



JOHN CHIANG
California State Controller

March 6, 2012

Paul Sundeen
Assistant City Manager/Chief Financial Officer
City of Riverside
3900 Main Street, 6th Floor
Riverside, CA 92522

Dear Mr. Sundeen:

The State Controller's Office (SCO) reviewed the costs claimed by the City of Riverside for the legislatively mandated Animal Adoption Program (Chapter 752, Statutes of 1998, and Chapter 313, Statutes of 2004) for the period of July 1, 1998, through June 30, 2009, excluding July 1, 2003, through June 30, 2005. 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 Riverside had 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 \$2,510,016 for the mandated program. Our review disclosed that \$825,571 is allowable and \$1,684,445 is unallowable. The costs are unallowable because the city claimed reimbursement for costs that it did not incur, as described in the attached Summary of Program Costs and in the Finding and Recommendations section.

For the fiscal year (FY) 1998-99 claim, the State paid the city \$32,997. Our review disclosed that \$19,805 is allowable. The State will offset \$13,192 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

For the FY 1999-2000 claim, the State paid the city \$140,589. Our review disclosed that \$83,086 is allowable. The State will offset \$57,503 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

For the FY 2000-01 claim, the State paid the city \$191,903. Our review disclosed that \$86,553 is allowable. The State will offset \$105,350 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

For the FY 2001-02 claim, the State made no payment to the city. Our review disclosed that \$86,926 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payment to the city. Our review disclosed that \$104,900 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2005-06 claim, the State paid the city \$487,670. Our review disclosed that \$88,213 is allowable. The State will offset \$399,457 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

For the FY 2006-07 claim, the State paid the city \$472,651. Our review disclosed that \$92,836 is allowable. The State will offset \$379,815 from other mandate program payments due the city. Alternatively, the city may remit this amount to the State.

For the FY 2007-08 claim, the State made no payment to the city. Our review disclosed that \$119,431 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2008-09 claim, the State made no payment to the city. Our review disclosed that \$143,821 is allowable. The State will pay that amount, contingent upon available appropriations.

If you disagree with the review findings, 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 Web site at 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/vb

Attachments

RE: S10-MCC-911

cc: Brent Mason, Finance Director
City of Riverside
Jason Al-Imam, Controller
City of Riverside
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, 1998, through June 30, 2009, excluding
July 1, 2003, through June 30, 2005**

Cost Elements	Actual Costs Claimed	Allowable Per Review	Review Adjustment ¹	Reference ¹
<u>July 1, 1998, through June 30, 1999</u>				
Direct costs:				
Training	\$ 140	\$ -	\$ (140)	Finding 1
Care and maintenance of other animals	3,614	306	(3,308)	Finding 2
Increased holding period	2,127	5,108	2,981	Finding 3
Feral cats	444	282	(162)	Finding 4
Lost and found lists	539	158	(381)	Finding 5
Maintaining non-medical records	16,972	12,830	(4,142)	Finding 6
Necessary and prompt veterinary care	1,259	1,121	(138)	Finding 7
Procuring equipment	3,029	-	(3,029)	Finding 8
Total direct costs	28,124	19,805	(8,319)	
Indirect costs	4,873	-	(4,873)	Finding 9
Total program costs	<u>\$ 32,997</u>	19,805	<u>\$ (13,192)</u>	
Less amount paid by the State		(32,997)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (13,192)</u>		
<u>July 1, 1999, through June 30, 2000</u>				
Direct costs:				
Care and maintenance of dogs and cats	\$ 44,714	\$ 39,067	\$ (5,647)	Finding 2
Care and maintenance of other animals	10,580	295	(10,285)	Finding 2
Increased holding period	4,623	13,033	8,410	Finding 3
Feral cats	1,033	568	(465)	Finding 4
Lost and found lists	1,207	329	(878)	Finding 5
Maintaining non-medical records	46,232	27,354	(18,878)	Finding 6
Necessary and prompt veterinary care	2,290	2,440	150	Finding 7
Procuring equipment	8,486	-	(8,486)	Finding 8
Total direct costs	119,165	83,086	(36,079)	
Indirect costs	21,424	-	(21,424)	Finding 9
Total program costs	<u>\$ 140,589</u>	83,086	<u>\$ (57,503)</u>	
Less amount paid by the State		(140,589)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (57,503)</u>		

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Review	Review Adjustment ¹	Reference ¹
<u>July 1, 2000, through June 30, 2001</u>				
Direct costs:				
Care and maintenance of dogs and cats	\$ 42,717	\$ 40,770	\$ (1,947)	Finding 2
Care and maintenance of other animals	10,739	307	(10,432)	Finding 2
Increased holding period	5,366	13,360	7,994	Finding 3
Feral cats	1,179	698	(481)	Finding 4
Lost and found lists	1,237	325	(912)	Finding 5
Maintaining non-medical records	79,379	28,539	(50,840)	Finding 6
Necessary and prompt veterinary care	1,768	2,554	786	Finding 7
Procuring equipment	11,429	-	(11,429)	Finding 8
Total direct costs	153,814	86,553	(67,261)	
Indirect costs	38,089	-	(38,089)	Finding 9
Total program costs	<u>\$ 191,903</u>	86,553	<u>\$ (105,350)</u>	
Less amount paid by the State		(191,903)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (105,350)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Care and maintenance of dogs and cats	\$ 47,254	\$ 42,025	\$ (5,229)	Finding 2
Care and maintenance of other animals	7,883	317	(7,566)	Finding 2
Increased holding period	5,395	12,209	6,814	Finding 3
Feral cats	1,541	804	(737)	Finding 4
Lost and found lists	1,244	307	(937)	Finding 5
Maintaining non-medical records	98,665	28,599	(70,066)	Finding 6
Necessary and prompt veterinary care	1,690	2,665	975	Finding 7
Procuring equipment	32,777	-	(32,777)	Finding 8
Total direct costs	196,449	86,926	(109,523)	
Indirect costs	57,162	-	(57,162)	Finding 9
Total program costs	<u>\$ 253,611</u>	86,926	<u>\$ (166,685)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 86,926</u>		

