

CITY OF TURLOCK

Revised Audit Report

ANIMAL ADOPTION PROGRAM

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

*July 1, 1998, through June 30, 2003
and July 1, 2004, through June 30, 2006*



JOHN CHIANG
California State Controller

June 2014



JOHN CHIANG
California State Controller

June 30, 2014

The Honorable John Lazar
Mayor of the City of Turlock
156 S Broadway
Turlock, CA 95380

Dear Mayor Lazar:

The State Controller's Office audited the costs claimed by the City of Turlock 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, 2006. We did not audit the period of July 1, 2003, through June 30, 2004, because the program was suspended during this time. This revised report supersedes our previous report dated January 30, 2009. We revised the audit findings based on the results of a time study performed by the city. Allowable costs increased by \$322,834, from \$89,634 to \$412,468.

The city claimed \$1,846,424 for the mandated program. Our audit found that \$412,468 is allowable and \$1,433,956 is unallowable. The costs were unallowable because the city claimed unsupported costs. The State paid the city \$1,114,153. The amount paid exceeds allowable costs claimed by \$701,685.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/sk

cc: Roy Wasden, City Manager
City of Turlock
Marie Lorenzi, Senior Accountant
City of Turlock
Michael Byrne, Principal Program Budget Analyst
Mandates Unit
Department of Finance
Jay Lal
Division of Accounting and Reporting
State Controller's Office

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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City of Turlock 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, 2006. We did not audit the period of July 1, 2003, through June 30, 2004, because the program was suspended during that time.

The city claimed \$1,846,424 for the mandated program. Our audit disclosed that \$412,468 is allowable and \$1,433,956 is unallowable. The costs were unallowable because the city claimed unsupported costs. The State paid the city \$1,114,153. The amount paid exceeds allowable costs claimed by \$701,685.

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:

- Verification of the temperament of feral cats;
- Posting of lost and found lists;
- Maintenance of records for impounded animals; and
- Impounded animals to 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. 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, 2006, excluding July 1, 2003, through June 30, 2004.

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's internal controls to gain 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 of Turlock claimed \$1,846,424 for costs of the Animal Adoption Program. Our audit disclosed that \$412,468 is allowable and \$1,433,956 is unallowable.

For the FY 1998-99 claim, the State made no payment to the city. Our audit disclosed that \$8,872 allowable. The State will pay this amount contingent upon available appropriations.

For the FY 1999-2000 claim, the State paid the city \$15,369. Our audit disclosed that \$28,522 allowable. The State will pay \$13,153 contingent upon available appropriations.

For the FY 2000-01 claim, the State paid the city \$123,105. Our audit disclosed that \$29,491 allowable. The State will offset \$93,614 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

For the FY 2001-02 claim, the State made no payment to the city. Our audit disclosed that \$30,557 is allowable. The State will pay this amount contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payment to the city. Our audit disclosed that \$37,069 is allowable. The State will pay this amount contingent upon available appropriations.

For the FY 2004-05 claim, the State paid the city \$629,308. Our audit disclosed that \$208,152 is allowable. The State will offset \$421,156 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

For the FY 2005-06 claim, the State paid the city \$346,371. Our audit disclosed that \$69,805 is allowable. The State will offset \$276,566 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

**Views of
Responsible
Official**

We issued a final audit report on January 30, 2009. The city did not agree with the audit results. The city requested, and we agreed, that it be allowed to perform a time study to recover reimbursable costs. Subsequently, the city performed a time study that supported additional costs. We reviewed the time study results. As a result of our review of the city's time study, allowable costs increased by \$322,834, from \$89,634 to \$412,468. In a letter dated June 24, 2014 (Attachment), Roy Wasden, City Manager, concurred with the revised audit results.

This revised report supersedes the previous report issued January 30, 2009.

