CITY AND COUNTY OF SAN FRANCISCO

Audit Report

ANIMAL ADOPTION PROGRAM

Chapter 752, Statutes of 1998,
and Chapter 313, Statutes of 2004

July 1, 1998, through June 30, 2008,
excluding July 1, 2003, through June 30, 2005

JOHN CHIANG
California State Controller

May 2011

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California State Controller

May 5, 2011

The Honorable Edwin M. Lee
Mayor of the City of San Francisco
City Hall, Room 200
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

David Chiu, President
San Francisco County
Board of Supervisors
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Dear Mayor Lee and Mr. Chiu:

The State Controller's Office audited the costs claimed by the City and County of San Francisco for the legislatively mandated Animal Adoption Program Program (Chapter 752, Statutes of 1998, and Chapter 313, Statutes of 2004) for the period of July 1, 1998, through June 30, 2008, excluding July 1, 2003, through June 30, 2005.

The city and county claimed $4,372,199 for the mandated program. Our audit disclosed that $1,921,274 is allowable, and $2,450,925 is unallowable primarily because the city and county claimed ineligible costs, claimed estimated costs, claimed unsupported costs, and did not use actual cost data and animal data in calculating costs. The State paid the city and county $2,519,285. The amount paid exceeds allowable costs claimed by $598,011.

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

cc: Ben Rosenfield, City Controller
City and County of San Francisco
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Revenue Manager, Controller's Office
City and County of San Francisco
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City and County of San Francisco 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, 2008, excluding July 1, 2003, through June 30, 2005.

The city and county claimed $4,372,199 for the mandated program. Our audit disclosed that $1,921,274 is allowable, and $2,450,925 is unallowable primarily because the city and county claimed ineligible costs, claimed estimated costs, claimed unsupported costs, and did not use actual cost data and animal data in calculating costs. The State paid the city and county $2,519,285. The amount paid exceeds allowable costs claimed by $598,011.

Background

Food and Agriculture Code sections 31108, 31752-31753, 32001, and 32003 (added and amended by Chapter 752, Statutes of 1998) attempted to end the euthanasia of adoptable and treatable animals. It expressly identifies the state policy that "no adoptable animal should be euthanized if it can be adopted into a suitable home" and that "no treatable animal should be euthanized." The legislation increases the holding period for stray and abandoned dogs, cats, and other specified animals. It also requires public or private shelters to:

- Verify the temperament of feral cats;
- Post lost and found lists;
- Maintain records for impounded animals; and
- Ensure that impounded animals receive necessary and prompt veterinary care.

On January 25, 1981, the Commission on State Mandates (CSM) determined that Chapter 752, Statutes of 1998, imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on February 28, 2002, corrected them on March 20, 2002, and last amended them on January 26, 2006. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

For fiscal year (FY) 2003-04, the Legislature suspended the Animal Adoption Program.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Animal Adoption Program for the period of July 1, 1998, through June 30, 2008, excluding July 1, 2003, through June 30, 2005.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the city's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the city and county's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the City and County of San Francisco claimed $4,372,199 for costs of the Animal Adoption Program. Our audit disclosed that $1,921,274 is allowable and $2,450,925 is unallowable.

For the FY 1998-99 claim, the State paid the city and county $238,995. Our audit disclosed that $77,321 is allowable. The State will offset $161,674 from other mandated program payments due the city and county. Alternatively, the city and county may remit this amount to the State.

For the FY 1999-2000 claim, the State paid the city and county $426,355. Our audit disclosed that $229,092 is allowable. The State will offset $197,263 from other mandated program payments due the city and county. Alternatively, the city and county may remit this amount to the State.

For the FY 2000-01 claim, the State paid the city and county $418,885. Our audit disclosed that $220,286 is allowable. The State will offset $198,599 from other mandated program payments due the city and county. Alternatively, the city and county may remit this amount to the State.

For the FY 2001-02 claim, the State made no payment to the city and county. Our audit disclosed that $213,276 is allowable. The State will pay allowable costs claimed that exceed the amount paid, contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payment to the city and county. Our audit disclosed that $245,964 is allowable. The State will pay allowable costs claimed that exceed the amount paid, contingent upon available appropriations.

For the FY 2005-06 claim, the State paid the city and county $683,309. Our audit disclosed that $268,810 is allowable. The State will offset $414,499 from other mandated program payments due the city and county. Alternatively, the city and county may remit this amount to the State.

For the FY 2006-07 claim, the State paid the city and county $751,741. Our audit disclosed that $306,254 is allowable. The State will offset $445,487 from other mandated program payments due the city and county. Alternatively, the city and county may remit this amount to the State.

For the FY 2007-08 claim, the State made no payment to the city and county. Our audit disclosed that $360,271 is allowable. The State will pay allowable costs claimed that exceed the amount paid, contingent upon available appropriations.

Views of Responsible Officials

We issued a draft audit report on April 2011. Ben Rosenfield, City Controller, responded by letter dated April 19, 2011 (Attachment), agreeing with the audit results except for Findings 4 and 9. This final audit report includes the city and county's response.

Restricted Use

This report is solely for the information and use of the City and County of San Francisco, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

May 5, 2011

Schedule 1—
Summary of Program Costs
July 1, 1998, through June 30, 2008
excluding July 1, 2003, through June 30, 2005

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference [1]
July 1, 1998, through June 30, 1999				
Care and maintenance of dogs and cats	$ 111,712	$ —	$ (111,712)	Finding 4
Care and maintenance of other animals	—	3,865	3,865	Finding 4
Holding period	63,855	32,777	(31,078)	Finding 5
Feral cats	—	2,306	2,306	Finding 6
Lost-and-found lists	8,858	12,335	3,477	Finding 7
Non-medical records	4,320	25,009	20,689	Findings 3, 8
Necessary and prompt veterinary care	50,250	1,029	(49,221)	Finding 9
Total program costs	$ 238,995	77,321	$ (161,674)	
Less amount paid by the State		(238,995)		
Allowable costs claimed in excess of (less than) amount paid		$ (161,674)		
July 1, 1999, through June 30, 2000				
Policies and procedures	$ 4,168	$ —	$ (4,168)	Finding 1
Training	6,460	—	(6,460)	Finding 2
Care and maintenance of dogs and cats	166,922	11,663	(155,259)	Finding 4
Care and maintenance of other animals	—	10,708	10,708	Finding 4
Holding period	74,770	78,802	4,032	Finding 5
Feral cats	—	5,595	5,595	Finding 6
Lost-and-found lists	20,742	29,620	8,878	Finding 7
Non-medical records	8,640	61,477	52,837	Findings 3, 8
Necessary and prompt veterinary care	116,653	3,227	(113,426)	Finding 9
Procuring equipment	28,000	28,000	—	
Total program costs	$ 426,355	229,092	$ (197,263)	
Less amount paid by the State		(426,355)		
Allowable costs claimed in excess of (less than) amount paid		$ (197,263)		
July 1, 2000, through June 30, 2001				
Care and maintenance of dogs and cats	$ 182,133	$ 12,805	$ (169,328)	Finding 4
Care and maintenance of other animals	—	10,685	10,685	Finding 4
Holding period	79,750	87,257	7,507	Finding 5
Feral cats	—	6,907	6,707	Finding 6
Lost-and-found lists	24,338	32,678	8,340	Finding 7
Non-medical records	8,640	66,608	57,968	Findings 3, 8
Necessary and prompt veterinary care	124,024	3,346	(120,678)	Finding 9
Total program costs	$ 418,885	220,286	$ (198,599)	
Less amount paid by the State		(418,885)		
Allowable costs claimed in excess of (less than) amount paid		$ (198,599)		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference [1]
July 1, 2001, through June 30, 2002				
Care and maintenance of dogs and cats	$ 152,700	$ 13,583	$ (139,117)	Finding 4
Care and maintenance of other animals	—	8,128	8,128	Finding 4
Holding period	63,855	76,217	12,362	Finding 5
Feral cats	—	6,767	6,767	Finding 6
Lost-and-found lists	21,258	28,708	7,450	Finding 7
Non-medical records	8,640	76,773	68,133	Findings 3, 8
Necessary and prompt veterinary care	100,500	3,100	(97,400)	Finding 9
Total program costs	$ 346,953	213,276	$ (133,677)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		$ 213,276		
July 1, 2002, through June 30, 2003				
Care and maintenance of dogs and cats	$ 11,924	$ 11,680	$ (244)	Finding 4
Care and maintenance of other animals	22,828	11,056	(11,772)	Finding 4
Holding period	4,122	91,238	87,116	Finding 5
Feral cats	17,173	7,894	(9,279)	Finding 6
Lost-and-found lists	57,889	34,540	(23,349)	Finding 7
Non-medical records	382,446	86,202	(296,244)	Finding 8
Necessary and prompt veterinary care	117,825	3,354	(114,471)	Finding 9
Procuring equipment	8,640	—	(8,640)	Finding 3
Total program costs	$ 622,847	245,964	$ (376,883)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		$ 245,964		
July 1, 2005, through June 30, 2006				
Computer software	$ 8,640	$ —	$ (8,640)	Finding 3
Care and maintenance of dogs and cats	20,048	8,208	(11,840)	Finding 4
Care and maintenance of other animals	—	9,193	9,193	Finding 4
Holding period	7,147	104,613	97,466	Finding 5
Feral cats	18,418	7,794	(10,624)	Finding 6
Lost-and-found lists	67,611	40,159	(27,452)	Finding 7
Non-medical records	424,558	95,170	(329,388)	Finding 8
Necessary and prompt veterinary care	136,887	3,673	(133,214)	Finding 9
Total program costs	$ 683,309	268,810	$ (414,499)	
Less amount paid by the State		(683,309)		
Allowable costs claimed in excess of (less than) amount paid		$ (414,499)		
July 1, 2006, through June 30, 2007				
Computer software	$ 8,640	$ —	$ (8,640)	Finding 3
Care and maintenance of other animals	23,607	5,410	(18,197)	Finding 4
Care and maintenance of other animals	—	6,971	6,971	Finding 4
Holding period	7,862	124,771	116,909	Finding 5
Feral cats	18,144	7,559	(10,585)	Finding 6
Lost-and-found lists	64,545	48,413	(16,132)	Finding 7
Non-medical records	450,342	109,330	(341,012)	Finding 8
Necessary and prompt veterinary care	178,601	3,800	(174,801)	Finding 9
Total program costs	$ 751,741	306,254	$ (445,487)	
Less amount paid by the State		(751,741)		
Allowable costs claimed in excess of (less than) amount paid		$ (445,487)		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference [1]
July 1, 2007, through June 30, 2008				
Care and maintenance of dogs and cats	$ 47,966	$ 8,288	$ (39,678)	Finding 4
Care and maintenance of other animals	—	3,249	3,249	Finding 4
Holding period	15,120	152,678	137,558	Finding 5
Feral cats	25,139	7,654	(17,485)	Finding 6
Lost-and-found lists	73,408	58,723	(14,685)	Finding 7
Non-medical records	531,545	126,382	(405,163)	Findings 8, 3
Necessary and prompt veterinary care	189,936	3,297	(186,639)	Finding 9
Total program costs	$ 883,114	360,271	$ (522,843)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		$ 360,271		
Summary: July 1, 1998, through June 30, 2008				
Policies and procedures	$ 4,168	$ —	$ (4,168)	Finding 1
Training	6,460	—	(6,460)	Finding 2
Computer software	17,280	—	(17,280)	Finding 3
Care and maintenance of dogs and cats	717,012	71,637	(645,375)	Finding 4
Care and maintenance of other animals	22,828	63,855	41,027	Finding 4
Increased holding period	316,481	748,353	431,872	Finding 5
Feral cats	78,874	52,476	(26,398)	Finding 6
Lost-and-found lists	338,649	285,176	(53,473)	Finding 7
Non-medical records	1,819,131	646,951	(1,172,180)	Findings 3, 8
Necessary and prompt veterinary care	1,014,676	24,826	(989,850)	Finding 9
Procuring equipment	36,640	28,000	(8,640)	Finding 3
Total program costs	$ 4,372,199	1,921,274	$ (2,450,925)	
Less amount paid by the State		(2,519,285)		
Allowable costs claimed in excess of (less than) amount paid		$ (598,011)		
Recap by Object Account				
Direct costs:				
Salaries and benefits	$ 3,103,749	$ 1,317,983	$ (1,785,766)	
Materials and supplies	282,977	165,953	(117,024)	
Contract services	108,880	64,800	(44,080)	
Total direct costs	3,495,606	1,548,736	(1,946,870)	
Indirect costs	876,593	372,538	(504,055)	
Total program costs	$ 4,372,199	$ 1,921,274	$ (2,450,925)	