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Review	Review Adjustment ¹	Reference ¹
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Care and maintenance of dogs and cats	\$ 89,084	\$ 55,103	\$ (33,981)	Finding 2
Care and maintenance of other animals	7,230	184	(7,046)	Finding 2
Increased holding period	7,268	12,415	5,147	Finding 3
Feral cats	3,208	1,014	(2,194)	Finding 4
Lost and found lists	1,209	346	(863)	Finding 5
Maintaining non-medical records	35,491	32,428	(3,063)	Finding 6
Necessary and prompt veterinary care	5,444	3,410	(2,034)	Finding 7
Procuring equipment	2,730	-	(2,730)	Finding 8
Total direct costs	151,664	104,900	(46,764)	
Indirect costs	18,776	-	(18,776)	Finding 9
Total program costs	<u>\$ 170,440</u>	104,900	<u>\$ (65,540)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 104,900</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Care and maintenance of dogs and cats	\$ 91,498	\$ 24,873	\$ (66,625)	Finding 2
Care and maintenance of other animals	29,953	130	(29,823)	Finding 2
Increased holding period	29,640	16,480	(13,160)	Finding 3
Feral cats	3,040	1,655	(1,385)	Finding 4
Lost and found lists	1,004	430	(574)	Finding 5
Maintaining non-medical records	57,210	41,613	(15,597)	Finding 6
Necessary and prompt veterinary care	252,316	3,032	(249,284)	Finding 7
Procuring equipment	23,009	-	(23,009)	Finding 8
Total program costs	<u>\$ 487,670</u>	88,213	<u>\$ (399,457)</u>	
Less amount paid by the State		(487,670)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (399,457)</u>		

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Review	Review Adjustment ¹	Reference ¹
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Care and maintenance of dogs and cats	\$ 59,945	\$ 27,863	\$ (32,082)	Finding 2
Care and maintenance of other animals	22,829	132	(22,697)	Finding 2
Increased holding period	33,401	18,127	(15,274)	Finding 3
Feral cats	384	614	230	Finding 4
Lost and found lists	24,159	413	(23,746)	Finding 5
Maintaining non-medical records	56,203	42,216	(13,987)	Finding 6
Necessary and prompt veterinary care	226,018	3,471	(222,547)	Finding 7
Procuring equipment	27,538	-	(27,538)	Finding 8
Total direct costs	450,477	92,836	(357,641)	
Indirect costs	22,174	-	(22,174)	Finding 9
Total program costs	<u>\$ 472,651</u>	92,836	<u>\$ (379,815)</u>	
Less amount paid by the State		(472,651)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (379,815)</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Direct costs:				
Care and maintenance of dogs and cats	\$ 103,126	\$ 34,861	\$ (68,265)	Finding 2
Care and maintenance of other animals	20,817	209	(20,608)	Finding 2
Increased holding period	46,762	25,660	(21,102)	Finding 3
Lost and found lists	-	403	403	Finding 5
Maintaining non-medical records	48,708	53,412	4,704	Finding 6
Necessary and prompt veterinary care	133,991	4,886	(129,105)	Finding 7
Total direct costs	353,404	119,431	(233,973)	
Indirect costs	118,378	-	(118,378)	Finding 9
Total program costs	<u>\$ 471,782</u>	119,431	<u>\$ (352,351)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 119,431</u>		

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Review	Review Adjustment ¹	Reference ¹
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs:				
Care and maintenance of dogs and cats	\$ 15,433	\$ 55,754	\$ 40,321	Finding 2
Care and maintenance of other animals	22,854	126	(22,728)	Finding 2
Increased holding period	27,944	21,143	(6,801)	Finding 3
Lost and found lists	825	424	(401)	Finding 5
Maintaining non-medical records	114,464	60,661	(53,803)	Finding 6
Necessary and prompt veterinary care	10,179	5,713	(4,466)	Finding 7
Total direct costs	191,699	143,821	(47,878)	
Indirect costs	96,674	-	(96,674)	Finding 9
Total program costs	<u>\$ 288,373</u>	143,821	<u>\$ (144,552)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 143,821</u>		
<u>Summary: July 1, 1998, through June 30, 2008</u>				
Direct costs:				
Training	\$ 140	\$ -	\$ (140)	
Care and maintenance of dogs and cats	493,771	320,316	(173,455)	
Care and maintenance of other animals	136,499	2,006	(134,493)	
Increased holding period	162,526	137,535	(24,991)	
Feral cats	10,829	5,635	(5,194)	
Lost and found lists	31,424	3,135	(28,289)	
Maintaining non-medical records	553,324	327,652	(225,672)	
Necessary and prompt veterinary care	634,955	29,292	(605,663)	
Procuring equipment	108,998	-	(108,998)	
Total direct costs	2,132,466	825,571	(1,306,895)	
Indirect costs	377,550	-	(377,550)	
Total program costs	<u>\$ 2,510,016</u>	825,571	<u>\$ (1,684,445)</u>	
Less amount paid by the State		(1,325,810)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (500,239)</u>		