Restricted Use

This report is solely for the information and use of the City of Turlock, 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

June 30, 2014

**Revised Schedule 1—
Summary of Program Costs
July 1, 1998, through June 30, 2006**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 1998, through June 30, 1999</u>				
Direct costs:				
Policies and procedures	\$ 3,249	\$ —	\$ (3,249)	Finding 1
Training	4,178	—	(4,178)	Finding 2
Computer software	3,482	—	(3,482)	Finding 3
Care and maintenance of other animals ²	—	16	16	Finding 6
Holding period	580	1,573	993	Finding 7
Feral cats	9,284	701	(8,583)	Finding 8
Lost and found lists	5,687	2,221	(3,466)	Finding 9
Non-medical records	—	1,190	1,190	Finding 10
Veterinary care	—	236	236	Finding 11
Total direct costs	26,460	5,937	(20,523)	
Indirect costs	12,444	2,935	(9,509)	Finding 13
Total program costs	<u>\$ 38,904</u>	8,872	<u>\$ (30,032)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 8,872</u>		
<u>July 1, 1999, through June 30, 2000</u>				
Direct costs:				
Policies and procedures	\$ 3,366	\$ —	\$ (3,366)	Finding 1
Computer software	2,244	—	(2,244)	Finding 3
Care and maintenance of dogs and cats ²	73,217	5,490	(67,727)	Finding 6
Care and maintenance of other animals ²	—	31	31	Finding 6
Holding period	2,334	4,116	1,782	Finding 7
Feral cats	15,632	2,116	(13,516)	Finding 8
Lost and found lists	10,997	3,739	(7,258)	Finding 9
Non-medical records	—	2,942	2,942	Finding 10
Veterinary care	—	605	605	Finding 11
Procuring equipment	4,600	—	(4,600)	Finding 12
Total direct costs	112,390	19,039	(93,351)	
Indirect costs	18,334	9,483	(8,851)	Finding 13
Total program costs	<u>\$ 130,724</u>	28,522	<u>\$ (102,202)</u>	
Less amount paid by the State		(15,369)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 13,153</u>		

Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2000, through June 30, 2001</u>				
Direct costs:				
Care and maintenance of dogs and cats ²	\$ 76,072	\$ 4,373	\$ (71,699)	Finding 6
Care and maintenance of other animals ²	—	39	39	Finding 6
Holding period	3,441	4,763	1,322	Finding 7
Feral cats	12,574	2,348	(10,226)	Finding 8
Lost and found lists	16,578	5,299	(11,279)	Finding 9
Non-medical records	—	3,730	3,730	Finding 10
Veterinary care	—	748	748	Finding 11
Procuring equipment	1,168	—	(1,168)	Finding 12
Total direct costs	109,833	21,300	(88,533)	
Indirect costs	13,272	8,191	(5,081)	Finding 13
Total direct and indirect costs	<u>\$ 123,105</u>	29,491	<u>\$ (93,614)</u>	
Less amount paid by the State		(123,105)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (93,614)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Care and maintenance of dogs and cats ²	\$ 160,000	\$ 4,951	\$ (155,049)	Finding 6
Care and maintenance of other animals ²	10	58	48	Finding 6
Holding period	6,660	4,060	(2,600)	Finding 7
Feral cats	27,427	2,622	(24,805)	Finding 8
Lost and found lists	18,055	4,861	(13,194)	Finding 9
Non-medical records	98,660	4,368	(94,292)	Finding 10
Veterinary care	—	877	877	Finding 11
Procuring equipment	11,346	—	(11,346)	Finding 12
Total direct costs	322,158	21,797	(300,361)	
Indirect costs	—	8,760	8,760	Finding 13
Total program costs	<u>\$ 322,158</u>	30,557	<u>\$ (291,601)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 30,557</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Care and maintenance of dogs and cats ²	\$ 119,404	\$ 7,240	\$ (112,164)	Finding 6
Care and maintenance of other animals ²	3	89	86	Finding 6
Holding period	6,906	5,170	(1,736)	Finding 7
Feral cats	32,360	3,844	(28,516)	Finding 8
Lost and found lists	20,719	5,835	(14,884)	Finding 9
Non-medical records	76,462	6,217	(70,245)	Finding 10
Veterinary care	—	1,245	1,245	Finding 11
Total direct costs	255,854	29,640	(226,214)	
Indirect costs	—	7,429	7,429	Finding 13

Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2002, through June 30, 2003 (continued)</u>				
Total program costs	\$ 255,854	37,069	\$ (218,785)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 37,069		
<u>July 1, 2003, through June 30, 2004 ³</u>				
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Renovating facilities	\$ 249,087	\$ 156,693	\$ (92,394)	Finding 5
Care and maintenance of dogs and cats ²	67,527	7,806	(59,721)	Finding 6
Care and maintenance of other animals ²	384	55	(329)	Finding 6
Holding period	18,882	5,867	(13,015)	Finding 7
Feral cats	26,054	6,780	(19,274)	Finding 8
Lost and found lists	118,513	7,850	(110,663)	Finding 9
Non-medical records	52,005	11,443	(40,562)	Finding 10
Veterinary care	70,120	2,106	(68,014)	Finding 11
Procuring equipment	26,736	—	(26,736)	Finding 12
Total direct costs	629,308	198,600	(430,708)	
Indirect costs	—	9,552	9,552	Finding 13
Total program costs	\$ 629,308	208,152	\$ (421,156)	
Less amount paid by the State		(629,308)		
Allowable costs claimed in excess of (less than) amount paid		\$ (421,156)		
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Acquiring space and facilities	\$ 98,282	\$ 16,612	\$ (81,670)	Finding 4
Care and maintenance of dogs and cats ²	38,311	7,156	(31,155)	Finding 6
Care and maintenance of other animals ²	—	75	75	Finding 6
Holding period	27,315	6,458	(20,857)	Finding 7
Feral cats	9,149	6,242	(2,907)	Finding 8
Lost and found lists	41,737	8,217	(33,520)	Finding 9
Non-medical records	91,301	11,150	(80,151)	Finding 10
Veterinary care	23,190	2,113	(21,077)	Finding 11
Procuring equipment	13,868	—	(13,868)	Finding 12
Total direct costs	343,153	58,023	(285,130)	
Indirect costs	3,218	11,782	8,564	Finding 13
Total program costs	\$ 346,371	69,805	\$ (276,566)	
Less amount paid by the State		(346,371)		
Allowable costs claimed in excess of (less than) amount paid		\$ (276,566)		

Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>Summary: July 1, 1998, through June 30, 2006</u>				
Direct costs:				
Policies and procedures	\$ 6,615	\$ —	\$ (6,615)	
Training	4,178	—	(4,178)	
Computer software	5,726	—	(5,726)	
Acquiring space and facilities	98,282	16,612	(81,670)	
Renovating facilities	249,087	156,693	(92,394)	
Care and maintenance of dogs and cats ²	534,531	37,016	(497,515)	
Care and maintenance of other animals ²	397	363	(34)	
Holding period	66,118	32,007	(34,111)	
Feral cats	132,480	24,653	(107,827)	
Lost and found lists	232,286	38,022	(194,264)	
Non-medical records	318,428	41,040	(277,388)	
Veterinary care	93,310	7,930	(85,380)	
Procuring equipment	57,718	—	(57,718)	
Total direct costs	1,799,156	354,336	(1,444,820)	
Indirect costs	47,268	58,132	10,864	
Total program costs	<u>\$ 1,846,424</u>	412,468	<u>\$ (1,433,956)</u>	
Less amount paid by the State		(1,114,153)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (701,685)</u>		
<u>Summary by Object Account: July 1, 1998, through June 30, 2004, and July 1, 2005, through June 30, 2006</u>				
Direct Costs:				
Salaries and benefits	\$ 911,475	\$ 169,219	\$ (740,148)	
Materials and supplies	540,299	11,812	(528,487)	
Contract services	347,382	173,305	(174,077)	
Total direct costs	1,799,156	354,336	(1,444,820)	
Indirect costs	47,268	58,132	10,864	
Total program costs	<u>\$ 1,846,424</u>	412,468	<u>\$ (1,433,956)</u>	
Less amount paid by the State		(1,114,153)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (701,685)</u>		

¹ See the Findings and Recommendations section.

² See Schedule 2 – Summary of Care and Maintenance Costs.

³ The Animal Adoption program was suspended for FY 2003-04.