[1] See the Findings and Recommendations section.

Schedule 2—
Summary of Care and Maintenance Costs (Finding 4)
July 1, 1998, through June 30, 2008,
excluding July 1, 2003, through June 30, 2005

Category	Claimed: Salaries, Benefits, and Related Indirect Costs	Claimed: Materials and Supplies	Actual Costs Claimed	Allowable Per Audit: Salaries, Benefits, and Related Indirect Costs	Allowable Per Audit: Materials and Supplies	Total	Audit Adjustments
January 1, 1998, through June 30, 1999							
Total care and maintenance costs				$ 181,530	$ 33,407		
Total animal census				÷ 38,076	÷ 38,076		
Cost per day	Unknown	Unknown		$ 4.77	$ 0.88		
Care and maintenance of dogs and cats:							
Cost per day				$ 4.77	$ 0.88		
Number of eligible dogs and cats				× —	× —		
Reimbursable days				× 3	× 3		
Total care and maintenance costs for dogs and cats	$ 107,212 [1]	$ 4,500 [1]	$ 111,712	$ —	$ —	$ —	$ (111,712)
Care and maintenance of other "eligible" animals:							
Cost per day				$ 4.77	$ 0.88		
Number of eligible other animals				× 114	× 114		
Reimbursable days				× 6	× 6		
Total care and maintenance costs for other animals	—	—	—	3,263	602	3,865	3,865
Total care and maintenance	$ 107,212	$ 4,500	$ 111,712	$ 3,263	$ 602	$ 3,865	$ (107,847)
July 1, 1999, through June 30, 2000							
Total care and maintenance costs				$ 482,884	$ 62,052		
Total animal census				÷ 87,299	÷ 87,299		
Cost per day	Unknown	Unknown		$ 5.53	$ 0.71		
Care and maintenance of dogs and cats:							
Cost per day				$ 5.53	$ 0.71		
Number of eligible dogs and cats				× 623	× 623		
Reimbursable days				× 3	× 3		
Total care and maintenance costs for dogs and cats	$ 162,422 [1]	$ 4,500 [1]	$ 166,922	$ 10,336	$ 1,327	$ 11,663	$ (155,259)
Care and maintenance of other "eligible" animals:							
Cost per day				$ 5.53	$ 0.71		
Number of eligible other animals				× 286	× 286		
Reimbursable days				× 6	× 6		
Total care and maintenance costs for other animals	—	—	—	9,490	1,218	10,708	10,708
Total care and maintenance	$ 162,422	$ 4,500	$ 166,922	$ 19,826	$ 2,545	$ 22,371	$ (144,551)

Schedule 2 (continued)

Category	Claimed: Salaries, Benefits, and Related Indirect Costs	Claimed: Materials and Supplies	Actual Costs Claimed	Allowable Per Audit: Salaries, Benefits, and Related Indirect Costs	Allowable Per Audit: Materials and Supplies	Total	Audit Adjustments
January 1, 2000, through June 30, 2001							
Total care and maintenance costs				$ 595,443	$ 78,409		
Total animal census				÷ 93,525	÷ 93,525		
Cost per day	Unknown	Unknown		$6.37	$0.84		
Care and maintenance of dogs and cats:							
Cost per day				$ 6.37	$ 0.84		
Number of eligible dogs and cats				× 592	× 592		
Reimbursable days				× 3	× 3		
Total care and maintenance costs for dogs and cats	$ 165,233	[1] $ 16,900	[1] $ 182,133	$ 11,313	$ 1,492	$ 12,805	$ (169,328)
Care and maintenance of other "eligible" animals:							
Cost per day				$ 6.37	$ 0.84		
Number of eligible other animals				× 247	× 247		
Reimbursable days				× 6	× 6		
Total care and maintenance costs for other animals	—	—	—	$ 9,440	$ 1,245	10,685	10,685
Total care and maintenance	$ 165,233	$ 16,900	$ 182,133	$ 20,753	$ 2,737	$ 23,490	$ (158,643)
July 1, 2001, through June 30, 2002							
Total care and maintenance costs				$ 554,125	$ 103,093		
Total animal census				÷ 92,170	÷ 92,170		
Cost per day	Unknown	Unknown		$ 6.01	$ 1.12		
Care and maintenance of dogs and cats:							
Cost per day				$ 6.01	$ 1.12		
Number of eligible dogs and cats				× 535	× 635		
Reimbursable days				× 3	× 3		
Total care and maintenance costs for dogs and cats	$ 135,800	[1] $ 16,900	[1] $ 152,700	$ 11,449	$ 2,134	$ 13,583	$ (139,117)
Care and maintenance of other "eligible" animals:							
Cost per day				$ 6.01	$ 1.12		
Number of eligible other animals				× 190	× 190		
Reimbursable days				× 6	× 6		
Total care and maintenance costs for other animals	—	—	—	6,851	1,277	8,128	8,128
Total care and maintenance	$ 135,800	$ 16,900	$ 152,700	$ 18,300	$ 3,411	$ 21,711	$ (130,989)
July 1, 2002, through June 30, 2003							
Total care and maintenance costs				$ 634,614	$ 110,098		
Total animal census				÷ 100,291	÷ 100,291		
Cost per day	$10.20 [2]	$10.20 [2]		$6.33	$1.10		
Care and maintenance of dogs and cats:							
Cost per day	$10.20	$10.20		$ 6.33	$ 1.10		
Number of eligible dogs and cats	× —	× 1,169		× 524	× 524		
Reimbursable days	× —	× 1		× 3	× 3		
Total care and maintenance costs for dogs and cats	$ —	$ 11,924	[2] $ 11,924	$ 9,951	$ 1,729	$ 11,680	$ (244)

Schedule 2 (continued)