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Review	Review Adjustment ¹	Reference ¹
<u>Recap: by Object Account</u>				
Direct costs:				
Salaries and benefits	\$ 1,015,220	\$ -	\$ (1,015,220)	
Materials and supplies	212,160	-	(212,160)	
Contract servies	851,845	825,571	(26,274)	
Fixed assets	53,241	-	(53,241)	
Total direct costs	2,132,466	825,571	(1,306,895)	
Indirect costs	377,550	-	(377,550)	
Total program costs	<u>\$ 2,510,016</u>	<u>\$ 825,571</u>	<u>\$ (1,684,445)</u>	

¹ See Attachment 2, Finding and Recommendation.

**Attachment 2—
Findings and Recommendations
July 1, 1998, through June 30, 2009,
excluding July 1, 2003, through June 30, 2005**

General Comment

The city filed claims totaling \$2,510,016 under the Animal Adoption Program for the review period. We determined that \$825,571 is allowable and \$1,684,445 is unallowable. The costs are unallowable because the city did not incur certain costs. The following table summarizes the claimed, allowable, and unallowable costs by reimbursable component (Attachment 1 summarizes the claimed, allowable, and unallowable costs by fiscal year).

Reimbursement Component	Amount Claimed	Amount Allowable	Review Adjustment
Direct costs:			
Training	\$ 140	\$ -	\$ (140)
Care and Maintenance of Dogs and Cats	493,771	320,316	(173,455)
Care and Maintenance of Other Animals	136,499	2,006	(134,493)
Increased Holding Period	162,526	137,535	(24,991)
Feral Cats	10,829	5,635	(5,194)
Lost and Found Lists	31,424	3,135	(28,289)
Maintaining Non-Medical Records	553,324	327,652	(225,672)
Necessary and Prompt Veterinary Care	634,955	29,292	(605,663)
Procuring Equipment	108,998	-	(108,998)
Total direct costs	2,132,466	825,571	(1,306,895)
Indirect costs	377,550	-	(377,550)
Total program costs	<u>\$ 2,510,016</u>	<u>\$ 825,571</u>	<u>\$ (1,684,445)</u>

On June 6, 2011, the State Controller's Office (SCO) issued an audit report for our audit of Riverside County's Animal Adoption claims for fiscal year (FY) 1998-99 through FY 2008-09, excluding FY 2003-04 and FY 2004-05. During that same period, the City of Riverside filed Animal Adoption claims with the State totaling \$2,510,016. However, the City of Riverside does not own or operate an animal shelter. Instead, it contracts with Riverside County for animal services. Per the terms of the county's contract with the city, Riverside County provides field services and shelter services for the city at its animal shelter in Riverside. In turn, the county bills the city each month for these services.

For the shelter services, the county determines total monthly costs to operate its shelter in Riverside and bills the city for its proportionate percentage. The monthly shelter costs consist of salaries and benefits for various shelter staff members, and the proportionate percentage is based on the number of impounded "city" animals during July of each year compared to the total number of animals housed at the Riverside shelter. Because the county specifically identifies "City of Riverside" animals within its animal database, the county is able to bill the city based on the applicable percentage of shelter costs versus using a fixed rate contract.

The county incurs all of the costs (both mandated and non-mandated) to operate its shelters. During the audit of the county's Animal Adoption claims, we noted that the costs claimed by the county for mandated activities comprised approximately 8% of the total costs incurred each year to operate its animal shelters. Accordingly, the county filed Animal Adoption claims with the State in order to receive reimbursement for these costs. An external mandated cost consultant prepared the Animal Adoption Program claims for both the City of Riverside and Riverside County. The city's claims were based on the premise that the costs of its contract with the county funded a portion of the county's mandated costs.

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. Our audit of costs claimed by Riverside County for the Animal Program for the same audit period determined that the city was entitled to \$825,571 in reimbursements based on costs the county incurred for the mandated program. The county concurred with this determination. Accordingly, that same amount was offset against the county's allowable costs in our audit report.

Allowable costs for the city's claims are based primarily on the amount of allowable costs within the county's claims. In addition, for some cost components, allowable costs for the city were determined by taking into account the number of animals impounded at the county's shelter that originated within the city. For other cost components, allowable costs were determined by a percentage of county expenditures funded by the city's contract revenue. In the following sections, we will address how the city's allowable costs were calculated for each reimbursable component.

On June 13, 2011, we e-mailed the City Controller our audit adjustment of the city's Animal Adoption claims. In a letter dated June 29, 2011, Brent Mason, Finance Director for the City of Riverside, questioned our position that the costs included in the city's mandated cost claims were unallowable. We responded to the city in an e-mail dated July 6, 2011. We explained the methodology used in determining reimbursable costs as described in this report and our final audit report for Riverside County issued June 6, 2011. We also provided the city with a copy of our working papers supporting the various calculations. The city did not provide any additional information or question the validity of the calculation of reimbursable city costs.

