

VIA EMAIL AND FACSIMILE

Fulton County Office of Internal Audit

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Fax: (404) 893-6527

RE: Response to Draft Audit Report

Dear Ms. Moore,

This letter shall serve as the written response of Barking Hound Village Foundation, Inc. ("BHVF, Inc.") to the draft audit report from the Fulton County Internal Audit Department. As we have repeatedly advised the County auditors both orally and in writing, there are numerous inaccuracies contained in the draft report. The continued misstatements and refusal to correct multiple inaccuracies is of significant concern to BHVF, Inc. as well as all residents of Fulton County who depend on the Department of Internal Audit to make factual, accurate and unbiased reports. The patent inaccuracies and incorrect statements are even more distressing considering that a thorough and exhaustive audit of BHVF, Inc. was recently completed by the IRS in April of 2012 and revealed not a single instance of monies commingled and that BHVF, Inc. was in full compliance with the tax code.

As you may recall, BHVF, Inc. took over the Fulton County Animal Control Contract on an emergency basis, in March of 2008. We were allowed in the building at 4pm and took over management at midnight that day. We found a shelter packed full of animals, a freezer filled with deceased animals, very few supplies, including but not limited to critically needed animal traps for feral dogs/cats and desperately needed medicines. Notwithstanding the numerous difficulties we faced at the outset, BHVF, Inc. managed to get a qualified veterinarian immediately on site to help manage and monitor the health of the shelter population and assess incoming animals until we could hire a full time veterinarian. Even with these substantial obstacles, BHVF, Inc. has provided superior quality service to the citizens of Fulton County.

With a significant intake increase of twenty percent (20%) and a soaring number of calls for assistance to the public, we have managed to provide an unprecedented number of free and low cost spay/neuters (over 3,000) and vaccinations to the low income residents of Fulton County. In addition to the marked increase in demand for services, the County has not provided BHVF, Inc. with a number of resources mandated under the Contract for Animal Control Services. As an example, the Contract requires Fulton County to provide an additional Adoption Center in North Fulton. The RFP provided for the existing North Fulton adoption center, but it has not materialized. Further, while Section 3.3.3.1, page 26 of the Contract provides for a new North Fulton adoption center, Christine Greene, Department of Health and Wellness, along with Oliver Delk, our contract administrator at the time, proposed specific sites at 1264 Alpharetta Street and 1123 Alpharetta Street; neither site ever came to fruition.

With intake increasing rapidly, it has placed an enormous burden on the current

shelter's volume of animals. The failure of the County to provide the mandated adoption center has thus markedly increased the need for transport services to rescue groups. To offset these additional expenses due solely to Fulton County's failure to provide the new adoption center, we secured grants for a substantial portion of the transport and spay/neuter/vaccination assistance program for the public.

Moreover, the number of calls for service from the public, animal bites, warnings/citations issued, miles driven for Animal Control Officers, fuel and maintenance costs, veterinarian/medical expenses and many other expenses for services have increased dramatically, along with astronomically increasing fuel costs. As the auditors are now well aware, the monthly stipend of \$175,000 from the County does not even cover the cost of payroll, vet supplies, fuel, maintenance of county vehicles and worker's compensation insurance.

Importantly, Section 3.3.11.1 of the Contract states “[w]hile this contract is in effect the County will provide and directly pay for all necessary building repair and physical plant maintenance.” Section 3.3.11.3 of the Contract further mandates that “[t]he County is responsible for the replacement of County-owned equipment.” Nevertheless, both BHVF, Inc. and I personally have incurred significant expense due to the failure of the County to pay for all necessary building repair and physical plant maintenance, as well as the failure to replace County-owned equipment, including but not limited to hardware, software and County-owned vehicles (many of which have more than 150,000 miles on them and are in desperate need of replacement). Nonetheless, BHVF, Inc. has continued to provide the highest level of services for the public at a cost much lower than the County could provide. As we have repeatedly requested, the County must immediately address the adoption center, an aging fleet of animal control vehicles, needed repairs of phone and computer lines to the veterinary trailer, and badly needed and long overdue repairs on the current building.

In order to maintain the current level of services, I have personally funded the deficits of over One Hundred Thousand Dollars (\$100,000) to date. I anticipate this will grow and continue until the completion of our Contract. We have been providing the citizens of Fulton County with the best service possible, even at my own tremendous personal expense. Thus, we do expect that the inaccuracies contained in the draft report will be corrected immediately so that all parties can continue to focus on our mutual number one priority: the animals and serving the needs of our Fulton County Citizens.

As you may be aware, the Fulton County Commissioners have stated that BHVF, Inc. is in full compliance with the Contract and at no time during the past four and a half years has anyone from the County ever advised us that our performance was unsatisfactory or that there was any problem or inconsistency with the detailed monthly reports that we have provided every month on time documenting our expenditures (which the County both reviewed and approved).