**Schedule 2—
Summary of Care and Maintenance Costs
July 1, 1998, through June 30, 2003,
and July 1, 2004, through June 30, 2006**

Category	Amounts Claimed		Actual Costs Claimed	Allowable Per Audit		Total Costs Allowable	Audit Adjustment ¹
	Contract Dogs & Cats	Services Other Animals		Salaries and Benefits	Materials and Supplies		
<u>July 1, 1998, through June 30, 1999</u>							
Total care and maintenance costs	\$ —	\$ —		\$ 10,066	\$ 7,032		
Total animal census	÷ —	÷ —		÷ 6,369	÷ 6,369		
Cost per day	\$ —	\$ —		\$ 1.58	\$ 1.10		
Care and Maintenance of Other Eligible Animals							
Cost per day (at 50%)	\$ —	\$ —		\$ 0.79	\$ 0.55		
Number of eligible other animals	× —	× —		× 2	× 2		
Reimbursable days	× —	× —		× 6	× 6		
Total care and maintenance costs for other animals	\$ —	\$ —	\$ —	\$ 9	\$ 7	\$ 16	\$ 16
Total care and maintenance costs	\$ —	\$ —	\$ —	\$ 9	\$ 7	\$ 16	\$ 16
<u>July 1, 1999, through June 30, 2000</u>							
Total care and maintenance costs	\$ 19,642	\$ —		\$ 11,261	\$ 12,043		
Total animal census	÷ 2,646	÷ —		÷ 9,079	÷ 9,079		
Cost per day	\$ 7.42	\$ —		\$ 1.24	\$ 1.33		
Care and Maintenance of Dogs and Cats:							
Cost per day	\$ 7.42	\$ —		\$ 1.24	\$ 1.33		
Number of eligible dogs and cats	× 1,644	× —		× 712	× 712		
Reimbursable days	× 6	× —		× 3	× 3		
Total care and maintenance costs for dogs and cats ¹	\$ 73,216	\$ —	\$ 73,216	\$ 2,649	\$ 2,841	\$ 5,490	\$ (67,726)
Care and Maintenance of Other Eligible Animals:							
Cost per day	\$ —	\$ —		\$ 1.24	\$ 1.33		
Number of eligible other animals	× —	× —		× 2	× 2		
Reimbursable days	× —	× —		× 6	× 6		
Total care and maintenance costs for other animals	\$ —	\$ —	\$ —	\$ 15	\$ 16	\$ 31	\$ 31
Total care and maintenance costs	\$ 73,216	\$ —	\$ 73,216	\$ 2,664	\$ 2,857	\$ 5,521	\$ (67,695)
<u>July 1, 2000, through June 30, 2001</u>							
Total care and maintenance costs	\$ 17,130	\$ —		\$ 13,263	\$ 5,390		
Total animal census	÷ 2,373	÷ —		÷ 8,645	÷ 8,645		
Cost per day	\$ 7.22	\$ —		\$ 1.53	\$ 0.62		
Care and Maintenance of Dogs and Cats:							
Cost per day	\$ 7.22	\$ —		\$ 1.53	\$ 0.62		
Number of eligible dogs and cats	× 1,756	× —		× 678	× 678		
Reimbursable days	× 6	× —		× 3	× 3		

Schedule 2 (continued)

