



AUDIT REPORT



To preserve the public trust as guardians of the people's records and assets

DATE May 30, 2024

NO. 2024-004

**CHARLOTTE COUNTY PUBLIC SAFETY
ANIMAL WELFARE LEAGUE AGREEMENT**

INTERNAL AUDIT DIVISION
ROGER D. EATON
CLERK OF THE CIRCUIT COURT AND COUNTY COMPTROLLER
CHARLOTTE COUNTY FLORIDA



ROGER D. EATON
Clerk of the Circuit Court and County Comptroller

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To: The Honorable Roger D. Eaton, Charlotte County Clerk of the Circuit Court and County Comptroller

From: Dan Revallo, Internal Audit Director

Date: May 30, 2024

Subject: Public Safety Animal Welfare League Agreement

Honorable Clerk Eaton,

The Internal Audit Division has completed a review of the Charlotte County Public Safety Animal Welfare League Agreement. Dan Revallo, Internal Audit Director conducted this review.

The Public Safety's response is attached to this report. We would like to thank Animal Welfare League and Public Safety personnel for their cooperation and assistance in the completion of this audit.

The report will be posted to the Clerk of Courts website, charlotteclerk.com, under Internal Audit, Audit Reports. A link to this report has been sent to the appropriate parties.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

Dan Revallo, CIA, CFE
Internal Audit Director
Charlotte County Clerk of the Circuit Court and County Comptroller

Contents

EXECUTIVE SUMMARY 1

BACKGROUND 1

PURPOSE 1

SCOPE 1

FINANCIAL SUMMARY 2

 COSTS 2

AUDIT RESULTS 6

CONCLUSION 7

EXECUTIVE SUMMARY

Pursuant to a request from Public Safety Management of the Charlotte County Board of County Commissioners (“County”), Internal Audit performed a review of the Animal Welfare League (“AWL”) financials as authorized by the AWL agreement with Public Safety - Animal Services (“Agreement”).

Pursuant to a discussion with the Charlotte County Public Safety Director, the AWL has made requests for funding in addition to the agreement, and we were requested to look at how funds are spent by the AWL.

Our review determined the following;

1. **We recommend** the County maintain compliance with the September 10, 2013 agreement until such time as the agreement is modified.
 - a. **We additionally recommend** the County revisit the agreement with the AWL to determine whether modifications are necessary.
2. **We recommend** the County determine the benefit/cost of the Pet Crematory for Charlotte County and if necessary, revise the agreement to address operations and costs of the crematory.

BACKGROUND

The County funds the Animal Welfare League (AWL) a set amount annually for the care, shelter and detention of dogs, cats, birds and other animals for all the citizens of Charlotte County.

“The purpose of this Agreement is to establish the responsibilities of the parties hereto with respect to the League’s desire to provide facilities and services for the care, shelter and detention of dogs, cats birds and other animals brought to the League’s facilities and the County’s need for such facilities and services.”

As of the September 10, 2013 agreement, “In consideration for the League’s establishment, provision and maintenance of the facilities and the provision of services requested by the County at the facility, the County agrees to pay the League a fixed rate of \$19,166.67 per month... On October 1 of every year, the County agrees to increase payments for each requested service by 3% of the amount paid for such service for the immediately preceding one-year term.”

The August 28, 2001 Charlotte County agreement with the Animal Welfare League of Charlotte County, FL, Inc., was modified on September 12, 2006, May 25, 2010, and most recently on September 10, 2013.

PURPOSE

The purpose of this review is to evaluate AWL financials to determine whether there is need for additional County funding to meet contractual obligations.

SCOPE

For the purpose of this review we looked at Financial Statements, Tax Returns and transactions and internet resources to determine activity at the Animal Welfare League for the years 2020, 2021, and 2022.

FINANCIAL SUMMARY

The following is a summary of financial activity for the three years ending 2023. This information was obtained from the AWL per request by the audit department. The Agreement, under 7. The County's Audit of the League's Books and Records states, "Additionally, the League shall deliver to the County annual financial statements within (90) days after the close of each Fiscal Year with a statement that they were prepared with Generally Accepted Accounting Principles." To our knowledge, this is not performed.