**FINDING 1—
Unallowable training costs**

The city claimed \$140 under the cost component of Employee Training in FY 1998-99. We determined that none of the training costs are allowable because the city does not reimburse the county for training costs incurred. In addition, training costs incurred by the county were for training county staff.

Recommendation

We recommend that the city ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

**FINDING 2—
Unallowable care and maintenance costs**

The city claimed \$630,270 under the cost components of Care and Maintenance of Dogs/Cats and Care and Maintenance of Other Animals during the review period. We determined that \$322,322 is allowable and \$307,948 is unallowable.

The following table summarizes the claimed, allowable, and unallowable costs for the review period by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Review Adjustment
Care and Maintenance of Dogs and Cats:			
1999-2000	\$ 44,714	\$ 39,067	\$ (5,647)
2000-01	42,717	40,770	(1,947)
2001-02	47,254	42,025	(5,229)
2002-03	89,084	55,103	(33,981)
2005-06	91,498	24,873	(66,625)
2006-07	59,945	27,863	(32,082)
2007-08	103,126	34,861	(68,265)
2008-09	15,433	55,754	40,321
Total, dogs and cats	<u>493,771</u>	<u>320,316</u>	<u>(173,455)</u>
Care and Maintenance of Other Animals:			
1998-99	3,614	306	(3,308)
1999-2000	10,580	295	(10,285)
2000-01	10,739	307	(10,432)
2001-02	7,883	317	(7,566)
2002-03	7,230	184	(7,046)
2005-06	29,953	130	(29,823)
2006-07	22,829	132	(22,697)
2007-08	20,817	209	(20,608)
2008-09	22,854	126	(22,728)
Total, other animals	<u>136,499</u>	<u>2,006</u>	<u>(134,493)</u>
Total, care and maintenance	<u>\$ 630,270</u>	<u>\$ 322,322</u>	<u>\$ (307,948)</u>

The program’s parameters and guidelines (section IV.B.3—Care and Maintenance for Impounded Stray or Abandoned Dogs and Cats that Die during the Increased Holding Period or are Ultimately Euthanized) identify the following reimbursable activities:

Beginning July 1, 1999 – Providing the care and maintenance during the increased holding period for impounded stray or abandoned dogs and cats that die during the increased holding period or are ultimately euthanized. The increased holding period shall be measured by calculating the difference between the days from the day of capture and four or six business days from the day after impoundment.

The parameters and guidelines (section IV.B.4.—Care and Maintenance for Impounded Stray or Abandoned Animals specified in Food and Agriculture Code Section 31753 that Die during the Increased Holding Period or are Ultimately Euthanized) also state:

Beginning January 1, 1999 - For providing care and maintenance for . . . stray or abandoned rabbits, guinea pigs, hamsters, pot-bellied pigs, birds, lizards, snakes, turtles, and tortoises legally allowed as personal property that die during the increased holding period or are ultimately euthanized.

The parameters and guidelines for both Care and Maintenance for Impounded Stray or Abandoned Dogs and Cats the Die during the Increased Holding Period or are Ultimately Euthanized (section IV.B.3.) and Care and Maintenance for Impounded Stray or Abandoned Animals specified in Food and Agricultural Section 31753 that Die during the Increased Holding Period or are Ultimately Euthanized (section IV.B.4) state:

Exclusions

Eligible claimants are not entitled to reimbursement for the care and maintenance of the following population of dogs and cats and other animals:

- Stray or abandoned dogs, cats and other animals that are irremediably suffering from a serious illness or severe injury,
- Newborn stray or abandoned dogs, cats, and other animals that need maternal care and have been impounded without their mothers,
- Stray or abandoned dogs, cats and other animals too severely injured to move or where a veterinarian is not available and it would be more humane to dispose of the animal,
- Owner relinquished dogs, cats and other animals, and
- Stray or abandoned dogs, cats and other animals that are ultimately redeemed, adopted, or released to a nonprofit animal rescue or adoption organization.

Methods for Claiming Costs

Eligible claimants may elect one of the following two methods (Actual Cost Method or Time Study Method) to claim costs for the care and maintenance of impounded stray or abandoned dogs, cats, and other animals that die during the increased holding period or are ultimately euthanized. The county elected to use the Actual Cost Method to claim these costs.

Under the Actual Cost Method, actual reimbursable care and maintenance costs per animal per day are computed for an annual claim period, as follows:

1. Determine the total annual cost of care and maintenance separately for all dogs and cats, and other animals impounded at a facility. Total cost of care and maintenance includes labor, materials, supplies, indirect costs, and contract services.

2. Determine the average daily census of all dogs, cats, and other animals. For purposes of claiming reimbursement, average daily census is defined as the average number of all dogs and cats at a facility housed on any given day in 365-day period, and the average number of all other animals at a facility housed on any given day in a 365-day period.
3. Multiply the average daily census of dogs, cats, and other animals by 365 to determine the yearly census of dogs and cats and the yearly census of other animals.
4. Divide the total annual cost of care for dogs and cats by the yearly census of dogs and cats to calculate the cost per dog and cat per day. Divide the total annual cost of care for other animals by the yearly census of other animals to calculate the cost per other animal per day.
5. Multiply the cost per animal per day, by the number of impounded stray or abandoned dogs, cats and other animals that die during the increased holding period or are ultimately euthanized by the number of reimbursable days. The reimbursable days for dogs and cats is the difference between three days from the day of capture, and six business days from the day after impoundment. The reimbursable days for other animals are six business days from the day after impoundment.