Category	Amounts Claimed		Actual Costs Claimed	Allowable Per Audit		Total Costs Allowable	Audit Adjustment ¹
	Contract Dogs & Cats	Services Other Animals		Salaries and Benefits	Materials and Supplies		
<u>July 1,2000, through June 30, 2001 (continued)</u>							
Total care and maintenance costs for dogs and cats ¹	\$ 76,072	\$ —	\$ 76,072	\$ 3,112	\$ 1,261	\$ 4,373	\$ (71,699)
Care and Maintenance of Other Eligible Animals:							
Cost per day	\$ —	\$ —		\$ 1.53	\$ 0.62		
Number of eligible other animals	×	— ×		×	3 ×	3	
Reimbursable days	×	— ×		×	6 ×	6	
Total care and maintenance costs for other animals	\$ —	\$ —	\$ —	\$ 28	\$ 11	\$ 39	\$ 39
Total care and maintenance costs	\$ 76,072	\$ —	\$ 76,072	\$ 3,140	\$ 1,272	\$ 4,412	\$ (71,660)
<u>July 1,2001, through June 30, 2002</u>							
Total care and maintenance costs	\$ 170,475	\$ 1,500		\$ 13,884	\$ 7,115		
Total animal census	÷ 2,555	÷ 365		÷ 11,019	÷ 11,019		
Cost per day ¹	\$ 66.72	\$ 4.11		\$ 1.26	\$ 0.65		
Care and Maintenance of Dogs and Cats:							
Cost per day	\$ 66.72	\$ —		\$ 1.26	\$ 0.65		
Number of eligible dogs and cats	×	1,199 ×		×	864 ×	864	
Reimbursable days	×	2 ×		×	3 ×	3	
Total care and maintenance costs for dogs and cats ¹	\$ 160,000	\$ —	\$ 160,000	\$ 3,266	\$ 1,685	\$ 4,951	\$ (155,049)
Care and Maintenance of Other Eligible Animals:							
Cost per day	\$ —	\$ 4.11		\$ 1.26	\$ 0.65		
Number of eligible other animals	×	— ×	15	×	5 ×	5	
Reimbursable days	×	— ×	6	×	6 ×	6	
Total care and maintenance costs for other animals	\$ —	\$ 370	\$ 10	\$ 38	\$ 20	\$ 58	\$ 48
Total care and maintenance costs	\$ 160,000	\$ 10	\$ 160,010	\$ 3,304	\$ 1,705	\$ 5,009	\$ (155,001)
<u>July 1,2002, through June 30, 2003</u>							
Total care and maintenance costs	\$ 117,000	\$ 450		\$ 21,797	\$ 8,869		
Total animal census	÷ 2,920	÷ 365		÷ 12,559	÷ 12,559		
Cost per day	\$ 40.07	\$ 1.23		\$ 1.74	\$ 0.71		
Care and Maintenance of Dogs and Cats:							
Cost per day	\$ 40.07	\$ —		\$ 1.74	\$ 0.71		
Number of eligible dogs and cats	×	1,490 ×		×	985 ×	985	
Reimbursable days	×	2 ×		×	3 ×	3	
Total care and maintenance costs for dogs and cats ¹	\$ 119,404	\$ —	\$ 119,404	\$ 5,142	\$ 2,098	\$ 7,240	\$ (112,164)
Care and Maintenance of Other Eligible Animals							
Cost per day	\$ —	\$ 1.23		\$ 1.74	\$ 0.71		
Number of eligible other animals	×	— ×	15	×	6 ×	6	
Reimbursable days	×	— ×	6	×	6 ×	6	

Schedule 2 (continued)

