



BETTY T. YEE
California State Controller

April 3, 2015

Mary Rister, Finance Officer
Administrative Services
City of Rocklin
3970 Rocklin Road
Rocklin, CA 95677

Dear Ms. Rister:

The State Controller's Office performed a desk review of costs claimed by the City of Rocklin for the legislatively mandated Animal Adoption Program (Chapter 752, Statutes of 1998; and Chapter 313, Statutes of 2004) for the period of July 1, 2002, through June 30, 2003; and July 1, 2007, through June 30, 2009. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. We performed our review to determine whether claimed costs represented increased costs resulting from the Animal Adoption Program. We limited our review to gaining an understanding of the animal service contract the City of Rocklin had with the service provider, Placer County. We determined reimbursable costs based on information provided in our audit of costs claimed by Placer County for the Animal Adoption Program for the period of July 1, 2001, through June 30, 2003; and July 1, 2007, through June 30, 2009. We shared a copy of that audit report with the city and solicited input from the city's staff.

The city claimed \$23,107 for the mandated program. Our review found that all of the costs are unallowable because the contracting county, Placer County, determined that all funds received from the City of Rocklin pursuant to its animal control services contract with the city were for general operating expenses of the county's animal shelter rather than its mandated costs, as described in the attached Summary of Program Costs and the Review Results.

For the fiscal year (FY) 2002-03, FY 2007-08, and FY 2008-09 claims, the State made no payment to the city. Our review found that claimed costs are unallowable.

If you disagree with the review finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (Commission). 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 Commission's website at www.csm.ca.gov/docs/IRCForm.pdf.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/mh

Attachments

RE: S15-MCC-9003

cc: Kimberly Sarkovich, Chief Financial Officer
City of Rocklin
Evelyn Suess, Principal Program Budget Analyst
Mandates Unit, California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

**Attachment 1—
Summary of Program Costs
July 1, 2002, through June 30, 2003;
and July 1, 2007, through June 30, 2009**

Cost Elements	Actual Costs Claimed	Allowable Per Review	Review Adjustment ¹
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs:			
Care and maintenance of dogs and cats	\$ 2,318	\$ —	\$ (2,318)
Care and maintenance of other animals	122	—	(122)
Increased holding period	981	—	(981)
	<u>3,421</u>	<u>—</u>	<u>(3,421)</u>
Total program costs:	<u>\$ 3,421</u>	<u>—</u>	<u>\$ (3,421)</u>
Less amount paid by the State		<u>—</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Care and maintenance of dogs and cats	\$ 4,055	\$ —	\$ (4,055)
Care and maintenance of other animals	877	—	(877)
Increased holding period	3,340	—	(3,340)
	<u>8,272</u>	<u>—</u>	<u>(8,272)</u>
Total program costs:	<u>\$ 8,272</u>	<u>—</u>	<u>\$ (8,272)</u>
Less amount paid by the State		<u>—</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Care and maintenance of dogs and cats	\$ 4,880	\$ —	\$ (4,880)
Care and maintenance of other animals	111	—	(111)
Increased holding period	6,423	—	(6,423)
	<u>11,414</u>	<u>—</u>	<u>(11,414)</u>
Total program costs:	<u>\$ 11,414</u>	<u>—</u>	<u>\$ (11,414)</u>
Less amount paid by the State		<u>—</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>Summary: July 1, 2002, through June 30, 2003; and July 1, 2007, through June 30, 2009</u>			
Direct costs:			
Care and maintenance of dogs and cats	\$ 11,253	\$ —	\$ (11,253)
Care and maintenance of other animals	1,110	—	(1,110)
Increased holding period	10,744	—	(10,744)
	<u>23,107</u>	<u>—</u>	<u>(23,107)</u>
Total program costs:	<u>\$ 23,107</u>	<u>—</u>	<u>\$ (23,107)</u>
Less amount paid by the State		<u>—</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	

¹ See Attachment 2, Finding and Recommendation.

Attachment 2— Review Results July 1, 2002, through June 30, 2003 and July 1, 2007, through June 30, 2009

BACKGROUND—

On January 25, 2001, the Commission on State Mandates (Commission) adopted the statement of decision for the Animal Adoption Program. The Commission determined that the test claim legislation impose a State mandate upon local agencies reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the State mandate and define the reimbursement criteria. The Commission adopted the parameters and guidelines on February 28, 2002, corrected them on March 29, 2002, and last amended them on January 26, 2006. In compliance with Government Code section 17558, the State Controller's Office (SCO) issued claiming instructions to assist local agencies in claiming mandated program reimbursable costs.