Category	Claimed: Salaries, Benefits, and Related Indirect Costs	Claimed: Materials and Supplies	Actual Costs Claimed	Allowable Per Audit: Salaries, Benefits, and Related Indirect Costs	Allowable Per Audit: Materials and Supplies	Total	Audit Adjustments
January 1, 2002, through June 30, 2003 (continued)							
Care and maintenance of other "eligible" animals:							
Cost per day	$20.40	$20.40		$ 6.33	$ 1.10		
Number of eligible other animals	× —	× 1,119		× 248	× 248		
Reimbursable days	× —	× 1		× 6	× 6		
Total care and maintenance costs for other animals	—	22,828 [2]	22,828	9,419	1,637	11,056	(11,772)
Total care and maintenance	$ —	$ 34,752	$ 34,752	$ 19,370	$ 3,366	$ 22,736	$ (12,016)
July 1, 2005, through June 30, 2006							
Total care and maintenance costs				$ 694,905	$ 76,839		
Total animal census				÷ 112,803	÷112,803		
Cost per day	$ 8.69	$ 8.69		$ 6.16	$ 0.68		
Care and maintenance of dogs and cats:							
Cost per day	$ 8.69	$ 8.69		$ 6.16	$ 0.68		
Number of eligible dogs and cats	× —	× 2,307		× 400	× 400		
Reimbursable days	× —	× 1		× 3	× 3		
Total care and maintenance costs for dogs and cats	$ —	$ 20,048 [2]	$ 20,048	$ 7,392	$ 816	$ 8,208	$ (11,840)
Care and maintenance of other "eligible" animals:							
Cost per day	$ 8.69	$ 8.69		$ 6.16	$ 0.68		
Number of eligible other animals	× —	× —		× 224	× 224		
Reimbursable days	× —	× —		× 6	× 6		
Total care and maintenance costs for other animals	—	—	—	8,279	914	9,193	9,193
Total care and maintenance costs	$ —	$ 20,048	$ 20,048	$ 15,671	$ 1,730	$ 17,401	$ (2,647)
July 1, 2006, through June 30, 2007							
Total care and maintenance costs				$ 42,577	$ 117,717		
Total animal census				÷ 114,140	÷114,140		
Cost per day	$ 9.62	$ 9.62		$ 4.75	$ 1.03		
Care and maintenance of dogs and cats:							
Cost per day	$ 9.62	$ 9.62		$ 4.75	$ 1.03		
Number of eligible dogs and cats	× —	× 2,454		× 312	× 312		
Reimbursable days	× —	× 1		× 3	× 3		
Total care and maintenance costs for dogs and cats	$ —	$ 23,607 [2]	$ 23,607	$ 4,446	$ 964	$ 5,410	$ (18,197)
Care and maintenance of other "eligible" animals:							
Cost per day	$ 9.62	$ 9.62		$ $ 4.75	$ 1.03		
Number of eligible other animals	—	—		201	× 201		
Reimbursable days	—	—		6	× 6		
Total care and maintenance costs for other animals	—	—	—	5,729	1,242	6,971	6,971
Total care and maintenance costs	$ —	$ 23,607	$ 23,607	$ 10,175	$ 2,206	$ 12,381	$ (11,226)

Schedule 2 (continued)

Category	Claimed: Salaries, Benefits, and Related Indirect Costs	Claimed: Materials and Supplies	Actual Costs Claimed	Allowable Per Audit: Salaries, Benefits, and Related Indirect Costs	Allowable Per Audit: Materials and Supplies	Total	Audit Adjustments
July 1, 2007, through June 30, 2008							
Total care and maintenance costs				$ 1,051,952	$ 140,143		
Total animal census				÷ 107,896	÷ 107,896		
Cost per day	Unknown	Unknown		$9.75	$1.30		
Care and maintenance of dogs and cats:							
Cost per day				$ 9.75	$ 1.30		
Number of eligible dogs and cats				× 250	× 250		
Reimbursable days				× 3	× 3		
Total care and maintenance costs for dogs and cats	$ 47,966 [1]	$ —	$ 47,966	$ 7,313	$ 975	$ 8,288	$ (39,678)
Care and maintenance of other "eligible" animals:							
Cost per day				$ 9.75	$ 1.30		
Number of eligible other animals				× 49	× 49		
Reimbursable days				× 6	× 6		
Total care and maintenance costs for other animals	—	—	—	2,867	382	3,249	3,249
Total care and maintenance costs	$ 47,966	$ —	$ 47,966	$ 10,180	$ 1,357	$ 11,537	$ (36,429)
Summary: July 1, 1998, through June 30, 2008, excluding July 1, 2003, through June 30, 2005							
Care and maintenance of dogs and cats	$ 618,633	$ 98,379	$ 717,012	$ 62,200	$ 9,437	$ 71,637	$ (645,375)
Care and maintenance of other 'eligible' animals	—	22,828	22,828	55,338	8,517	63,855	41,027
Total care and maintenance costs	$ 618,633	$ 121,207	$ 739,840	$ 117,538	$ 17,954	$ 135,492	$ (604,348)

[1] The city and county claimed costs based on estimated hours.

[2] The city and county did not support costs claimed.

Findings and Recommendations

FINDING 1—Unsupported policies and procedures costs

The city and county claimed $4,168 for the Policies and Procedures cost component in fiscal year (FY) 1999-2000. We determined that claimed costs are unallowable because they were unsupported. If the Animal Care and Control Department (ACCD) is able to provide supporting documentation for the development of policies and procedures, we will adjust this finding as appropriate.

The program's parameters and guidelines (section IV.A.1–One Time Activities–Policies and Procedures) allow reimbursement for the one time activity of developing policies and procedures to implement the reimbursable activities listed in Section IV(B) (Ongoing Activities) of the parameters and guidelines.

Recommendation

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

City and County's Response

> The City appreciates the opportunity to provide documentation of these costs, however, given the significant time elapsed between when the claim was filed and this audit, these documents are no longer available.

SCO's Comment

The finding and recommendation remain unchanged.

FINDING 2—Unsupported training costs

The city and county claimed $6,460 for the Training cost component in FY 1999-2000. We determined that the claimed costs are unallowable because they were unsupported. If the ACCD is able to provide supporting documentation for the one-time training of staff, we will adjust the audit finding as appropriate.

The parameters and guidelines (section IV.A.2.–One Time Activities–Training) allow reimbursement for the one time activity of providing training to staff on reimbursable activities listed in Section IV(B) (Ongoing Activities) of the parameters and guidelines.

Recommendation

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

City and County's Response

> The City appreciates the opportunity to provide documentation of these costs, however, given the significant time elapsed between when the claim was filed and this audit, these documents are no longer available.

SCO's Comment

The finding and recommendation remain unchanged.

FINDING 3—Missclassified software license renewal costs

The city and county claimed $17,280 under the Computer Software cost component during the audit period. The claimed costs were for Chameleon software licensing renewal fees for FY 2005-06 and FY 2006-07. The license renewal fees were also claimed in other fiscal years of the audit period, but they were classified under other reimbursable components. For FY 1998-99 through FY 2001-02, and for FY 2007-08, the city and county included $38,880 in its claims for Chameleon software licensing renewal fees and correctly claimed these costs under the Maintaining Non-Medical Records cost component. For FY 2002-03, the city and county claimed $8,640 under the Procuring Equipment cost component. We determined that the overall total of $64,800 claimed for Chameleon software license renewal fees was allowable. However, we reclassified the licensing renewal costs from the various cost components to the Maintaining Non-Medical Records cost component for the entire audit period (see Finding 8).

The following table summarizes misclassified costs for the audit period by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Computer software:			
2005-06	$ 8,640	$ —	$ (8,640)
2006-07	8,640	—	(8,640)
Total computer software	17,280	—	(17,280)
Non-medical records:			
1998-99	4,320	4,320	—
1999-2000	8,640	8,640	—
2000-01	8,640	8,640	—
2001-02	8,640	8,640	—
2002-03	—	8,640	8,640
2005-06	—	8,640	8,640
2006-07	—	8,640	8,640
2007-08	8,640	8,640	—
Total non-medical records	38,880	64,800	25,920
Procuring equipment:			
2002-03	8,640	—	(8,640)
Total	$ 64,800	$ 64,800	$ —

City and County's Response

The City agrees with this finding.

FINDING 4—Unallowable care and maintenance costs

The city and county claimed $739,840 for animal care and maintenance costs during the audit period. We determined that $135,492 is allowable and $604,348 is unallowable. The costs were unallowable because the city and county claimed unsupported costs and did not use actual cost data and animal census information in calculating actual care and maintenance costs.

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

	Amount Claimed			Amount Allowable			
Fiscal Year	Dogs/ Cats	Other Animals	Total Claimed	Dogs/ Cats	Other Animals	Total Allowable	Audit Adjustment
Care and maintenance:							
1998-99	$ 111,712	$ —	$ 111,712	$ —	$ 3,865	$ 3,865	$ (107,847)
1999-2000	166,922	—	166,922	11,663	10,708	22,371	(144,551)
2000-01	182,133	—	182,133	12,805	10,685	23,490	(158,643)
2001-02	152,700	—	152,700	13,583	8,128	21,711	(130,989)
2002-03	11,924	22,828	34,752	11,680	11,056	22,736	(12,016)
2005-06	20,048	—	20,048	8,208	9,193	17,401	(2,647)
2006-07	23,607	—	23,607	5,410	6,971	12,381	(11,226)
2007-08	47,966	—	47,966	8,288	3,249	11,537	(36,429)
Total	$ 717,012	$ 22,828	$ 739,840	$ 71,637	$ 63,855	$ 135,492	$ (604,348)

The details of the care and maintenance formula calculations for claimed, allowable, and unallowable costs by fiscal year are presented in Schedule 2—Summary of Care and Maintenance Costs.

During the first four years of the audit period (FY 1998-99 through FY 2001-02), the city and county claimed estimated hours for this cost component. The estimated costs were claimed as salaries, benefits, and related indirect costs. Claimed costs were not based on either of the two methodologies prescribed by the parameters and guidelines.

In the next three years of the audit period (FY 2002-03, FY 2005-06, and FY 2006-07), the city and county appeared to calculate a daily unit cost to care for each animal. The daily unit costs were then applied to the euthanized animal populations, combining dogs and cats with other animals. The city and county did not segregate the populations of dogs and cats from other animals and the department did not account for any of the animal population exclusions noted in the parameters and guidelines. Claimed costs were not based on either of the two methodologies prescribed by the parameters and guidelines. The exact methodology is unclear due to the lack of some key documents that would support the calculation methods employed.

In the last fiscal year of the audit period (FY 2007-08), the city and county used another methodology and claimed estimated hours for Animal Care Attendants to perform care and maintenance activities. Claimed costs were not based on either of the two methodologies prescribed by the parameters and guidelines.

Overall, the department used three separate methodologies to claim costs under this component during the audit period. However, we determined that none of the methodologies used accurately reflected actual costs incurred under this cost component.