Calculation of Allowable Costs

We divided the county's cost per animal per day by the number of eligible "city" animals that died during the increased holding period or were ultimately euthanized and multiplied the results by the number of reimbursable days.

The following table summarizes the allowable cost calculation:

Fiscal Year	Care and Maintenance of Dogs and Cats			
	Riverside County's Cost per Dog/Cat per Day	Number of Eligible "City" Dogs/Cats	Number of Reimbursable Days	Amount Allowable
1999-2000	\$ 4.3714	2,979	3	\$ 39,067
2000-01	4.5619	2,979	3	40,770
2001-02	4.7023	2,979	3	42,025
2002-03	5.5643	3,301	3	55,103
2005-06	3.5691	2,323	3	24,873
2006-07	3.6238	2,563	3	27,863
2007-08	3.4370	3,381	3	34,861
2008-09	4.8715	3,815	3	55,754
Total allowable, dogs and cats				<u>320,316</u>

Fiscal Year	Care and Maintenance of Dogs and Cats			
	Riverside County's Cost per Dog/Cat per Day	Number of Eligible "City" Dogs/Cats	Number of Reimbursable Days	Amount Allowable
1998-99	\$ 7.2943	7	6	306
1999-2000	3.7793	13	6	295
2000-01	3.9440	13	6	307
2001-02	4.0654	13	6	317
2002-03	4.3673	7	6	184
2005-06	2.1718	10	6	130
2006-07	3.6686	6	6	132
2007-08	3.1610	11	6	209
2008-09	5.2495	4	6	126
Total allowable, other animals				2,006
Total allowable, care and maintenance				\$ 322,322

The county did not provide City of Riverside animal data for FY 1998-99 through FY 2001-02. Therefore, we calculated an average of census information for FY 2002-03 through FY 2004-05 and used the results as the yearly census for FY 1998-99 through FY 2001-02.

In addition, the allowable costs are classified as contract services costs. The city does not employ the Riverside County shelter staff; therefore, it is inappropriate for the city to claim reimbursement for salaries and benefits costs incurred.

Recommendation

We recommend that the city ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

**FINDING 3—
Unallowable increased
holding period costs**

The city claimed \$162,526 under the cost component of Increased Holding Period during the review period. We determined that \$137,535 is allowable and \$24,991 is unallowable.

The following table summarizes the claimed, allowable, and unallowable costs for the review period by fiscal year:

Object Account	Fiscal Year	Amount Claimed	Amount Allowable	Review Adjustment
Salaries and benefits	1998-99	\$ 2,127	\$ -	\$ (2,127)
	1999-2000	4,623	-	(4,623)
	2000-01	5,366	-	(5,366)
	2001-02	5,395	-	(5,395)
	2002-03	7,268	-	(7,268)
	2006-07	33,401	-	(33,401)
	2007-08	46,762	-	(46,762)
	2008-09	27,944	-	(27,944)
Total, salaries and benefits		132,886	-	(132,886)

<u>Object Account</u>	<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Review Adjustment</u>
Contract services	1998-99	-	5,108	5,108
	1999-2000	-	13,033	13,033
	2000-01	-	13,360	13,360
	2001-02	-	12,209	12,209
	2002-03	-	12,415	12,415
	2005-06	29,640	16,480	(13,160)
	2006-07	-	18,127	18,127
	2007-08	-	25,660	25,660
	2008-09	-	21,143	21,143
Total, contract services		29,640	137,535	107,895
Totals		\$ 162,526	\$ 137,535	\$ (24,991)

The parameters and guidelines (section IV.B.5–Using the Holding Period of Four Business Days After the Day of Impoundment) state that the following activities are reimbursable beginning January 1, 1999, for impounded animals specified in Food and Agriculture Code section 31753, and beginning July 1, 1999, for impounded dogs and cats for either:

- Making the animal available for owner redemption on one weekday evening until at least 7:00 p.m., or one weekend day; or
- For those local agencies with fewer than three full time employees or that are not open during all regular weekday business hours, establishing a procedure to enable owners to reclaim their animals by appointment at a mutually agreeable time when the agency would otherwise be closed.

Calculation of Allowable Costs

The county claimed \$280,683 for keeping the Riverside shelter open to the public for the increased holding period. We applied the city's proportionate share, based on the percentage of Riverside County shelter costs billed to the city for each year of the review period, and determined that \$137,535 is allowable.

The following table presents the allowable cost calculation for the city:

<u>Fiscal Year</u>	<u>County Shelter Costs</u>	<u>Percentage Allocation</u>	<u>Amount Allowable</u>
1998-99	\$ 9,459	54%	\$ 5,108
1999-2000	23,697	55%	13,033
2000-01	25,208	53%	13,360
2001-02	24,917	49%	12,209
2002-03	25,337	49%	12,415
2005-06	31,095	53%	16,480
2006-07	39,406	46%	18,127
2007-08	55,782	46%	25,660
2008-09	45,962	46%	21,143
Totals	\$ 280,863		\$ 137,535

The allowable costs are classified as contract services costs. The city does not employ the Riverside County shelter staff; therefore, it is inappropriate for the city to claim reimbursement for salaries and benefits costs incurred.

