 intake file classified as euthanized and examined supporting documentation, for accuracy and completeness.
9. Analyzed cost data provided by CAS, to the extent possible, to determine actual costs pertaining to Charleston County.

### **CAS Contract Provisions**

Notable provisions for the CAS contract are as follows:

- The County has designated CAS as the approved animal shelter for Charleston County. This is based more on public policy than a legal requirement. The S.C. Laws & Ordinances Regarding Dogs & Cats In General, in Section 47-3-30, states "that a governing body is authorized to establish an animal shelter." This wording implies this is not a mandatory requirement for a county or municipal governing body.
- The latest written contract with CAS, dated July 1, 2019, designates an annual payment amount of \$2,100,000 to be paid in monthly installments. For fiscal year 2024, Charleston County increased the amount to \$2,250,000. Related to the County's costs for the Animal Shelter are the costs for the Sheriff's animal control staff of two sworn officers and two civilian field employees.
- The contract states that "each municipality and agency determines the actions of its own agents, and it is appropriate for these municipalities and agencies

to be responsible for the costs created by the action of its agents.” The City of North Charleston receives the most services from the Animal Shelter. Documentation received by the County Attorney indicated North Charleston donated a total of \$136,500 between 2014 and 2022, including a 2022 donation of \$50,000. In addition, they donated four acres of land to the Animal Society in 2022. We were also informed that Mt. Pleasant allocated \$280,000 for the current year. We are unaware of any contributions by the City of Charleston or the other municipalities in Charleston County.

- Section 1.03 refers to the County ordinance regarding pets that states the animals should be disposed of within five days by euthanization or adoption. However, within this same section, it states disposition is at the discretion of CAS.
- In Section 1.02 of the contract, it states “Animal control officers will make every reasonable effort, including scanning animals for microchips in the field, to return at-large animals to their owners prior to delivering them to the Animal Society.” CAS stated the following: *“All animals are scanned and attempts to contact owner made by CAS staff; however, per Section 1.02 of County Agreement, animal control officers (ACOs) should be doing this. This is an unfulfilled function causing a contract breach by County. For example, 56 microchipped animals were delivered to CAS by County ACOs in 2023. CAS returned the majority of them to their owners.”* These comments were contradicted by the Sheriff’s Office animal control officers who informed us that it is standard procedure to scan for a microchip, contact the tracking company to obtain owner identity, and then call or go to the owner’s address to return the animal. As a last resort, the animal is delivered to the Animal Society.

### **CAS Contract Exceptions**

For the following contract provisions, in our non-legal opinion, CAS is not complying with the contract with the County or there is a variance with a County ordinance.

1. In Section 1.07 of the contract, it states...” the County or its designated agents may at a reasonable time enter in or upon the subject premises for purposes of inspection, observation and performance of an operational audit in cooperation with the Society with reasonable notice.” Joe *Elmore of CAS states that they have provided all requested information. Furthermore, he states “The requests made by the County, dating back to last summer, exceed the parameters of the Agreement; however, the Animal Society, in good faith, has complied with every request to support the County’s better understanding of the animal hospital and sheltering paradigm.”* We do not agree with his statements and were not able to perform a complete operational audit of CAS due to inadequate information.
2. In Section 1.07 of the contract, it states “...the Society shall designate an area for use of a computer, filing purposes, and other office-related activities (office

space) at the Society for the County's Animal Control Officers." According to Captain Burrell of the Sheriff's Animal Control Office the Animal Society is not providing this space and has not for more than five years.

3. Section 1.11 of the Agreement states "The Society shall keep full and accurate financial and/or operational records on all animals delivered into its custody by the County ACOs and by citizens of Charleston County..." However, as stated above and shown in the Audit Results, we found that cost information was inadequate and intake numbers unreliable due to differences in numbers reported.
4. Section 1.11 of the Agreement states "The Society shall keep detailed records of all transactions when a fee is not paid by the citizen delivering, surrendering or abandoning the animal." Under the Animal Society's policies and procedures, they can waive fees but through our testing we found inadequate documentation regarding who authorized the fee waiver, the reason for the fee waiver, or the amount of fees waived for all the sampled items. Some information contained within their policies and procedures was contradicted by verbal statements. For example, we were told the euthanasia fee is a flat fee; however, the CAS procedures prescribes variable fees.
5. The 2019 contract states that "Redemption and boarding fees shall be retained by the Society, and the contract amount negotiated annually shall take the projected fees for the upcoming fiscal year into consideration." However, this conflicts with the County Ordinance, Section 3-6(c), that states redemption fees "shall be turned over to the county treasurer."

### **Audit Results**

The primary objective to determine the accuracy and reliability of the cost data that CAS designates as the County's cost was hindered as we did not have direct access to CAS financial and other systems. Because all data was submitted to us by CAS staff, we were unable to determine the bases for the allocations of the various costs that CAS states are the County's responsibility. We requested the bases more than four times but each time we received general comments that allocations are based on number of employees or square footage without providing the details for these allocations. For example, we asked whose salaries and percentages are included in Salary Expense. The response was "*animal care personnel, veterinary care personnel, and percentages of administration, finance and accounting, marketing, and volunteer administration.*" No detail was provided showing which specific staff were included in animal care and veterinary care and no detail for the amounts being allocated from administrative and other personnel.

The costs and intake numbers attributable to the County for 2021 and 2022, according to CAS, are shown below. As noted above, we did not receive adequate documentation to confirm these numbers. Two items of note from CAS data are as follows: 1. Labor costs (salaries and benefits) as a percentage of total costs were 71% and 68% for 2021 and 2022, respectively. 2. Included in the costs CAS attributed to the County were fundraising expenses of \$126,797 and \$105,882 for 2021 and 2022, respectively.