Finding 1:

It is incorrect to state that “BHVF did not make sufficient financial records available for review...” Article 31 of the Contract specifically provides that Fulton County has a limited audit right in connection with the books and records of the Foundation as they relate solely to the Fulton County Contract, and explicitly states that “Contractor shall make available to County and/or representatives of the County for examination all of its records with respect to matters covered by this Agreement.” Importantly, Article 31 goes on to reiterate that **“Nothing in this Agreement shall be construed as granting County any right to make copies, excerpts or transcripts of such information outside the area covered by this Agreement without the prior written consent of Contractor.”** Thus, under no circumstances is the County entitled to the financial records of BHVF, Inc. outside of the documents and records related to the services provided pursuant to the Agreement. Thus, due solely to the fact that the County requested bank statements and other financials related to the wholly separate and unrelated endeavors of BHVF, Inc. that had no bearing or relationship to the services provided by BHVF, Inc. in connection with the Fulton County Animal Services, the audit was delayed. Moreover, our responses have been timely and in all instances we have worked tirelessly to promptly provide all relevant information to the auditors.

Timeline of Responses:

Letter from County	7/15/2011
Documents couriered to County	8/12/2011 and additional documents 8/30/2011
Meeting with County	6/05/2012
Audit Began	6/20/2012
Audit Results Draft rec'd by BHVF	8/16/2012

As reflected above, we initially provided documents less than thirty (30) days after receipt of the request, and the entire audit was complete less than two months after it began. In sum, it is incorrect to state that the audit was delayed more than a year due to BHVF, Inc., when in fact the delay was due solely to the County’s request of unrelated financial information that was beyond the scope of the audit rights in the Contract.

Finding 2:

It is incorrect to state that auditors were not provided with complete financial records. BHVF provided all documents and records related to the Contract. As noted above, Article 31 of the Contract provides that Fulton County is only entitled to review financial records of BHVF, Inc. that relates to the Animal Services Contract. The fact that the Office of Internal Audit has continued to request financial records from BHVF, Inc. wholly unrelated to the Animal Services Contract does not mean that BHVF, Inc. has not met all of its obligations under Article 31.

Finding 3:

It is incorrect to state that transactions related to the animal control services are not currently being maintained separately from BHVF, Inc.’s other operational activities (which they are). Documentation of all expenses was provided. They include but are not

limited to manual payroll checks correcting miscalculations by Paychex or employees hours that were revised for PTO, missed clock-ins, etc. Other expenses included Great American Insurance expenses for repair to Fulton County Animal Control vehicles, Cobra Insurance, kennel supplies purchased for FCAC animals and other valid expenses, all of which have been verified by documents contrary to the draft report's assertions.

Finding 4:

A number of receipts were requested, for which BHVF, Inc. provided such receipts. Many of these expenses are duplicated in the Finding 6 section of the audit. As previously stated, the debit card purchases include outside veterinarian services for **FCAC animals** (many animals are sent to local veterinarians for XRays and other special care...the shelter does not have an XRay machine or other capabilities to care for special needs). Also included in the debit card purchases are payments to Hardy Diagnostics for veterinary medical supplies, Pitney Bowes for the shelter postage machine, relocation expenses for the shelter director from Delaware and other valid expenses, all of which relate directly and solely to the Animal Services Contract and which are 100% legitimate and documented expenses.

Finding 5:

As we have repeatedly advised the auditors and as should be clear by now, the State Bank line of credit payments have always been listed on the Monthly Reports and match, exactly, the draws from the line to cover the deficit in payroll expenses.

Finding 6:

The expenses, listed on the audit report as allegedly unallowable, are all valid and documented expenses relating solely to the Animal Services Contract. The intake of the shelter has increased from approximately 8,000 animals per year to over 10,000 animals per year. All shelters across the country have experienced the same problem due to economic reasons. The Transport Services are funded by a specific grant, which also funds the free/low-cost spay neuter and vaccination program, for low income citizens of Fulton County. We have provided more of these services to the public than any other contractor has ever provided before. Without the transport program, the euthanasia rate at the shelter would be significantly higher. This program was in place, prior to BHVF receiving the Contract. Employee Relations includes \$570 for Publix \$10.00 gift cards for the FCAC employees Christmas bonuses, \$125 for flowers to employee's who suffered the death of a close family member and other expenses related to employee meetings or holiday parties (food, etc). The

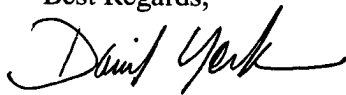
Legal and Accounting expenses cover bookkeeping services and legal fees directly and solely related to FCAC.

Travel and Lodging include the shelter's veterinarian's airfare, lodging and other expenses related to animal welfare conferences and continuing education. A licensed

veterinarian is required under 3.3.2.1 section of the Contract and must maintain certification through this continuing education. This section also includes flights and lodging for the hiring of the shelter director from his previous position in Delaware. The same procedure was required for the hiring of the former FCAC director when the Contract was managed by Public Health and Wellness. The stipulations, for a director, are listed in section 3.3.14, Table 2, of the Contract. The Casual Labor is for an employee who chose to be a 1099 employee.

In sum, as the County's attorneys can confirm, there are no categories of expenses prohibited under the Contract and each of the aforementioned expenses above are solely and directly related to the provision of animal control services as mandated by the Contract. There is simply no basis in fact or in law for the contention that these expenses are anything other than 100% legitimate and authorized under the Contract. Please do not hesitate to contact me with any additional questions. We look forward to receiving the revised corrected report at your earliest convenience.

Best Regards,

A handwritten signature in black ink that reads "David York". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

David York