AWL	2020	2021	2022
Total Income	\$917,530.86	\$1,137,511.45	\$1,100,608.88
Total Expense	\$1,048,311.39	\$1,022,334.12	\$1,076,128.47
Net Ordinary Income	(\$130,780.53)	\$115,177.33	\$24,480.41

Ordinary income doesn't include investment income (expense), depreciation, and amortization expense.

COSTS

County Funding

In September 2013, the County entered into an agreement to compensate the AWL a fixed rate \$19,166.67 per month for the care, shelter and detention of dogs, cats, birds and other animals for all the citizens of Charlotte County. The County also agreed to increase payments for each requested service by 3% on October 1 of every year.

For the years 2020, 2021 and 2022, payments per month would be \$23,572.59, \$24,279.76, and \$25,008.16 respectively, or \$282,871.04, \$291,357.17, \$300,097.88 annually.

	2020	2021	2022
Annually Per Contract	\$282,871.04	\$291,357.17	\$300,097.88

	2020	2021	2022
Flat Rate Charged*	*\$284,282.84	*\$292,085.63	*\$300,848.16
(Minus Owner Paid Impound and Boarding Fees)	(\$13,231.00)	(\$19,027.00)	(\$15,170.00)
	\$271,051.84	\$273,058.63	\$285,678.16

*Bill for August activity dated September states "Bill due for the month of October ..." with subsequent year's rate.

These are fiscal year rates. The rates that follow from the Animal Welfare League are for the annual year.

Other Sources of Income

Program service revenue is when a nonprofit charges for a service directly related to its mission. The AWL received Program Service Revenue income as follows:

	2020	2021	2022
Program Service Revenue (PSR)	\$547,459.57	\$619,853.50	\$595,202.28
Charlotte County (CCBCC)	\$271,438.80	\$275,958.80	\$262,314.48
CCBCC as a % of PSR	49.6%	44.5%	44.1%

Other sources of Program Service Revenue included adoptions, vet services, spay/neuter, impound and boarding fees, surrender and donation fees, rabies and license fees, owner requested euthanasia and cremation fees and vaccine fees.

The AWL also raises funds through contributions and gifts and fundraising and events.

	2020	2021	2022
Contributions & Gifts	\$165,725.65	\$371,900.43	\$305,887.70
Fundraising & Events	\$204,345.64	\$145,757.52	\$199,518.60

Operational Costs

Operational costs are expense a nonprofit incurs – whether it is actively generating a product or service or not generating one at all. Essentially, operating expenses are the “keep the lights on” costs of the nonprofit world. These include utilities, rent, office supplies and equipment, cleaning supplies or services, and staff salaries.

Operational Cost	2020	2021	2022
AWL Medical Supplies Ordered	\$69,150.44	\$65,601.38	\$66,949.80
Rabies / License Vouchers, On Line Pharmacy	\$6,234.70	\$5,825.49	\$4,712.00
Kennel Supplies	\$12,230.19	\$22,269.02	\$19,211.41
Occupancy	\$65,599.56	\$77,409.04	\$85,798.35
Automotive / Travel Expense	\$5,440.92	\$4,041.48	\$4,689.83
Total Operational Costs	\$158,655.81	\$175,146.41	\$181,361.39
Charlotte County (CCBCC)	\$271,438.80	\$275,958.80	\$262,314.48

Our opinion is the County adequately funds the Animal Welfare League (AWL) a set amount annually for the care, shelter and detention of dogs, cats, birds and other animals for all the citizens of Charlotte County. (Salaries were included under administrative costs mentioned later, because they were not broken out as staff and administrative salaries.)

THE ANIMAL WELFARE LEAGUE HAS AN INTERCOMPANY LOAN W/ PAY IT FORWARD PET CREMATORY

The AWL has an outstanding loan (Pay It Forward Loan / AWL Intercompany Loan) with the Pay it Forward Pet Crematory (the “Crematory”) that increases every year. Pay it Forward Crematory financials are combined with the animal welfare league for IRS reporting purposes. The Crematory does not fit the agreement in that “The purpose of this Agreement is to establish the responsibilities of the parties hereto with respect to the League’s desire to provide facilities and services for the care, shelter and detention of dogs, cats birds and other animals brought to the League’s facilities and the County’s need for such facilities and services.”