During the course of the audit, our goal was to calculate the allowable care and maintenance costs by using a consistent method throughout the audit period. We asked the city and county to provide annual expenditure amounts incurred that were related to the costs for care and maintenance of animals. The ACCD was able to retrieve the labor and materials and supplies costs incurred for this component. We used this information in the calculation of eligible care and maintenance costs. We also used annual animal census data that the ACCD provided from its Chameleon software system in each fiscal period to calculate the unit cost to care for each animal per day.

Once we calculated the unit cost, we applied it to the *eligible* number of euthanized dogs, cats, and other animals. The parameters and guidelines list the specific animals that are excluded from reimbursement under this component.

Labor Costs Related to Care and Maintenance (Salaries, Benefits, and Indirect Costs):

During the course of the audit, the ACCD provided actual salary amounts paid to those employee classifications directly involved with the care and maintenance functions. The ACCD also provided job duty statements for each employee classification to document the level of involvement with this cost component. The ACCD used the duty statements to determine the percentage of each employee classification's daily workload that was devoted to care and maintenance functions.

As proposed by the department, we agreed to use the following employee classifications and percentages of their annual salary and benefit costs to calculate labor costs relating to care and maintenance for each fiscal year:

- Animal Care Attendants (85%)
- Shelter Veterinarian (5%)
- Health Technician (15%)
- Animal Care Supervisor (10%)
- Animal Care Assistant Supervisor (80%)

To calculate allowable labor costs for each classification, we calculated annual totals for salaries, benefits, and related indirect costs and applied the percentages noted above.

Materials and Supplies Costs Related to Care and Maintenance

During the course of the audit, the ACCD submitted a list of vendors that provided materials and supplies related to the care and maintenance of animals. In addition, the ACCD was able to retrieve the annual expenditure amounts paid to each of the vendors. The city and county's SB 90 coordinator was able to verify the expenditure amounts through the county's accounting system and confirm that these amounts were not also included as part of the indirect cost pool within the ACCD's indirect cost rate proposals.

Animal Census Data

The ACCD was able to provide the actual animal census information from its Chameleon tracking system for all fiscal years. The yearly census refers to the total number of days that all animals were housed in the shelter.

Cost Per Animal Per Day

The actual cost formula requires the eligible annual cost of care to be divided by the yearly census of animals to arrive at an average cost per animal per day. The cost per animal per day is then multiplied by the eligible number of animals and then by the number of increased holding period days.

Eligible Animal Population

We determined the eligible animal population for dogs, cats, and other animals by analyzing the Chameleon database information and taking into account all exclusions per the requirements of the mandated program. We excluded the following animals from the population of eligible animals:

- Dogs, cats, and other animals that were classified as owned.
- Dogs, cats, and other animals that were ultimately adopted, transferred, rescued, or redeemed.
- Dogs, cats, and other animals that went missing from their kennels;
- Dogs, cats, and other animals that were dead on arrival (DOA).
- Dogs, cats, and other animals that were euthanized as requested by owner.;
- Dogs, cats, and other animals that were euthanized for humane reasons (usually on day 1).
- Dogs, cats, and other animals that were suffering from a serious illness or severe injury (usually they were euthanized on day 1 or died on day 1).
- Newborn dogs, cats, and other animals that needed maternal care and were impounded without their mothers.
- Ineligible animals such as rodents, livestock, or wild animals.
- Dogs and cats that died in the shelter's kennels outside of increased holding period (days 1, 2, 3, and day 7 and beyond), as per the requirements of the mandate.

  Note: Local agencies are eligible to receive reimbursement to care for dogs and cats that died during the increased holding period (days 4, 5, and 6).

- "Other" animals that died in the shelter's kennels on day 7 and beyond (after the increased holding period) as per the requirements of the mandate.

  Note: Local agencies are eligible to receive reimbursement to care for other animals that died during the increased holding period (days 2, 3, 4, 5, and 6).

- Dogs, cats, and other animals that were euthanized during the holding period, as per the requirements of the mandate.

  Note: The agencies are eligible to receive reimbursement to care for dogs and cats and other animals that were euthanized after the holding period (days 7 of the holding period and beyond).

Subsequent to the exit conference, the city and county requested and we agreed to allow reimbursement for animals classified as owned, but were ultimately determined to be abandoned by their owners. We reviewed the additional documentation provided by the city and county and incorporated these additional eligible abandoned animals into our calculations of allowable costs.

Increased Holding Period Days

The parameters and guidelines identify the number of reimbursable days for dogs and cats to be the difference between three days from the day of capture and four business days from the day after impoundment. For other animals, the parameters and guidelines identify the number of reimbursable days to be four business days from the day after impoundment.

Determining the exact number of reimbursable days is often difficult. Depending on the impound day, each animal will have a different holding period requirement. For example, for a dog impounded at noon on Monday, the "old" law (prior to 1999) requires the city to hold the dog until noon on Thursday (72 hours); the current law requires the city to hold the dog until closing on Friday (which is 4 business days following impoundment). Under the current law, the holding period was increased by 1 day and 6 hours (or 30 hours). However, for the dog impounded at noon on Friday, the "old" law requires the city to hold the dog until noon on Monday (72 hours); and the current law requires the city to hold the dog until closing on Thursday (which is 4 business days following impoundment). Under the current law, the holding period was increased by 3 days and 6 hours (or 78 hours).

This calculation takes into consideration that the required holding period does not include either Saturday or Sunday as a business day, which is consistent with the Appellate Court decision dated March 26, 2010, in the case of *Purifoy et al v. Howell.*

To determine the number of reimbursable days for the city and county's shelter, we analyzed every possible impound option (e.g., Monday impound, Tuesday impound, Wednesday impound, etc.) and determined the average increased holding period for dogs and cats to be 3 days and the average increased holding period for other "eligible" animals to be 6 days.

The following table summarizes the components of the calculations.

Care and Maintenance Formula for Dogs and Cats

Cost per animal per day	×	*Eligible dogs and cats* (died days 4, 5, 6) (euthanized days 7 and on)	×	*Number of Increased Days (3 days for dogs and cats)*

Care and Maintenance Formula for Other Animals

Cost per animal per day	×	*Eligible Animals* (died days 2, 3, 4, 5, 6) (euthanized days 7 and on)	×	*Number of Increased Days (6 days for other)*

The 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 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 three 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.

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 when 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.

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 city 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 for all dogs, 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 under IV.B.3, average daily census is defined as the average number of all dogs and cats at a facility housed on any given day in a 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 = the yearly census of dogs and cats and the yearly census of other animals.

4. Divide the total annual cost of care by the yearly census of dogs and cats = cost per dog and cat per day and yearly census of other animals = cost per other animal per day.

5. Multiply the cost per animal per day, by the number of impounded stay or abandoned dogs, cats and other animals that die during the increased holding period or are ultimately euthanized by each reimbursable day. The reimbursable day for cats and dogs is the difference between three days from the day of capture, and four or six business days from the day after impoundment.

Care and Maintenance Formula

The parameters and guidelines provide for a formula-driven methodology to determine allowable mandated costs for the care and maintenance of dogs and cats and other animals. The use of this method requires claimants to calculate the total amount of eligible costs incurred to provide care and maintenance for the animals housed in its shelter. This total is divided by the annual census of animals housed in the shelter to determine a cost per animal per day. The next step in the formula is adding the number of stray and abandoned animals that died

of natural causes during the holding period plus those animals that were euthanized after the required holding period. This total number of animals is then multiplied by the cost per animal per day. The resulting amount represents allowable costs for providing care and maintenance.

The mandate is reimbursing claimants for costs associated with animals that were not relinquished, redeemed, adopted, or released to a nonprofit agency. The local agency was unable to assess fees to recover such costs for these animals.

Recommendation

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

City and County's Response

> The City agrees with the recommendation to establish and implement procedures to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.
>
> The City disagrees with the SCO's action implementing findings related to the March 26, 2010 appellate court decision Purifoy et al v. Howell and believes that an additional $7,205 in care and maintenance costs should be considered allowable.
>
> The SCO began this audit on June 16, 2009 and calculated initial findings for the Care and Maintenance component not treating Saturday as a business day. In response to the Purifoy decision, the SCO retroactively deemed Saturday a business day and recalculated allowable care and maintenance costs, which increased the audit disallowance by $7,205. Had the audit been concluded prior to the SCO's reinterpretation in light of Purifoy, these costs would have been allowed. The City should not be penalized for the timing of this legal decision and the SCO's decision on how to prioritize this audit versus other tasks.
>
> More broadly, the City believes that the SCO's interpretation of the Parameters and Guidelines (Ps and Gs) is in direct opposition to the stated goal of the mandate. The SCO has interpreted the Ps and Gs of the program to mean that costs incurred for animals that die in care after the extended holding period required by the mandate cannot be reimbursed, whereas costs incurred for animals that are euthanized after the extended holding period can be reimbursed. Because of this interpretation, the only way for agencies to recover costs for animals remaining in the shelter beyond the extended holding period is to euthanize the animals, thus providing a financial incentive to directly subvert the stated goal of the mandate to increase adoptions and reduce euthanasia.

SCO's Comment

The finding and recommendation remain unchanged.

The city and county's disagreement with our audit finding relate to our application of an Appellate Court decision to the calculations of allowable costs and our interpretation of the requirements stated in the program's parameters and guidelines. We will address these concerns in the order that they were presented in the city and county's response.

Application of Appellate Court Decision

The city and county disagrees with our retroactive application of the Appellate Court decision in the case of *Purifoy et al v. Howell*. In that case, Saturday was determined not to be a business day for the purposes of determining the required holding period for dogs. The decision published in the court case did not change the verbiage in the parameters and guidelines nor did the definition of a business day change when the court case was published. The holding period requirement per the Hayden Bill has always been "four or six 'business days' after the day of impoundment."