Category	Amounts Claimed		Actual Costs Claimed	Allowable Per Audit		Total Costs Allowable	Audit Adjustment ¹
	Contract Dogs & Cats	Services Other Animals		Salaries and Benefits	Materials and Supplies		
<u>July 1,2002, through June 30, 2003 (continued)</u>							
Total care and maintenance costs for other animals	\$ —	\$ 111	\$ 3	\$ 63	\$ 26	\$ 89	\$ 86
Total care and maintenance costs	<u>\$ 119,404</u>	<u>\$ 3</u>	<u>\$ 119,407</u>	<u>\$ 5,205</u>	<u>\$ 2,124</u>	<u>\$ 7,329</u>	<u>\$ (112,078)</u>
<u>July 1,2004, through June 30, 2005</u>							
Total care and maintenance costs	\$ 268,807	\$ 22,375		\$ 25,434	\$ 9,206		
Total animal census	÷ 18,980	÷ 365		÷ 18,980	÷ 18,980		
Cost per day	<u>\$ 14.16</u>	<u>\$ 61.30</u>		<u>\$ 1.34</u>	<u>\$ 0.49</u>		
Care and Maintenance of Dogs and Cats:							
Cost per day	\$ 14.16	\$ —		\$ 1.34	\$ 0.49		
Number of eligible dogs and cats	× 2,384	× —		× 1,422	× 1,422		
Reimbursable days	× 2	× —		× 3	× 3		
Total care and maintenance costs for dogs and cats ¹	<u>\$ 67,527</u>	<u>\$ —</u>	<u>\$ 67,527</u>	<u>\$ 5,716</u>	<u>\$ 2,090</u>	<u>\$ 7,806</u>	<u>\$ (59,721)</u>
Care and Maintenance of Other Eligible Animals							
Cost per day	\$ —	\$ 61.30		\$ 1.34	\$ 0.49		
Number of eligible other animals	× —	× 3		× 5	× 5		
Reimbursable days	× —	× 2		× 6	× 6		
Total care and maintenance costs for other animals ¹	<u>\$ —</u>	<u>\$ 384</u>	<u>\$ 384</u>	<u>\$ 40</u>	<u>\$ 15</u>	<u>\$ 55</u>	<u>\$ (329)</u>
Total care and maintenance costs	<u>\$ 67,527</u>	<u>\$ 384</u>	<u>\$ 67,911</u>	<u>\$ 5,756</u>	<u>\$ 2,105</u>	<u>\$ 7,861</u>	<u>\$ (60,050)</u>
<u>July 1,2005, through June 30, 2006</u>							
Total care and maintenance costs	\$ 183,375	\$ —		\$ 26,966	\$ 8,600		
Total animal census	÷ 14,235	÷ —		÷ 14,235	÷ 14,235		
Cost per day	<u>\$ 12.88</u>	<u>\$ —</u>		<u>\$ 1.89</u>	<u>\$ 0.60</u>		
Care and Maintenance of Dogs and Cats:							
Cost per day	\$ 12.88	\$ —		\$ 1.89	\$ 0.60		
Number of eligible dogs and cats	× 1,487	× —		× 958	× 958		
Reimbursable days	× 2	× —		× 3	× 3		
Total care and maintenance costs for dogs and cats ¹	<u>\$ 38,311</u>	<u>\$ —</u>	<u>\$ 38,311</u>	<u>\$ 5,432</u>	<u>\$ 1,724</u>	<u>\$ 7,156</u>	<u>\$ (31,155)</u>
Care and Maintenance of Other Eligible Animals							
Cost per day	\$ —	\$ —		\$ 1.89	\$ 0.60		
Number of eligible other animals	× —	× —		× 5	× 5		
Reimbursable days	× —	× —		× 6	× 6		
Total care and maintenance costs for other animals	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 57</u>	<u>\$ 18</u>	<u>\$ 75</u>	<u>\$ 75</u>
Total care and maintenance costs	<u>\$ 38,311</u>	<u>\$ —</u>	<u>\$ 38,311</u>	<u>\$ 5,489</u>	<u>\$ 1,742</u>	<u>\$ 7,231</u>	<u>\$ (31,080)</u>

Schedule 2 (continued)

Category	Amounts Claimed		Actual Costs Claimed	Allowable Per Audit			Audit Adjustment ¹
	Contract Dogs & Cats	Services Other Animals		Salaries and Benefits	Materials and Supplies	Total Costs Allowable	
<u>Summary: July 1, 1998, through June 30, 2003;</u>							
<u>and July 1, 2005, through June 30, 2007</u>							
Care and maintenance							
Dogs and cats	\$ 534,530	\$ —	\$ 534,530	\$ 25,317	\$ 11,699	\$ 37,016	\$ (497,514)
Other eligible animals	—	397	397	250	113	363	\$ (34)
Total care and maintenance costs	<u>\$ 534,530</u>	<u>\$ 397</u>	<u>\$ 534,927</u>	<u>\$ 25,567</u>	<u>\$ 11,812</u>	<u>\$ 37,379</u>	<u>\$ (497,548)</u>

¹ Difference due to rounding.

Findings and Recommendations

**FINDING 1—
Unallowable one-time
Developing Policies
and Procedures
Component costs**

The city claimed \$6,615 in salaries and benefits under the one-time activity of developing policies and procedures. We found that all costs claimed are unallowable because the city did not provide source documents to validate the time spent developing policies and procedures on the mandated program.