2021 Costs Designated as County Costs		2022 Costs Designated as County Costs	
Total cost animal care	\$3,441,353	Total cost animal care	\$3,882,993
Veterinary care	<u>\$586,340</u>	Veterinary care	<u>\$779,318</u>
Gross disposition costs	\$4,027,693	Gross disposition costs	\$4,662,311
Less: Fees to County	<u>(\$615,292)</u>	Less: Fees to County	<u>(\$584,721)</u>
Net disposition costs	\$3,412,401	Net disposition costs	\$4,077,590
Total animal intake	7,249	Total animal intake	8,923
County animals	6,304	County animals	8,190
% County animals	86.6937%	% County animals	91.7853%
Cost attributed to County	\$2,967,551	Cost attributed to County	\$3,742,627

We found differences for the intake data provided by CAS as detailed below.

1. The number of records contained in the PetPoint data files provided to Charleston County by CAS showed 7,433 and 9,139 for 2021 and 2022, respectively. These numbers differ from the total animal intake numbers used to calculate the cost attributed to the County shown above. The data files are inclusive of animals from unincorporated Charleston County, local municipalities, as well as jurisdictions outside of our area and/or state.
2. The intake numbers provided for the 2023 PetPoint data file did not match the published information by CAS. CAS management stated that was due to some animals being transported that were not included in their software system.
3. Some of the numbers shown in the footnotes for the external audit report conflicted with the numbers reported by CAS.
4. Internal records for tracking animals maintained by the Charleston County Sheriff's Office Animal Control Officers differed from the intake numbers contained in CAS's intake file.

For the testing of animal intake procedures, the following results were obtained for a random sample of 14 animals:

1. There was an intake form for each animal as required by procedures.
2. Eleven of the 14 animals were adopted. Adoption fees for only three of the animals matched the range of fees listed on CAS's website. Six of the remaining eight were adopted at amounts less than the advertised amounts and for the last two we were unable to determine the proper category.
3. One of the 14 intake animals was return to owner. However, no fees were collected from the owner.
4. One of the adopted animals was also an owner surrender. No fees were collected from the owner.
5. CAS procedures allow for waiver or changes in posted fees, but this is verbal only. Therefore, there was not any documentation for the reasons for fee waivers and changes.
6. Reductions in certain fees increase the allocated costs to Charleston County.

7. The average length of stay for the sampled animals was 16.85 days which is similar to the average for all animals for 2023 of 17.27 days. The average for all animals for 2021 and 2022 was 20.1 days and 18.86 days, respectively. South Carolina statutes require a minimum of five days before disposition.

For the testing of owner reclaim procedures, the following results were obtained for a random sample of 10 animals:

1. For all ten animals, owner identification was verified.
2. For all ten sampled returns to owner the posted fee was not received (six had a reduced fee and for four no fee was collected).
3. Based on a fee schedule within their policies and procedures, we calculated the amount due for the owner reclaims to be \$4,355. CAS collected \$902 for a difference of \$3,453.
4. CAS procedures allow for waiver or reductions in posted fees, but this is verbal only. Therefore, there was not any documentation for the reasons for fee waivers and reductions.
5. Reductions in certain fees increase the allocated costs to Charleston County.

For the testing of euthanasia procedures, the following results were obtained for a random sample of nine animals:

1. Six of the nine were based on owner requests. For all six, the signed owner requested euthanasia form was completed. For one animal, documentation was inadequate to determine if it was an owner request.
2. For three of the six owner requests, the posted fee was not collected.
3. The difference between the fees collected and the required fees for owner requests was \$425 (\$950-\$525).
4. CAS procedures allow for waiver or reductions in posted fees, but this is verbal only. Therefore, there was not any documentation for the reasons for fee waivers and reductions.
5. Reductions in fees decrease the funds available to operate the Animal Shelter.

Based on our limited review, including a walkthrough, discussions with CAS management, and assessment of written procedures, we found no significant non-financial exceptions for the following operational procedures: intake of animals, euthanasia, return to owners, and animal care and housing. During our walkthrough, although we observed that the facilities were clean and well-organized, there did not appear to be space for many, if any, additional animals. *CAS management stated that "since its opening in March 2008, the Shelter has been overcapacity. The Shelter has a total capacity of approximately 230 canines and felines. It is unsustainable."*

## **Recommendations**

The following are possible options to provide funding for animal disposition in Charleston County:

1. Limit County funding to the minimum State requirement of five days unless there are extraordinary circumstances such as a pending disposition of a criminal or civil trial involving the animal. As stated above, the average for all animals for 2021 and 2022 was 20.1 days and 18.86 days, respectively.
2. Limit County funding to animals turned in by Charleston County animal control officers or citizens of unincorporated Charleston County.
3. Request Charleston County municipalities to provide funding for animals collected within their boundaries.
4. Request CAS to be more aggressive in collecting fees, especially those that reduce the costs to the County.
5. As noted in the 2009 audit, the contract is vague for what is required for Charleston County and CAS. Future contracts need to contain clear requirements for each party. County costs should be based on specific activities related to animal disposition to avoid misunderstandings. For any funding tied to specific data, this funding should be contingent on CAS providing the County with reliable data for costs, animal counts, or other criteria.
6. Negotiate with other agencies, such as Pet Helpers, to handle part of the animal disposal currently performed by CAS.
7. A possible long-term solution could be some type of regional animal shelter co-funded with other municipalities/counties.

cc: County Administrator  
Deputy County Administrator for Finance  
Chief Financial Officer  
County Attorney