Our audit of the city and county's claims began in May 2009. We concur that our initial audit findings for the Care and Maintenance cost component were based on treating Saturday as a business day. Subsequently, the Appellate Court decision was published on March 26, 2010. The SCO believes that the court's decision provides a clarification of existing law. Accordingly, the clarification would be applicable to the date that the statute was enacted (1998).

We acknowledge that the court's decision did not take into consideration the effect that this decision would have on mandated cost claims filed by local agencies. Had we issued a final report for this audit prior to the court's decision that Saturdays were not to be treated as a business day, we may have revised the audit findings accordingly and reissued the final audit report.

In some cases, such as this one, some or all of the applicable audit criteria have been adjudicated by the courts. We follow the decision of the courts as applicable. In this case, the Appellate Court opined that Saturday is not to be treated as a business day for the purposes of determining the required holding period. The results of our audit are, therefore, consistent with the legal definition of a business day, the intent of the mandate to extend the holding period for animals, and the Appellate Court decision that Saturday is not to be treated as a business day.

Interpretation of Parameters and Guidelines

The city and county believes that our interpretation of the language in the parameters and guidelines relating to animals that die of natural causes in their animal shelter are in direct opposition to the stated goal of the mandate. We disagree.

The parameters and guidelines (Section I–Summary of the Mandate) states:

> The test claim legislation was enacted in an attempt to end the euthanasia of adoptable and treatable animals. Generally, the test claim legislation increased the holding period for stray and abandoned dogs, cats, and other specified animals. . . .

Accordingly, the applicable statutes (referred to as the Hayden Bill) extended the required holding period for dogs and cats from three days from the day of capture to four or six business days from the day after impoundment. In addition, the applicable statutes created a new required holding period for other specified animals to be four or six business days from the day after impoundment. This was the intent of the Hayden Bill and we believe that this intent has been achieved, because animals statewide are being held for a longer period of time.

However, the intent of the mandated program was not to hold animals beyond the required holding period. Holding animals for owner redemption or adoption beyond the required holding period is subject to local policies and/or regulations. We applaud the city and county's efforts to postpone the euthanasia of animals for as long as possible. However, we believe that the mandated program does not provide reimbursement for animals that die of natural causes after the required holding period expires.

The situation described in the city and county's response was addressed by the Commission of State Mandates (CSM) within its Final Staff Analysis for the Proposed Parameters and Guidelines (Item #4 for CSM's hearing on February 28, 2002). The analysis states that after the CSM adopted its statement of decision for the Animal Adoption program, Fresno County submitted a request that reimbursement should also be included for animals that die during the increased holding period. The county stated the following argument:

> Fresno County recommends that reimbursements apply to animals that are ultimately euthanized also apply to those animals that die while being held pending adoption or euthanization. If the animal dies pending adoption, obviously no adoption fees can be paid, and thus there is no revenue pertaining to that animal. If the animal dies pending euthanasia, the animal still has to be held until its untimely demise.

The CSM staff noted that the statement of decision does not specifically address animals that die during the increased holding period, but that the county's request is consistent with the statement of decision.

On page 7 of the CSM Staff Analysis for the proposed parameters and guidelines, our position for the definition of "ultimately euthanized" and "died during the holding period" is supported. First the CSM staff addressed reimbursement for euthanized animals:

> The Commission, however, concluded that the test claim legislation provides sufficient fee authority to local agencies allowing them to charge the original owner and/or adoptive owner for the costs to care, maintain, and provide "necessary and prompt veterinary care" for animals that are relinquished, redeemed, adoption, or releases to a

> nonprofit adoption organization. Thus, there are no costs mandated by the state for these animals, and reimbursement is not required for the care, maintenance, and "necessary and prompt veterinary care" of these animals. *Accordingly, the Commission concluded that reimbursement for the care, maintenance, and "necessary and prompt veterinary care" is limited to animals that are ultimately euthanized*. [emphasis added]

In the next paragraph, CSM addresses animals that die during the increased holding period:

> If a stray or abandoned animal dies during the time an agency is required to hold that animal, the agency would still be required by the state to incur costs to care and maintain the animal, and to provide "necessary and prompt veterinary care" for the animal before the animal died. The agency cannot recover those costs from the adoptive owner since the animal was never adopted or released to a nonprofit adoption organization. Thus, staff agrees with the County that these costs are eligible for reimbursement. However, the same reimbursement limitations apply to the stray and abandoned animals that die during the holding period. For example, *reimbursement for the care and maintenance of these animals is limited to the costs incurred during the increased holding period, as calculated by the proposed Parameters and Guidelines*. [emphasis added]

Accordingly, the CSM staff added language to the applicable cost components in the adopted parameters and guidelines to address reimbursement for animals that die during the increased holding period.

If the city and county believes that reimbursement should also be provided for animals that died of natural causes after the required holding period, it should submit a request to the CSM to amend the parameters and guidelines.

FINDING 5—
Misstated increased holding period costs

The city and county claimed $316,481 for the Increased Holding Period cost component during the audit period. We determined that $748,353 is allowable (costs were understated by $482,081 and overstated by $50,209).

Salary and benefit costs claimed by the city and county were based on two ACCD employees working 1,040 annual hours for this cost component. However, as noted below, allowable annual hours total 364 hours per eligible employee. Materials and supplies costs claimed by the city and county were based on the animal shelter being open extra hours on one weekday evening. However, costs are only reimbursable for one weekday evening **or** one weekend day. In addition, no support was provided for the materials and supplies costs claimed.

The allowable costs are based on an analysis that we performed in conjunction with ACCD management that takes into account the hours that the shelter was open and the staffing that was required in order to perform the mandated activities.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries, benefits, and related indirect costs:			
1998-99	$ 63,855	$ 32,777	$ (31,078)
1999-2000	74,770	78,802	4,032
2000-01	79,750	87,257	7,507
2001-02	63,855	76,217	12,362
2002-03	—	91,238	91,238
2005-06	—	104,613	104,613
2006-07	—	124,771	124,771
2007-08	15,120	152,678	137,558
Total labor costs	297,350	748,353	451,003
Materials and supplies:			
2002-03	4,122	—	(4,122)
2005-06	7,147	—	(7,147)
2006-07	7,862	—	(7,862)
Total materials and supplies	19,131	—	(19,131)
Total	$ 316,481	$ 748,353	$ 431,872

Hours of Operation

The San Francisco Animal Shelter is open daily, including weekends. The shelter is open to the public from 11 a.m. until 6 p.m. (7 hours total). Per the requirement of the mandate, each shelter makes animals available for owner redemption or adoption on either of the weekend days. We concluded that reimbursement is allowable for the increased and eligible staffing on Saturdays.

Staffing Requirements

For agencies using the holding period of four business days after the day of impoundment, we needed to determine the additional costs incurred to have the impounded animals available for owner redemption or adoption. In order to determine the additional staffing requirements, we inquired about the number of employees and classifications of staff working when the shelter is closed to the public and the staffing needed to comply with the mandate and stay open during the increased hours.

When the shelter is closed to the public, animals must still be cared for and fed. Usually, most of the staff members whose duties include caring for animals would be at the shelters regardless of whether the shelters were open to the public or not. Therefore, as the main duties of these employees are to care and maintain animals, these positions are generally not reimbursable for this cost component.

However, some positions are reimbursable under this component depending on the increased staffing needs on those days when the shelter is open to the public. ACCD management provided monthly working schedules for shelter's staff. After reviewing these schedules, we determined that the following additional employees were needed to comply with the mandate requirement and make animals available for owner redemption or adoption on one weekend day.

- Animal Care Attendant (1 position)
- Shelter Front Office Representative (5 positions)
- Shelter Office Supervisor (1 position)

Allowable Annual Hours

Beginning with FY 1999-2000, we calculated allowable annual hours the same way for every year using the following formula: allowable weekly hours per classification × number of positions × 52 weeks.

The following table summarizes the annual hours per employee classification needed to perform the mandated activities:

Employee Classification	Number of Eligible Employees	Allowable Weekly Hours	Allowable Annual Hours
Animal Care Attendant	1	7	364
Shelter Representative	4	7	1,456
Shelter Representative	1	6	312
Shelter Office Supervisor	1	7	364
			2,496

In FY 1998-99, the reimbursement period for this cost component began in January 1999. Accordingly, we reduced allowable annual hours by half for this fiscal period.

To arrive at allowable salary and benefit costs in each fiscal year, we multiplied the allowable annual hours by the productive hourly rates and then by the benefit rates of each employee classification identified above. We then applied the applicable indirect cost rates to allowable salaries and benefits to calculate the allowable indirect costs for this component.

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 ("other animals"), 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 owner to reclaim their animals by appointment at a mutually agreeable time when the agency would otherwise be closed.

Recommendation

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

City and County's Response

> The City agrees with the finding and appreciates the opportunity provided through the audit to develop a consistent and accurate way to identify these costs. Presently, the State funded Animal Adoption Program has been suspended and it is not know if and when the program will be reinstated.
>
> If and when the Animal Adoption Program is reinstated the City will develop and implement policies and procedures in accordance with the reinstated Program's Parameters and Guidelines to ensure future claimed costs are properly calculated and supported by source documentation.

SCO's Comment

The finding and recommendation remain unchanged.

FINDING 6—Misstated feral cats costs

The city and county claimed $78,874 for the Feral Cats cost component during the audit period. We determined that $52,476 is allowable and $26,398 is unallowable (costs were overstated by $71,220 and understated by $44,822). Initially, all costs claimed by the city and county were unallowable because they were based on estimates and unsupported. We calculated allowable costs based on the results of a time study that was conducted during the course of the audit.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries, benefits, and related indirect costs:			
1998-99	$ —	$ 2,306	$ 2,306
1999-2000	—	5,595	5,595
2000-01	—	6,907	6,907
2001-02	—	6,767	6,767
2002-03	—	7,894	7,894
2005-06	—	7,794	7,794
2006-07	—	7,559	7,559
2007-08	25,139	7,654	(17,485)
Total labor costs	25,139	52,476	27,337
Materials and supplies:			
2002-03	17,173	—	(17,173)
2005-06	18,418	—	(18,418)
2006-07	18,144	—	(18,144)
Total materials and supplies	53,735	—	(53,735)
Total	$ 78,874	$ 52,476	$ (26,398)

Time Study

The ACCD conducted a time study in August 2009 to support the time it takes shelter staff to verify whether a cat is feral or tame. The time study documented the time it took Animal Care Attendants to observe the cats suspected of being feral.