Recommendation

We recommend that the city ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

FINDING 4— Unallowable feral cat tests costs

The city claimed \$10,829 under the cost component of Feral Cat Tests during the review period. We determined that \$5,635 is allowable and \$5,194 is unallowable.

The following table summarizes the claimed, allowable, and unallowable costs for the review period by fiscal year:

<u>Object Account</u>	<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Review Adjustment</u>
Salaries and benefits	1998-99	\$ 444	\$ -	\$ (444)
	1999-2000	1,033	-	(1,033)
	2000-01	1,179	-	(1,179)
	2001-02	1,541	-	(1,541)
	2002-03	3,208	-	(3,208)
	2006-07	384	-	(384)
Total, salaries and benefits		<u>7,789</u>	<u>-</u>	<u>(7,789)</u>
Contract services	1998-99	-	282	282
	1999-2000	-	568	568
	2000-01	-	698	698
	2001-02	-	804	804
	2002-03	-	1,014	1,014
	2005-06	3,040	1,655	(1,385)
	2006-07	-	614	614
Total, contract services		<u>3,040</u>	<u>5,635</u>	<u>2,595</u>
Totals, feral cats		<u>\$ 10,829</u>	<u>\$ 5,635</u>	<u>\$ (5,194)</u>

The parameters and guidelines (section IV.B.6–Feral Cats) identify the following reimbursable activity:

Beginning January 1, 1999 – Verifying whether a cat is feral or tame by using a standardized protocol within the first three days of the required holding period, if an apparently feral cat has not been reclaimed by its owner or caretaker.

Calculation of Allowable Costs

The county claimed \$11,040 for performing feral cat testing for FY 1998-99 through FY 2006-07. The county did not claim costs for either FY 2007-08 or FY 2008-09 because they stopped performing feral cat testing in 2007. To calculate allowable costs, we applied the city's proportionate share, based on the percentage of Riverside shelter costs billed to the city for each year of the review period, and determined that \$5,635 is allowable to the city.

The following table presents the allowable cost calculation for the city:

<u>Fiscal Year</u>	<u>County Costs Claimed</u>	<u>Riverside Percentage Allocation</u>	<u>Amount Allowable</u>
1998-99	\$ 523	54%	\$ 282
1999-2000	1,032	55%	568
2000-01	1,317	53%	698
2001-02	1,640	49%	804
2002-03	2,070	49%	1,014
2005-06	3,123	53%	1,655
2006-07	1,335	46%	614
Totals	<u>\$ 11,040</u>		<u>\$ 5,635</u>

The allowable costs are classified as contract services costs. The city does not employ the Riverside Shelter staff; therefore, it is inappropriate for the city to claim reimbursement for salaries and benefits costs incurred.

Recommendation

We recommend that the city ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

FINDING 5— Unallowable lost and found lists costs

The city claimed \$31,424 under the cost component of Lost and Found lists during the review period. We determined that \$3,135 is allowable and \$28,289 is unallowable.

The following table summarizes the claimed, allowable, and unallowable costs for the review period by fiscal year:

<u>Object Account</u>	<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Review Adjustment</u>
Salaries and benefits	1998-99	\$ 539	\$ -	\$ (539)
	1999-2000	1,207	-	(1,207)
	2000-01	1,237	-	(1,237)
	2001-02	1,244	-	(1,244)
	2002-03	1,209	-	(1,209)
	2006-07	24,159	-	(24,159)
	2008-09	825	-	(825)
	Totals, salaries and benefits		<u>30,420</u>	<u>-</u>
Contract services	1998-99	-	158	158
	1999-2000	-	329	329
	2000-01	-	325	325
	2001-02	-	307	307
	2002-03	-	346	346
	2005-06	1,004	430	(574)
	2006-07	-	413	413
	2007-08	-	403	403
2008-09	-	424	424	
Totals, contract services		<u>1,004</u>	<u>3,135</u>	<u>2,131</u>
Totals, Lost and Found Lists		<u>\$ 31,424</u>	<u>\$ 3,135</u>	<u>\$ (28,289)</u>

The parameters and guidelines (section IV.B.7–Lost and Found Lists) identify the following reimbursable activities:

Beginning January 1, 1999 – Providing owners of lost animals and those who find lost animals with all of the following:

- Ability to list the animals they have lost or found on “lost and found” lists maintained by the local agency;
- Referrals to animals listed that may be the animals the owner or finders have lost or found;
- The telephone number and addresses of other pounds and shelters in the same vicinity;
- Advice as a means of publishing and disseminating information regarding lost animals; and
- The telephone numbers and addresses of volunteer groups that may be of assistance in locating lost animals.

Calculation of Allowable Costs

The county performed a one-month time study, from September 16, 2009, through October 16, 2009, to determine the amount of time spent performing lost and found list activities. The time study included the participation of county staff at three animal shelters: Riverside, Blythe, and Coachella. We reviewed the time study and determined that the county staff spent 157.80 hours per year performing lost and found activities, as noted in the following table:

Shelter	Hours Per Year
Riverside	41.2
Coachella	108.6
Blythe	8.0
Total hours	<u>157.8</u>

We also noted that the county employee classification of Office Assistant II performed 100% of the activities time-studied by the Riverside shelter staff. Therefore, we applied the city’s proportionate share, based on the percentage of Riverside County shelter costs billed to the city for each year of the review period, to determine that \$3,135 is allowable to the city for the review period.

