



**JOHN CHIANG**  
California State Controller

March 6, 2012

Rita Conrad  
Director of Administrative Services  
City of Hemet  
445 E. Florida Avenue  
Hemet, CA 92543

Dear Ms. Conrad:

The State Controller's Office (SCO) reviewed the costs claimed by the City of Hemet for the legislatively mandated Animal Adoption Program (Chapter 752, Statutes of 1998, and Chapter 313, Statutes of 2004) for the period of July 1, 2008, through June 30, 2009. Our review was performed to determine whether costs claimed represented increased costs resulting from the Animal Adoption Program. We validated the extent of the animal service contract that the City of Hemet has with the service provider, Riverside County. We determined reimbursable costs based on information provided in our audit of costs claimed by Riverside County for the Animal Adoption Program for the same audit period. We also shared a copy of the various calculations with the city and solicited input from the city's staff.

The city claimed \$72,708 for the mandated program. Our review disclosed that \$26,824 is allowable and \$45,884 is unallowable. The costs are unallowable because the city claimed reimbursement for costs that were not incurred, as described in the attached Summary of Program Costs and Finding and Recommendation.

For the fiscal year (FY) 2008-09 claim, the State made no payment to the city. Our review disclosed that \$26,824 is allowable. The State will pay that amount, contingent upon available appropriations.

If you disagree with the review finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf)

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/bf

Attachments

RE: S12-MCC-900

cc: Jeff Carosone, Principal Program Budget Analyst  
Cor-Gen Unit, Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

**Attachment 1—  
Summary of Program Costs  
July 1, 2008, through June 30, 2009**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable Per Review</u>	<u>Review Adjustment<sup>1</sup></u>
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Care and Maintenance of Dogs and Cats	\$ 21	\$ 21	\$ -
Increased Holding Period	7,387	7,387	-
Lost-and-Found List Activities	208	208	-
Maintaining Non-Medical Records	34,171	16,936	(17,235)
Necessary and Prompt Veterinary Care	<u>2,272</u>	<u>2,272</u>	<u>-</u>
Total direct costs	44,059	26,824	(17,235)
Indirect costs	<u>28,649</u>	<u>-</u>	<u>(28,649)</u>
Total program costs	<u>\$ 72,708</u>	26,824	<u>\$ (45,884)</u>
Less amount paid by the State		<u>-</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 26,824</u>	

<sup>1</sup> See Attachment 2, Finding and Recommendation.

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## Attachment 2— Finding and Recommendation July 1, 2008, through June 30, 2009

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**FINDING—  
Claimed costs were  
not incurred**

The city claimed \$72,708 in animal adoption costs for the review period. We determined that \$26,824 is allowable and \$45,884 is unallowable because the costs claimed were not incurred by the city.

On June 6, 2011, the State Controller's Office issued an audit report for our audit of Riverside County's Animal Adoption claims for FY 1998-99 through 2008-09, excluding FY 2003-04 and FY 2004-05. The City of Hemet does not own or operate an animal shelter. Instead, it contracts with Riverside County for field services and to transport the animals to the Ramona Humane Society's animal shelter. The county contracts with the Ramona Humane Society to house the city's animals and passes along the costs incurred to the city. Accordingly, the county billed the city monthly for the costs incurred and the city filed a reimbursement claim with the State under the Animal Adoption Program.

Reimbursement from the State for mandated costs incurred by a local agency cannot be more than the mandated costs incurred. Either the county is entitled to reimbursement for 100% of its mandated costs incurred or it shares a portion of the reimbursement with one or more of its contracting partners. The county concurred that the city was entitled to a share of its reimbursement for mandated costs incurred.

The review adjustment is described below by reimbursable component.

### **Maintaining Non-Medical Records**

For FY 2008-09, the city claimed \$34,171 under the cost component of Maintaining Non-Medical Records. We determined that \$16,936 is allowable and \$17,235 is unallowable.

The city claimed reimbursement based on animal adoption costs claimed by Riverside County. For example, the county claimed \$407,242 under the cost component of Maintaining Non-Medical Records for FY 2008-09. This amount is gross of offsetting revenues attributable to the county's contracting partners, e.g., City of Hemet. The city determined that 8.39% of the animals recorded in the county's Chameleon animal database system originated within the City of Hemet, and claimed \$34,171 ( $\$407,242 \times 8.39\%$ ) in reimbursable city costs. However, during the audit of the county's animal adoption claims, we determined that \$201,859 in salaries and benefits is allowable. As a result, we determined that \$16,936 is allowable ( $\$201,859 \times 8.39\%$ ) for the City of Hemet. We deducted this amount when determining net reimbursable county costs. The county concurred with this determination.

### **Indirect Costs**

The city claimed \$28,649 for indirect costs related to salaries and benefits costs incurred for FY 2008-09. However, we determined that none of the costs are allowable because the city does not incur any salaries and benefits costs under the terms of its contract with Riverside County, nor does it reimburse Riverside County for any indirect costs that the county incurs for field services. A county representative confirmed that the county does not include indirect costs related to salaries and benefits in its billings to the city for animal control services.

### **Recommendation**

We recommend the city ensure that claimed costs were actually incurred for the mandated activities.