The ACCD impounds all cats that are suspected to be feral in the special Wild Kennel 215. The department provided the Chameleon report identifying all cats that were impounded in the Wild Kennel throughout the audit period. The time study focused on various observation activities that are part of the feral cat protocol at the shelter. The feral cat testing consisted mostly of different levels of observation of cat behavior during feedings and cleanings.

The time study determined that it takes Animal Care Attendants on average 15 minutes per cat to evaluate if the cat was feral or tame.

Calculation of Allowable Hours

We analyzed the time study results and applied them to the entire audit period, including the first four audit years when the city and county did not claim any costs for this component. We combined the cat populations from the Wild Kennel 215 with the time study results to

arrive at allowable costs for this component. The following table summarizes calculations of allowable feral cat testing hours by fiscal year:

Fiscal Year	Hours per Cat	Eligible Cats	Annual Hours
1998-99	0.25	374	93.50
1999-2000	0.25	758	189.50
2000-01	0.25	846	211.50
2001-02	0.25	921	230.25
2002-03	0.25	876	219.00
2005-06	0.25	755	188.75
2006-07	0.25	631	157.75
2007-08	0.25	515	128.75
Total		5,676	1,419.00

To arrive at allowable salary and benefit costs in each fiscal year, we multiplied the allowable annual hours by the productive hourly rates and then by the benefit rates for the employee classification of Animal Care Attendants. We then applied the applicable indirect cost rates to allowable salaries and benefits to calculate the allowable indirect costs for this component.

The program's parameters and guidelines (section IV.B.6–Feral Cats) allow reimbursement, beginning January 1, 1999, for 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.

Recommendation

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

City and County's Response

> The City agrees with the finding and appreciates the opportunity provided through the audit to develop a consistent and accurate way to identify these costs for future claims. As indicated previously, the State funded Animal Adoption Program has been suspended and it is not know if and when the program will be reinstated.
>
> If and when the Animal Adoption Program is reinstated the City will develop and implement policies and procedures in accordance with the reinstated Program's Parameters and Guidelines to ensure future claimed costs are properly calculated and supported by source documentation.

SCO's Comment

The finding and recommendation remain unchanged.

FINDING 7—Unallowable lost-and-found lists costs

The city and county claimed $338,649 for the Lost and Found Lists cost component during the audit period. We determined that $285,176 is allowable and $53,473 is unallowable (costs were overstated by $81,618 and understated by $28,145). The costs are unallowable because they were estimated and unsupported. We calculated allowable costs based on the results of a time study that was conducted by the ACCD in March 2008.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries, benefits, and related indirect costs:			
1998-99	$ 8,858	$ 12,335	$ 3,477
1999-2000	20,742	29,620	8,878
2000-01	24,338	32,678	8,340
2001-02	21,258	28,708	7,450
2002-03	57,889	34,540	(23,349)
2005-06	67,611	40,159	(27,452)
2006-07	64,545	48,413	(16,132)
2007-08	73,408	58,723	(14,685)
Total labor costs	$ 338,649	$ 285,176	$ (53,473)

Time Study

The ACCD claimed estimated hours in the first four years of the audit period that were based on two hours per day for one shelter worker. The ACCD started claiming costs based on a one-hour time increment per front counter employee in the last four years of the audit period. The department did not have any time records to support the time amounts claimed until it conducted a time study for the lost and found lists component in FY 2007-08.

The time study recorded the time spent by Shelter Service Representatives to perform lost-and-found activities on a daily basis. The time study documentation revealed that an average of 52 minutes was spent on various activities noted by staff. However, some of the activities included in the time study were not related to the component of lost-and-found lists. The ineligible activities included the following:

- Walking kennels with the members of the public
- Assisting with dog redemption process
- Performing impound procedures
- Taking roaming dogs phone calls
- Tracing or researching microchip information
- Sending letters
- Performing adoption procedures

Once we excluded the ineligible activities from the time study, we concluded that Shelter Service Representatives spent an average of 41 minutes performing eligible lost-and-found activities each day.

The following table summarizes calculations of allowable hours in each fiscal year:

Minutes per Staff per Day	Hours per Staff per Day	Number of Staff at Front Counter	Number of Eligible Days	Allowable Hours	Total Annual Hours
41	0.68	4	351	954.72	
41	0.68	2	14	19.04	974

ACCD management confirmed that an average of four staff were on duty when the shelter was open. An average of two staff members were on duty during the 14 days the shelter was closed each year for holidays and team-building days.

To calculate allowable salary and benefit costs for each fiscal year, we multiplied the allowable annual hours by the productive hourly rates and then by the benefit rates of the employee classification of Shelter Service Representatives. We then applied the applicable indirect cost rates to allowable salaries and benefits to calculate the allowable indirect costs for this component.

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 agency;
> - Referrals to animals listed that may be the animals the owner or finders have lost or found;
> - The telephone numbers and addresses of other pounds and shelters in the same vicinity;
> - Advice as to 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.

Recommendation

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

City and County's Response

> The City agrees with the finding and appreciates the opportunity provided through the audit to conduct a time study to support these costs. As indicated previously, the State funded Animal Adoption Program has been suspended and it is not know if and when the program will be reinstated.
>
> If and when the Animal Adoption Program is reinstated the City will develop and implement policies and procedures in accordance with the reinstated Program's Parameters and Guidelines to ensure future claimed costs are properly calculated and supported by source documentation.

SCO's Comment

The finding and recommendation remain unchanged.

FINDING 8—Unallowable non-medical records costs

The city and county claimed $1,819,131 for the Maintaining Non-Medical Records cost component during the audit period. We determined that $646,951 is allowable and $1,172,180 is unallowable. Initially, all salary and benefit costs claimed by the city and county were unallowable because they were estimated and unsupported. We calculated allowable salary and benefit and related indirect costs based on the results of a time study that was conducted during the course of the audit. Allowable costs also include misclassified costs totaling $25,920 for Chameleon software license renewal fees which were initially claimed under the Computer Software and Procuring Equipment cost component (see Finding 3).

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries, benefits, and related indirect costs:			
1998-99	$ —	$ 20,689	$ 20,689
1999-2000	—	52,837	52,837
2000-01	—	57,968	57,968
2001-02	—	68,133	68,133
2002-03	382,446	77,562	(304,884)
2005-06	424,558	86,530	(338,028)
2006-07	450,342	100,690	(349,652)
2007-08	522,905	117,742	(405,163)
Total labor costs	1,780,251	582,151	(1,198,100)
Contract services:			
1998-99	4,320	4,320	—
1999-2000	8,640	8,640	—
2000-01	8,640	8,640	—
2001-02	8,640	8,640	—
2002-03	—	8,640	8,640
2005-06	—	8,640	8,640
2006-07	—	8,640	8,640
2007-08	8,640	8,640	—
Total contract services	38,880	64,800	25,920
Total	$ 1,819,131	$ 646,951	$ (1,172,180)

Claimed Hours

The ACCD did not claim any labor hours for this cost component in the first four years of the audit period and claimed estimated labor hours in the last four years of the audit period. No support was provided indicating how the number of annual hours spent was calculated. The ACCD claimed estimated hours as follows:

- 12,057 annual hours for FY 2002-03
- 11,460 annual hours for FY 2005-06
- 11,460 annual hours for FY 2006-07
- 10,400 annual hours for FY 2007-08

Time Study

During the course of the audit, the ACCD performed a time study to capture *actual* time associated with the maintenance of non-medical records. The time study captured various data input activities and varying involvement levels by numerous employee classifications that usually participate in record keeping at the shelter. Based on a suggestion from the city and county's SB90 coordinator, we assigned the level of effort spent by each employee classification depending on the number of unique records contained in the time study.

The following table summarizes the average time spent by each employee classification to process non-medical records:

Employee Classification	(A) Minutes Captured	(B) Number of Records Processed per Class	(C) Percentage of Records Processed per Class [(B) ÷ 1,039]	(D) Average Minutes per Record per Class [(A) ÷ (B)]	(E) Average Hours per Record per Class [(D) ÷ 60]
Front Counter Representatives	3,974	464	44.66%	8.56	0.14
Front Counter Asst. Supervisor	1,738	287	27.62%	6.06	0.10
Front Counter Supervisor	472	80	7.70%	5.90	0.10
Animal Care Attendant (ACA)	2,058	312	30.03%	6.60	0.11
ACA Asst. Supervisor	919	254	24.45%	3.62	0.06
ACA Supervisor	58	17	1.64%	3.41	0.06
Field Officers	1,334	174	16.75%	7.67	0.13
Field Off Asst. Supervisor	105	8	0.77%	13.13	0.22
Totals	10,658	1,596			
Unique number of records		1,039			

After calculating the average level of effort for each employee classification, we applied these percentages to the total number of records processed in each fiscal year to arrive at the projected number of records handled by each employee classification annually. We then calculated allowable hours by taking the total number of records allocated to each employee classification and applied the time study results based on the average time increment per record.

As shown in the table above, the time study results revealed that the employee classification of Shelter Service Representatives spent an average of 0.14 hours per each animal ID number performing reimbursable record keeping activities and processed 44.66% of the non-medical records during the time study. Accordingly, as there were 10,937 animals impounded in FY 2007-08, we concluded that the employee classification of Shelter Service Representatives spent 683.76 hours that year maintaining non medical records ([10,937 × 44.66%] × 0.14).