FINDING— Unallowable Program Costs

The city claimed \$23,107 under the Animal Adoption Program during the review period. We found that the entire amount is unallowable. The costs are unallowable because the contracting county (Placer County) determined that all funds received from the City of Rocklin pursuant to its animal control services contract with the city funded general operating expenditures of the county's animal shelter rather than mandate-related expenditures.

The following table summarizes the claimed, allowable, and review adjustment amounts by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Review Adjustment
2002-03	\$ 3,421	\$ -	\$ (3,421)
2007-08	8,272	-	(8,272)
2008-09	11,414	-	(11,414)
	<u>\$ 23,107</u>	<u>\$ -</u>	<u>\$ (23,107)</u>

On November 17, 2014, the SCO issued a final report for our audit of Placer County's claims for July 1, 2001, through June 30, 2003, and July 1, 2007, through June 30, 2009. A copy of the audit report is on the SCO's website (www.sco.ca.gov) under the "State Mandate Information" quick link. During this audit, we determined that Placer County offset a total of \$68,219 in its claims for the review period (\$14,589 for fiscal year [FY] 2002-03, \$25,398 for FY 2007-08, and \$28,232 for FY 2008-09) based on funds received from the City of Rocklin for providing animal control services to the city. Page 50 of our final audit report of Placer County's Animal Adoption Program contains information regarding our "Finding 12-Overstated Offsetting Revenues." In that

finding, we addressed Placer County's overstated offsetting revenues for the City of Rocklin totaling \$80,627, which also includes an offset of \$14,589 for FY 2001-02. However, the city did not file an Animal Adoption Program claim for FY 2001-02.

The City of Rocklin's mandated cost claims stated that the city was claiming costs pursuant to its contract with the Placer County SPCA. However, we confirmed that the city's animal service contract was with Placer County during the review period. In turn, the county billed the city for these services. The city claimed services and supplies costs for the Care and Maintenance cost component based on the percentage of cats, dogs, and other animals housed in the county's shelter that originated from the city. The city also claimed salaries costs for the Holding Period cost component, although the city did not incur any salaries costs for the mandated program during the review period. An external mandated-cost consultant determined the claimed amounts and prepared the Animal Adoption Program claims for the city. As a result, the City of Rocklin filed Animal Adoption claims totaling \$23,107 while under contract with Placer County for its animal control services.

The following table summarizes the total expenditures incurred by Placer County to operate its animal shelter, the claim amounts filed for the Animal Adoption Program, and the percentage of mandate-related and general operating (non-mandate related) expenditures for the review period based on our audit of the county's claims:

Fiscal Year	Placer County's Total Expenditures	Placer County's Animal Adoption Costs Claimed	Mandate-Related Expenditures Allowable Based on Audit	Mandate-Related Percentage	General Operating Expenditures
2002-03	\$ 1,721,298	\$ 302,288	\$ 77,855	4.52%	95.48%
2007-08	2,657,727	151,386	151,386	5.70%	94.30%
2008-09	2,588,181	176,005	156,908	6.06%	93.94%
		<u>\$ 629,679</u>	<u>\$ 386,149</u>		

During our audit of Placer County's Animal Adoption claims, we did not analyze whether any of the contract revenues received from the City of Rocklin funded mandated activities or funded the general operating expenditures incurred to operate the county's animal shelter. As Placer County incurred all of the costs (both mandated and non-mandated) to operate its two animal shelters located in Auburn and Tahoe Vista, we relied on the county's determination as to whether the city's contract revenues funded a percentage of its mandated costs or a percentage of its general operating expenditures. Reimbursement for mandated costs incurred by a local agency is limited to mandated costs incurred. Either the county is entitled to 100% of its mandated costs, or a portion of its reimbursements should be shared with its contracting partner. The city and county must resolve this issue.

The county concluded that all funds received from its contracts with the City of Rocklin were for the general operating expenditures of the county's animal shelter. Therefore, we did not report any offsetting revenues in our audit report of the county's animal adoption claims. The county provided this determination to us in writing. We informed the county that, subsequent to the issuance of the county's final audit report, we would issue a letter to the city stating that the city's reimbursement claims filed under the Animal Adoption Program were ineligible for reimbursement and that we will reduce these claims to \$0.

Recommendation

The Animal Adoption Program was suspended in the FY 2010-11 through FY 2013-14 Budget Acts. If the program becomes active, we recommend that the city ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.