The following table summarizes the calculation of allowable costs for the review period:

Fiscal Year	Riverside Shelter Time-Studied Hours	Office Assistant II PHR	Employee Benefit Rate	Riverside Shelter Costs	City of Riverside Percentage Allocation	Amount Allowable
1998-99	20.6	\$ 11.10	27.62%	\$ 292	54%	\$ 158
1999-2000	41.2	11.37	27.62%	598	55%	329
2000-01	41.2	11.68	27.62%	614	53%	325
2001-02	41.2	11.80	28.80%	626	49%	307
2002-03	41.2	12.70	35.10%	707	49%	346
2005-06	41.2	12.96	52.07%	812	53%	430
2006-07	41.2	14.50	50.19%	897	46%	413
2007-08	41.2	14.32	48.59%	877	46%	403
2008-09	41.2	14.95	49.50%	921	46%	424
Totals				<u>\$ 6,344</u>		<u>\$ 3,135</u>

The allowable costs are classified as contract services costs. The city does not employ the Riverside County shelter staff; therefore, it is inappropriate for the city to claim reimbursement for salaries and benefits costs incurred.

Recommendation

We recommend that the city ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

**FINDING 6—
Unallowable
maintaining non-
medical records costs**

The city claimed \$553,324 under the cost component of Maintaining Non-Medical Records during the review period. We determined that \$327,652 is allowable and \$225,672 is unallowable.

The following table summarizes the claimed, allowable, and unallowable costs for the review period by fiscal year:

<u>Object Account</u>	<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Review Adjustment</u>
Salaries and benefits	1998-99	\$ 16,972	\$ -	\$ (16,972)
	1999-2000	45,391	-	(45,391)
	2000-01	79,379	-	(79,379)
	2001-02	98,665	-	(98,665)
	2002-03	35,491	-	(35,491)
	2006-07	49,066	-	(49,066)
	2007-08	41,571	-	(41,571)
	2008-09	107,260	-	(107,260)
Totals, salaries and benefits		<u>473,795</u>	<u>-</u>	<u>(473,795)</u>
Contract services	1998-99	-	12,830	12,830
	1999-2000	841	27,354	26,513
	2000-01	-	28,539	28,539
	2001-02	-	28,599	28,599
	2002-03	-	32,428	32,428
	2005-06	57,210	41,613	(15,597)
	2006-07	7,137	42,216	35,079
	2007-08	7,137	53,412	46,275
	2008-09	7,204	60,661	53,457
Totals, contract services		<u>79,529</u>	<u>327,652</u>	<u>248,123</u>
Totals, Non-Medical Records		<u>\$ 553,324</u>	<u>\$ 327,652</u>	<u>\$ (225,672)</u>

The parameters and guidelines (section IV.B.8–Maintaining Non-Medical Records) identify the following reimbursable activities:

Beginning January 1, 1999 – Maintaining non-medical records on animals that are either taken up, euthanized after the holding period, or impounded. Such records must include the following:

- The date the animal was taken up, euthanized, or impounded;
- The circumstances under which the animal is taken up, euthanized, or impounded;
- The names of the personnel who took up, euthanized, or impounded the animal; and
- The final disposition of the animal, including the name of the person who euthanized the animal or the name and address of the adopting party.

Calculation of Allowable Costs

The county performed a one-month time study from September 1, 2009, through November 3, 2009, to determine the amount of time spent entering non-medical record information into the county's animal database system. The time study shows that the county spent 2,799 minutes entering 413 records, which is nearly seven minutes per record. We applied the time-study rate by the number of non-medical records that the county processed for animals that originated within the city, and determined that \$327,652 is allowable to the city during the review period.

The allowable costs are classified as contract services costs. The city does not employ the Riverside shelter staff; therefore, it is inappropriate for the city to claim reimbursement for salaries and benefits costs incurred.

Recommendation

We recommend that the city ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

**FINDING 7—
Unallowable necessary
and prompt veterinary
care costs**

The city claimed \$634,955 under the cost component of Necessary and Prompt Veterinary Care during the review period. We determined that \$29,292 is allowable and \$605,663 is unallowable.

The following table summarizes the claimed, allowable, and unallowable costs for the review period by fiscal year:

<u>Object Account</u>	<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Review Adjustment</u>
Salaries and benefits	2006-07	\$ 226,018	\$ -	\$ (226,018)
	2007-08	133,991	-	(133,991)
	2008-09	10,179	-	(10,179)
Total, salaries and benefits		<u>370,188</u>	<u>-</u>	<u>(370,188)</u>
Materials and supplies	2002-03	5,444	-	(5,444)
Contract services	1998-99	1,259	1,121	(138)
	1999-2000	2,290	2,440	150
	2000-01	1,768	2,554	786
	2001-02	1,690	2,665	975
	2002-03	-	3,410	3,410
	2005-06	252,316	3,032	(249,284)
	2006-07	-	3,471	3,471
	2007-08	-	4,886	4,886
2008-09	-	5,713	5,713	
Total, contract services		<u>259,323</u>	<u>29,292</u>	<u>(230,031)</u>
Totals, Veterinary Care		<u>\$ 634,955</u>	<u>\$ 29,292</u>	<u>\$ (605,663)</u>

The parameters and guidelines (section IV.B.9–Necessary and Prompt Veterinary Care) identify the following reimbursable activities:

Beginning January 1, 1999 – For providing necessary and prompt veterinary care for stray and abandoned animals other than injured cats and dogs given emergency treatment that die during the holding period or are ultimately euthanized during the holding periods specified in Statutes of 1998, Chapter 752.