The following table summarizes the calculation of allowable hours spent by the classification of Shelter Service Representative performing mandated activities for this cost component by fiscal year:

Fiscal Year	(A) All Animal Records per FY	(B) Records Processed	(C) Allowable Annual Hours
1998-99	6,308	2,817	394.38
1999-2000	13,354	5,964	834.96
2000-01	13,187	5,889	824.46
2001-02	12,475	5,571	779.94
2002-03	12,051	5,382	753.48
2005-06	11,842	5,289	740.46
2006-07	11,631	5,194	727.16
2007-08	10,937	4,884	683.76
Totals	91,785		5,738.60

To determine the number of hours spent per fiscal year by other employee classifications, we performed the same calculation for all of the other employee classifications involved in the processing of non-medical records.

To determine allowable salary and benefit costs in each fiscal year, we multiplied the allowable annual hours by the productive hourly rates and then by the benefit rates of each employee classification. We then applied the applicable indirect cost rates to allowable salaries and benefits to calculate the allowable indirect costs for this component.

Contract Services Costs

The city and county claimed $38,880 under contract services for Chameleon software license renewal fees for FY 1998-99 through FY 2001-02 and FY 2007-08. We determined that allowable costs for Chameleon software license renewal fees totaled $64,800 for the audit period. We added allowable misclassified costs totaling $25,920 for Chameleon software license renewal fees which were initially claimed under the Computer Software cost component (FY 2005-06 and FY 2006-07) and the Procuring Equipment cost component (FY 2002-03). The details are indicated in Finding 3.

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 shall 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.

Recommendation

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

City and County's Response

> The City agrees with the finding and appreciates the opportunity provided through the audit to perform a time study to capture actual costs associated with maintenance of non-medical records. As indicated previously, the State funded Animal Adoption Program has been suspended and it is not know if and when the program will be reinstated.
>
> If and when the Animal Adoption Program is reinstated the City will develop and implement policies and procedures in accordance with the reinstated Program's Parameters and Guidelines to ensure future claimed costs are properly calculated and supported by source documentation.

SCO's Comment

The finding and recommendation remain unchanged.

FINDING 9—Unallowable necessary and prompt veterinary care costs

The city and county claimed $1,014,676 under the Necessary and Prompt Veterinary Care cost component during the audit period. We determined that $24,826 is allowable and $989,850 is unallowable. The costs are unallowable because costs were claimed for ineligible activities and eligible costs claimed were based on estimates.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries, benefits, and related indirect costs:			
1998-99	$ 47,250	$ 1,029	$ (46,221)
1999-2000	110,653	3,227	(107,426)
2000-01	118,024	3,346	(114,678)
2001-02	94,500	3,100	(91,400)
2002-03	117,825	3,354	(114,471)
2005-06	136,887	3,033	(133,854)
2006-07	178,601	2,837	(175,764)
2007-08	105,952	2,439	(103,513)
Total	909,692	22,365	(887,327)
Materials and supplies:			
1998-99	3,000	—	(3,000)
1999-2000	6,000	—	(6,000)
2000-01	6,000	—	(6,000)
2001-02	6,000	—	(6,000)
2005-06	—	640	640
2006-07	—	963	963
2007-08	13,984	858	(13,126)
Total	34,984	2,461	(32,523)
Contract services:			
2007-08	70,000	—	(70,000)
Total contract services	70,000	—	(70,000)
Total	$ 1,014,676	$ 24,826	$ (989,850)

Salary and Benefit Costs

The city and county claimed estimated costs for this component that included estimated hours for various unspecified veterinary care procedures in all years of the audit period. In addition to estimated hours, the claims included contract services incurred for the 24-hour emergency animal care clinic in FY 2005-06 ($48,000) and FY 2006-07 ($63,000). The contract services amounts were co-mingled with the estimated salary and benefit costs and claimed under the cost categories of salaries and benefits. As a result, unallowable indirect costs totaling $66,315 were claimed for contract services. The ACCD did not provide any specifics for eligible veterinary care procedures performed on eligible animals during the holding period.

During the course of the audit, the ACCD performed a time study to capture average time increments spent for certain eligible veterinary care procedures in an effort to determine actual costs incurred for this cost component. Unfortunately, the time study that was conducted did not include a large sample of activities and focused primarily on non-repetitive activities that are not appropriate for a time study.

Time Study

The time study focused on recording various non-routine medical procedures as opposed to repetitive activities. These procedures were not appropriate for the time study because they were unique in nature and in the duration of time spent. Accordingly, the time study results could not have been applied to all eligible animal populations because not all eligible animals received these non-routine medical procedures.

The two repetitive tasks that are appropriate for a time study under this cost component include (1) performing an initial physical examination to determine the animal's baseline health status and classification as adoptable, treatable, or non-rehabilitatable; and (2) administering wellness vaccines to treatable or adoptable animals. The ACCD's time study captured a very limited sample of these two activities. The time study included only 18 sample entries, 6 of which were blank forms. Accordingly, we had difficulties projecting an accurate average amount of time it takes for department staff to perform these two repetitive tasks.

Calculations of Allowable Veterinary Care Salary and Benefit Costs

The ACCD proposed using an 8-minute increment per each animal for the two repetitive activities of an initial physical exam and administering wellness vaccines. We reviewed the proposal and determined that the 8-minute increment per each eligible animal was reasonable based on the limited information captured in the time study.

We applied the 8-minute increment for each eligible dog and cat for the initial physical exam and administration of wellness vaccinations and a 4-minute increment for each eligible other animal only for the initial physical exam. ACCD representatives explained that only dogs and cats receive wellness vaccinations. We used the shelter's Chameleon animal data to determine the eligible population of animals. After applying the animal population exclusions noted in the parameters and guidelines, we determined the number of stray and abandoned animals that died during the holding period (days 2 through 6) plus those that were ultimately euthanized (euthanized on day 7 of the holding period and beyond). The end result was the number of eligible animals that is multiplied by the average time increments in order to determine the amount of time spent per year on reimbursable activities.

Subsequent to the exit conference, the city and county requested and we agreed to allow reimbursement for animals classified as owned, but were ultimately determined to be abandoned by their owners. We reviewed the additional documentation provided by the city and county and incorporated these additional eligible abandoned animals into our calculations of allowable costs.

The following table summarizes the calculations by fiscal year for eligible hours spent under the Necessary and Prompt Veterinary Care cost component for the activities of conducting an initial physical exam and administering wellness vaccines.

Fiscal Year	(A) Minutes per Dogs and Cats	(B) Eligible Dogs and Cats	(C) Minutes per Other Animals	(D) Eligible Other Animals	Total Annual Hours ([(A)×(B)] + [(C)×(D)] ÷ 60)
1998-99	8.00	243	4.00	114	
1999-2000	8.00	634	4.00	286	103.60
2000-01	8.00	598	4.00	247	96.20
2001-02	8.00	650	4.00	190	99.34
2002-03	8.00	536	4.00	248	88.00
2005-06	8.00	419	4.00	224	70.80
2006-07	8.00	326	4.00	201	56.87
2007-08	8.00	267	4.00	49	38.87
Totals					593.68

The ACCD advised that the employee classifications of Animal Care Attendant and Animal Control Officer performed the reimbursable activities for this cost component. The ACCD also provided statistics showing the percentage of involvement in the reimbursable activities for these employee classifications. The percentages were as follows:

- Animal Care Attendants (63%)
- Animal Control Officers (37%)

We determined the amount of time spent by each employee classification to perform the mandated activities by multiplying the eligible hours shown in the table above by the applicable percentages. We then calculated allowable costs by applying the number of hours spent performing reimbursable activities by each employee classification and multiplied the hours by the employees' applicable productive hourly rates, benefit rates, and related indirect cost rates.

Materials and Supplies

In the first four years of the audit period (FY 1998-99 through FY 2001-02), the city and county claimed estimated and unsupported amounts totaling $21,000 for medical equipment and animal medications.

In FY 2007-08, the city and county claimed materials and supplies costs totaling $13,984. The claimed amount represented costs for animal treatments, including the excluded activity of emergency services.

Initially, we determined that all costs claimed for materials and supplies were unallowable. During the course of the audit, the ACCD submitted invoices for wellness vaccinations administered to dogs and cats. These invoices totaled $78,977; we determined that $2,461 is allowable and $76,516 is unallowable. The unallowable costs occurred because $28,191 was costs incurred for ineligible microchip purchases and $48,325 represented the cost of vaccinations that were administered to animals that ineligible for reimbursement under this cost component.

During our review of invoices, we noted that $28,191 was incurred for the purchase of the microchips. Microchip implantation is an excluded activity under the mandated program. Therefore, the microchip costs are unallowable.

We pro-rated the remaining $50,786 of eligible vaccination costs to reflect the portion of the costs attributed to vaccinations administered to eligible dogs and cats. We used the shelter's Chameleon animal data to determine the eligible population of dogs and cats. After applying the animal population exclusions noted in the parameters and guidelines, we determined the number of stray and abandoned dogs and cats that died during the holding period (days 2 through 6) plus those that were ultimately euthanized (euthanized on day 7 of the holding period and beyond). To determine the ratio for this component, we calculated a percentage of eligible dogs and cats to the total dogs and cats housed at the shelter as indicated in the following table:

Fiscal Year	Eligible Dogs and Cats	Total Dogs and Cats	Ratio
2005-06	419	7,154	5.86%
2006-07	326	6,818	4.78%
2007-08	267	6,143	4.35%

We applied the ratio to the eligible vaccination costs, excluding microchips, and arrived at allowable costs for wellness vaccinations incurred for eligible dogs and cats. Our analysis revealed allowable costs totaling $2,461 for three fiscal years (FY 2005-06, FY 2006-07, and FY 2007-08). The unallowable costs totaled $48,325**.**

Contract Services

For FY 2007-08, the city and county claimed contract service costs totaling $70,000 for the 24-hour emergency animal care clinic. The contracted amount is not reimbursable because it is impossible to determine which treatments were provided at which costs and whether eligible animals received eligible treatments. Only eligible services and treatments can be claimed to the extent that they were performed on eligible animals. If the clinic or department is subsequently able to provide this information, we will adjust the audit findings as appropriate.