AWL (Assets)	2020	2021	2022
Pay it Forward Loan	\$305,599.00	\$413,167.36	\$464,167.36

PIF (Liabilities)	2020	2021	2022
Pay It Forward Loan	\$305,599.00	\$413,167.36	\$464,167.36

THE CREMATORY IS OPERATING AT A LOSS

PIF	2020	2021	2022
Total Income	\$15,123.54	\$102,146.70	\$126,586.01
Total Expense	\$134,204.27	\$195,952.68	\$200,115.08
Net Ordinary Income	(\$119,080.73)	(\$93,805.98)	(\$73,529.05)

Expenses

Nonprofits use their revenue to provide valuable support to their beneficiaries, however they still have to cover a wide range of expenses, just as for-profit companies do. Most nonprofits rely on funding to finance staff salaries; afford office space rentals, legal fees, and program costs; and manage day-to-day operations. For small- to medium-sized charities that are beginning to grow and accrue more expenses, narrowing down their list of necessary expenditures can prove challenging, but possible.

AWL Functional Costs

Functional costs are related to specific departments within a nonprofit. Examples include advertising costs, IT services, fundraising events, and volunteer recruitment.

Functional Cost	2020	2021	2022
Fundraising & Events	\$11,428.54	\$34,796.86	\$22,368.91
Total Functional Costs	\$11,428.54	\$34,796.86	\$22,368.91

AWL Administrative Costs

Administrative costs refer to money spent on a nonprofit organization's management and operation. These are typically costs that only the people within an organization, such as the staff and board, see. These costs include accounting services, legal services, any expenses related to board meetings, and human resources platforms. These are often the largest source of overhead involving outsourced services. These expenses cannot be allocated and should be grouped with general costs.

Administrative Costs	2020	2021	2022
Sales Tax	\$612.94	\$550.55	\$1,202.99
Professional Fees for Services	\$4,756.00	\$2,177.00	\$1,888.88
Dues, Memberships, Meetings	\$1,115.18	\$4,102.46	\$5,339.00
Payroll Tax Expense	\$49,654.63	\$46,972.90	\$49,122.05
Employee Expenses	\$55,958.04	\$34,894.37	\$50,301.06
Salaries & Wages	\$645,529.84	\$611,608.91	\$648,557.37
Administrative Expense	\$62,787.91	\$43,697.73	\$57,688.96
Insurance Expense	\$52,337.22	\$59,115.64	\$45,482.46
Unknown Expenses / Reconciliation Discrepancies	\$1,315.06	\$116.71	\$142.66
Total Administrative Costs	\$874,066.82	\$803,236.27	\$859,725.43

AWL Development Costs

Development costs are expenses that directly relate to achieving the goal of your nonprofit's mission. Examples of development costs can include silent auctions, 5k races, galas, banquets, community fundraisers at restaurants or other businesses, and any expenses associated with advertising for fundraising events, such as postage and printing. These are a subset of administrative expenses.

Development Costs	2020	2021	2022
Resale Purchase Expense	\$255.69	\$1,527.15	\$4,574.14
Advertising & Promotion	\$3,904.53	\$7,627.40	\$8,098.61
Total Development Costs	\$4,160.22	\$9,154.55	\$12,672.75

Total Costs	2020	2021	2022
	\$1,048,311.39	\$1,022,334.09	\$1,076,128.48

Amounts above match Total Expense amounts listed on the AWL produced Profit and Loss statements. Additional costs are included to reach these amounts.

Grants can help take the stress of many fixed costs, saving the nonprofit hundreds of dollars.

AUDIT RESULTS

1. The agreement has not been modified in over ten years.

The August 28, 2001 Charlotte County agreement with the Animal Welfare League of Charlotte County, FL, Inc., was modified on September 12, 2006, May 25, 2010, and most recently on September 10, 2013. While this agreement has been modified three times in twelve years. The current version is over ten years old.

An agreement can typically be modified at any point during the arrangement so long as all parties to the contract consent to the changes being made. Previous modifications have included changes to compensation for facility and services, and extension of renewal terms, construction of additional kennels, and additional equipment.