“Necessary and prompt veterinary care” means all reasonably necessary medical procedures performed by a veterinarian or someone under the supervision of a veterinarian to make stray or abandoned animals “adoptable.” The following veterinary procedures, if conducted, are eligible for reimbursement:

- An initial physical examination of the animal to determine the animal’s baseline health status and classification as “adoptable,” “treatable,” or “non-rehabilitatable.”
- A wellness vaccine administered to “treatable” or “adoptable” animals.
- Veterinary care to stabilize and or relieve the suffering of a “treatable” animal.
- Veterinary care intended to remedy any applicable disease, injury, or congenital or hereditary condition that adversely affects the health of a “treatable” animal or that is likely to adversely affect the animal’s health in the future, until the animal becomes “adoptable.”

Population Exclusions

Eligible claimants are *not* entitled to reimbursement for providing “necessary and prompt veterinary care” to the following population of animals:

- Animals that are irremediably suffering from a serious illness or severe injury;
- Newborn animals that need maternal care and have been impounded without their mothers;
- Animals too severely injured to move or where a veterinarian is not available and it would be more humane to dispose of the animal;
- Owner-relinquished animals; and
- Stray or abandoned animals that are ultimately redeemed, adopted, or released to a nonprofit animal rescue or adoption organization.

Veterinary Care Exclusions

Eligible claimants are *not* entitled to reimbursement for providing the following veterinary procedures:

- Emergency treatment given to injured cats and dogs
- Administration of rabies vaccination to dogs
- Implantation of microchip identifications
- Spay or neuter surgery and treatment
- Euthanasia

Calculation of Allowable Costs

The county provided us with a report from its Chameleon system animal database for the period of June 1 – 30, 2010, that reported the county's time spent on the following two activities:

- Initial physical exam and administration of wellness vaccines; and
- Veterinary treatment to relieve the suffering of a “treatable” animal.

We reviewed the time study results and determined that the county spent 77,453 seconds performing initial physical exams and administering wellness vaccines for 696 animals, which is an average of 1.85 minutes per animal. In addition, the county spent 12,690 seconds providing veterinary treatment to 298 of those 696 animals (or 42.82%), which is an average of 0.71 minutes per animal.

We applied the time study results for the initial physical exam and administration of the wellness vaccines to all eligible animals that originated within the city and determined that \$20,338 is allowable. In addition, we applied the time study results for the veterinary treatment of 42.82% of the eligible animals that originated within the city and determined that \$8,954 is allowable, for a total of \$29,292.

Recommendation

We recommend that the city ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

**FINDING 8—
Unallowable procuring
equipment costs**

The city claimed \$108,998 under the cost component of Procuring Equipment during the review period. We determined that none of the costs are allowable because the city does not reimburse the county for any costs incurred by the county to procure equipment for its animal shelter.

The following table summarizes the claimed, allowable, and unallowable costs for the review period by fiscal year:

<u>Object Account</u>	<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Review Adjustment</u>
Contract Services	1998-99	\$ 3,029	\$ -	\$ (3,029)
	1999-2000	8,486	-	(8,486)
	2000-01	11,429	-	(11,429)
	2001-02	32,777	-	(32,777)
	2005-06	36	-	(36)
Total, contract services		<u>55,757</u>	<u>-</u>	<u>(55,757)</u>
Fixed Assets	2002-03	2,730	-	(2,730)
	2005-06	22,973	-	(22,973)
	2006-07	27,538	-	(27,538)
Total, fixed assets		<u>53,241</u>	<u>-</u>	<u>(53,241)</u>
Total, Procuring Equipment		<u>\$ 108,998</u>	<u>\$ -</u>	<u>\$ (108,998)</u>

Recommendation

We recommend that the city ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

**FINDING 9—
Unallowable indirect
costs**

The city claimed \$377,550 for indirect costs during the review period. We determined that none of the costs are allowable because the city does not reimburse the county for any indirect costs incurred at its Riverside County shelter.

The following table summarizes the claimed, allowable, and unallowable costs for the review period by fiscal year:

<u>Object Account</u>	<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Review Adjustment</u>
Indirect costs	1998-99	\$ 4,873	\$ -	\$ (4,873)
	1999-2000	21,424	-	(21,424)
	2000-01	38,089	-	(38,089)
	2001-02	57,162	-	(57,162)
	2002-03	18,776	-	(18,776)
	2006-07	22,174	-	(22,174)
	2007-08	118,378	-	(118,378)
	2008-09	96,674	-	(96,674)
Total, indirect costs		<u>\$ 377,550</u>	<u>\$ -</u>	<u>\$ (377,550)</u>

Recommendation

We recommend that the city ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.