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 stay 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 relive 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."

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.

Recommendation

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

City and County's Response

The City agrees with the recommendation to establish and implement procedures to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

As stated in our response to Finding 4, the City disagrees with the SCO's action implementing findings related to the March 26, 2010 appellate court decision Purifoy et al v. Howell. For the necessary and prompt veterinary costs component the City believes that an additional $10,287 should be considered allowable.

The SCO began this audit on June 16, 2009 and calculated initial findings for the Care and Maintenance component not treating Saturday as a business day. In response to the Purifoy decision, the SCO retroactively deemed Saturday a business day and recalculated necessary and prompt veterinary costs, which decreased allowable costs by $10,287. Had the audit been concluded prior to SCO's reinterpretation in light of Purifoy, these costs would have been allowed. The City should not be penalized for the timing of this legal decision and the SCO's decision on how to prioritize the audit versus other tasks.

> More broadly, the City believes that the State Controller's Office's interpretation of the Parameters and Guidelines (Ps and Gs) is in direct opposition to the stated goal of the mandate. The SCO has interpreted the Ps and Gs of the program to mean that costs incurred for animals that die in care after the extended holding period required by the mandate cannot be reimbursed, whereas costs incurred for animals that are euthanized after the extended holding period can be reimbursed. Because of this interpretation, the only way for agencies to recover costs for animals remaining in the shelter beyond the extended holding period is to euthanize the animals, thus providing a financial incentive to directly subvert the stated goal of the mandate to increase adoptions and reduce euthanasia.

SCO's Comment

The finding and recommendation remain unchanged.

The city and county's disagreement with our audit finding relate to our application of an Appellate Court decision to the calculation of allowable costs and our interpretation of the requirements stated in the program's parameters and guidelines.

The wording of the city and county's response to this finding are identical to the wording provided in its response to Finding 4—Unallowable care and maintenance costs. Accordingly, our comments for this finding are the same as those noted for Finding 4.

Attachment—
City and County's Response to Draft Audit Report

CITY AND COUNTY OF SAN FRANCISCO **OFFICE OF THE CONTROLLER**

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

April 19, 2011

Mr. Jim L. Spano
Mandated Cost Audits Bureau
Division of Audits
California State Controller's Office
P.O. Box 942850
Sacramento, CA 94250-5874

Dear Mr. Spano:

The City and County of San Francisco (City) has received the State Controller's Office (SCO) draft audit findings for the Animal Adoption state mandated cost program for the period July 1, 1998 through June 30, 2008 (excluding July 1, 2003 through June 30, 2005). We appreciate the opportunity to comment on the draft findings.

Finding 1 – Unsupported policies and procedures costs. The city and county included $4,168 in its claim for FY 1999-2000 under the cost component of Policies and Procedures. We determined that claimed costs are unallowable because they were unsupported.

> *The City appreciates the opportunity to provide documentation of these costs, however, given the significant time elapsed between when the claim was filed and this audit, these documents are no longer available.*

Finding 2 – Unsupported training costs. The city and county included $6,460 in its claims for FY 1999-2000 under the cost component of Training. The claimed costs included possibly estimated hours and were unsupported.

> *The City appreciates the opportunity to provide documentation of these costs, however, given the significant time elapsed between when the claim was filed and this audit, these documents are no longer available.*

Finding 3 – Misclassified computer software costs. The auditor reclassified computer software costs from other components to reflect all software renewal fees under the component of Computer Software for the entire audit period.

> *The City agrees with this finding.*

Finding 4 – Unallowable care & maintenance costs. The city and county claimed $739,840 for animal care and maintenance costs during the audit period. We determined that $135,492 is allowable and $604,348 is unallowable. The costs were unallowable because the city and county claimed unsupported costs and did not use actual cost data and animal census information in calculating actual care and maintenance costs.

The City agrees with the recommendation to establish and implement procedures to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

The City disagrees with the SCO's action implementing findings related to the March 26, 2010 appellate court decision Purifoy et al v. Howell and believes that an additional $7,205 in care and maintenance costs should be considered allowable.

The SCO began this audit on June 16, 2009 and calculated initial findings for the Care and Maintenance component not treating Saturday as a business day. In response to the Purifoy decision, the SCO retroactively deemed Saturday a business day and recalculated allowable care and maintenance costs, which increased the audit disallowance by $7,205. Had the audit been concluded prior to the SCO's reinterpretation in light of Purifoy, these costs would have been allowed. The City should not be penalized for the timing of this legal decision and the SCO's decision on how to prioritize this audit versus other tasks.

More broadly, the City believes that the SCO's interpretation of the Parameters and Guidelines (Ps and Gs) is in direct opposition to the stated goal of the mandate. The SCO has interpreted the Ps and Gs of the program to mean that costs incurred for animals that die in care after the extended holding period required by the mandate cannot be reimbursed, whereas costs incurred for animals that are euthanized after the extended holding period can be reimbursed. Because of this interpretation, the only way for agencies to recover costs for animals remaining in the shelter beyond the extended holding period is to euthanize the animals, thus providing a financial incentive to directly subvert the stated goal of the mandate to increase adoptions and reduce euthanasia.

Finding 5 – Understated increased holding period costs. The city and county claimed $316,481 for the Increased Holding Period cost component during the audit period. We determined that $748,353 is allowable (costs were understated by $482,081 and overstated by $50,209).

The City agrees with the finding and appreciates the opportunity provided through the audit to develop a consistent and accurate way to identify these costs. Presently, the State funded Animal Adoption Program has been suspended and it is not know if and when the program will be reinstated.

If and when the Animal Adoption Program is reinstated the City will develop and implement policies and procedures in accordance with the reinstated Program's

Parameters and Guidelines to ensure future claimed costs are properly calculated and supported by source documentation.

Finding 6 – Unallowable feral cats costs. The city and county claimed a total of $78,874 for salaries, benefits, related indirect costs, and materials and supplies under the component of Feral Cats during the audit period. We determined that $52,476 is allowable and $26,398 is unallowable.

The City agrees with the finding and appreciates the opportunity provided through the audit to develop a consistent and accurate way to identify these costs for future claims. As indicated previously, the State funded Animal Adoption Program has been suspended and it is not know if and when the program will be reinstated.

If and when the Animal Adoption Program is reinstated the City will develop and implement policies and procedures in accordance with the reinstated Program's Parameters and Guidelines to ensure future claimed costs are properly calculated and supported by source documentation.

Finding 7 – Unallowable lost and found lists costs. The city and county claimed a total of $338,649 for salaries, benefits, and related indirect costs under the component of Lost and Found Lists during the audit period. We determined that $285,176 is allowable and $53,473 is unallowable.

The City agrees with the finding and appreciates the opportunity provided through the audit to conduct a time study to support these costs. As indicated previously, the State funded Animal Adoption Program has been suspended and it is not know if and when the program will be reinstated.

If and when the Animal Adoption Program is reinstated the City will develop and implement policies and procedures in accordance with the reinstated Program's Parameters and Guidelines to ensure future claimed costs are properly calculated and supported by source documentation.

Finding 8 – Unallowable non-medical records costs. The city and county claimed $1,819,131 for the Maintaining Non-Medical Records cost component during the audit period. We determined that $646,951 is allowable and $1,172,180 is unallowable.

The City agrees with the finding and appreciates the opportunity provided through the audit to perform a time study to capture actual costs associated with maintenance of non-medical records. As indicated previously, the State funded Animal Adoption Program has been suspended and it is not know if and when the program will be reinstated.

If and when the Animal Adoption Program is reinstated the City will develop and implement policies and procedures in accordance with the reinstated Program's Parameters and Guidelines to ensure future claimed costs are properly calculated and supported by source documentation.

Finding 9 – Unallowable necessary and prompt veterinary costs. The city and county claimed $1,014,676 under the Necessary and Prompt Veterinary Care cost component during the audit period. We determined that $24,826 is allowable and $989,850 is unallowable.

The City agrees with the recommendation to establish and implement procedures to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

As stated in our response to Finding 4, the City disagrees with the SCO's action implementing findings related to the March 26, 2010 appellate court decision Purifoy et al v. Howell. For the necessary and prompt veterinary costs component the City believes that an additional $10,287 should be considered allowable.

The SCO began this audit on June 16, 2009 and calculated initial findings for the Care and Maintenance component not treating Saturday as a business day. In response to the Purifoy decision, the SCO retroactively deemed Saturday a business day and recalculated necessary and prompt veterinary costs, which decreased allowable costs by $10,287. Had the audit been concluded prior to SCO's reinterpretation in light of Purifoy, these costs would have been allowed. The City should not be penalized for the timing of this legal decision and the SCO's decision on how to prioritize the audit versus other tasks.

More broadly, the City believes that the State Controller's Office's interpretation of the Parameters and Guidelines (Ps and Gs) is in direct opposition to the stated goal of the mandate. The SCO has interpreted the Ps and Gs of the program to mean that costs incurred for animals that die in care after the extended holding period required by the mandate cannot be reimbursed, whereas costs incurred for animals that are euthanized after the extended holding period can be reimbursed. Because of this interpretation, the only way for agencies to recover costs for animals remaining in the shelter beyond the extended holding period is to euthanize the animals, thus providing a financial incentive to directly subvert the stated goal of the mandate to increase adoptions and reduce euthanasia.

Thank you for the opportunity to respond to the audit. Please contact me or Michelle Allersma of my staff at (415) 554-4792 if you have any questions.

Sincerely,

Ben Rosenfield
Controller

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