Pursuant to a discussion with the Charlotte County Public Safety Director, the AWL has made informal requests for additional funding for reasons such as capacity concerns and hurricane repairs, but no requests have been made to modify the agreement.

We recommend the County maintain compliance with the September 10, 2013 agreement until such time as the agreement is modified.

We additionally recommend the County revisit the agreement with the AWL to determine whether modifications are necessary.

2. The AWL has ventured into cremation services with the creation of the Pay It Forward Pet Crematory (“PIF Pet Crematory”) during the course of the current agreement.

Since the execution of the 2013 Agreement, the Animal Welfare League has created the PIF Pet Crematory. The Mission Statement of the PIF Pet Crematory is to “Offer veterinary clinics and pet parents exceptional service, dignified and caring cremations in an ethical manner with all proceeds benefiting the homeless animals.” The AWL agreement with the County states, “The League shall establish, provide and maintain an animal shelter in Charlotte County for the care, shelter and detention of dogs, cats birds and other animals.” The agreement further states, “In consideration for the League’s establishment, provision, and maintenance of the facilities and the provision of services requested by the County at the facility, the County agrees to pay the League a fixed rate...”. This rate was \$25,008.16 a month, or \$300,097.88 annually for 2022.

It appears that the PIF Pet Crematory does not meet the services of “care, shelter, and detention” as described in the agreement, and it could be said that County funding only goes to the AWL. However, funds are commingled as follows;

- **The PIF Pet Crematory has an Intercompany Loan with the AWL which has grown to \$464,167.36 as of December 31, 2022.**

By the AWL providing a loan to the PIF Pet Crematory, County funds could potentially be used for purposes outside of the current agreement.

- **The PIF Pet Crematory has operated at a loss for each of the three years ending December 31, 2022. The net ordinary income for 2022 was (\$73,529.05).**

Operating at a loss, the PIF Pet Crematory is using funds loaned by the AWL to cover expenses. The net ordinary income has improved from a loss of (\$119,080.73) in 2020 to (\$73,529.05) in 2022 but the PIF Pet Crematory has yet not generated positive income as of 2022.

We recommend the County determine the benefit/cost of the Pet Crematory for Charlotte County and if necessary, revise the agreement to address operations and costs of the crematory.

CONCLUSION

A few specific control weaknesses were noted; generally, however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.

ACKNOWLEDGEMENTS

We would like to thank Charlotte County Public Safety and the Animal Welfare League of Charlotte County for their assistance in completing this audit.

Audit performed by:

Dan Revallo, CIA, CFE

Internal Audit Director

Charlotte County Clerk of Court & County Comptroller



Charlotte County Department of Public Safety
26571 Airport Road
Punta Gorda, FL 33982
April 2, 2024

Dan Revallo, CIA, CFE
Internal Audit Director
Charlotte County Clerk of Court and County Comptroller
18500 Murdock Circle
Port Charlotte, FL 33948

Dear Mr. Revallo,

I am writing in response to your recent report regarding the Animal Welfare League as pertaining to its partnership with Charlotte County Animal Control. After a thorough review, I want to express my acknowledgement and agreement with the findings outlined in the audit report. It is imperative that we maintain diligent care to ensure compliance with any agreement we enter into, particularly concerning matters of public safety.

In light of the findings presented, we will be revisiting the terms of the agreement to determine if any modifications are necessary to better align with our shared objectives. At this juncture, it is crucial to reaffirm that the primary purpose of our agreement is to collaboratively advocate for the well-being of domestic animals, as well as the safety of our citizens and visitors.

Additionally, we acknowledge the importance of addressing any financial implications, particularly concerning the cost of the crematory that Charlotte County may be responsible for. We are committed to thoroughly assessing these concerns and will be proactive in proposing any necessary revisions to the contract to ensure clarity and fairness for all parties involved.

Thank you for bringing these matters to our attention, and please be assured of our dedication to upholding the terms of our agreement while striving for the highest standards of public safety.

Should you require any further information or clarification, please do not hesitate to contact me at (941) 833-5601 or Jason.Fair@charlottecountyfl.gov.

Sincerely,

Jason Fair
Public Safety Director



Serving with compassion, expertise and efficiency in support of our community