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

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
1998-99	\$ 3,249	\$ -	\$ (3,249)
1999-2000	3,366	-	(3,366)
Total	<u>\$ 6,615</u>	<u>\$ -</u>	<u>\$ (6,615)</u>

Using a methodology suggested by its mandated cost consultant, the city claimed 140 hours for fiscal year (FY) 1998-99 and 150 hours for FY 1999-2000 spent by the Shelter Manager to develop policies and procedures to comply with the reimbursable activities. However, all of the time claimed was based on estimates that were not certified. No additional information was provided indicating what policies and procedures were developed.

The program’s parameters and guidelines (Section IV.A.1–One Time Activities) identify the following one-time reimbursable activity:

Develop policies and procedures to implement the reimbursable activities in listed in Section IV (B) of these parameters and guidelines.

The parameters and guidelines (Section VI–Supporting Data) state that:

For auditing purposes, all costs claimed shall be traceable to source documents (e.g., employee time records, cost allocation reports, invoices, receipts, purchase orders, contracts, worksheets, calendars, declarations, time studies, etc.) that show evidence of the validity of such costs and their relationship to this mandate.

Recommendation

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

**FINDING 2—
Unallowable one-time
training costs**

The city claimed \$4,178 in salaries and benefits in its claim for FY 1998-99 for under the one-time activity of training. We found that all costs claimed are unallowable because the city did not provide source documents to validate time spent by employees attending training sessions on the mandated program.

The city estimated that the Shelter Manager spent 180 hours in FY 1998-99 providing training on the reimbursable activities. However, the time was based on estimates that were not certified and no additional information was provided as to the nature of the training provided or who attended the training.

The parameters and guidelines (Section IV.A.2—One Time Activities) identify the following one-time reimbursable activity:

Train staff on the reimbursable activities listed in Section IV (B) of these parameters and guidelines. (One-time per employee.)

The parameters and guidelines (Section VI—Supporting Data) state that:

For auditing purposes, all costs claimed shall be traceable to source documents (e.g., employee time records, cost allocation reports, invoices, receipts, purchase orders, contracts, worksheets, calendars, declarations, time studies, etc.) that show evidence of the validity of such costs and their relationship to this mandate.

Recommendation

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

**FINDING 3—
Unallowable one-time
computer software
costs**

The city claimed \$5,726 in salaries and benefits under the Developing or Procuring Computer Software for the Maintenance of Animal Records cost component. We found that all costs claimed are unallowable because the city did not provide source documents to validate the time spent developing or procuring software.

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

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
1998-99	\$ 3,482	\$ -	\$ (3,482)
1999-2000	2,244	-	(2,244)
Total	<u>\$ 5,726</u>	<u>\$ -</u>	<u>\$ (5,726)</u>

Using a methodology suggested by its mandated cost consultant, the city included 150 hours in its claim for FY 1998-99 and 100 hours in its FY 1999-2000 claim for time spent by the Shelter Manager to develop or procure software. However, all of the time claimed was based on

estimates that were not certified. In addition, no computer software was developed or procured by the city to maintain its animal records. Throughout the audit period, the city's animal shelter used a manual system to track non-medical animal data.

The parameters and guidelines (Section IV.A.3—One Time Activities) identify the following one-time reimbursable activity:

Develop or procure computer software for the maintenance of records on animals specified in Section IV (B) (8) of these parameters and guidelines to the extent that these costs are not claimed as indirect costs under Section V (B) of these parameters and guidelines.

The parameters and guidelines (Section VI—Supporting Data) state that:

For auditing purposes, all costs claimed shall be traceable to source documents (e.g., employee time records, cost allocation reports, invoices, receipts, purchase orders, contracts, worksheets, calendars, declarations, time studies, etc.) that show evidence of the validity of such costs and their relationship to this mandate.

Recommendation

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

FINDING 4— Overstated acquisition of additional space and/or construction of new facility costs

The city claimed direct costs totaling \$98,282 in its claim for FY 2005-06 under the Acquisition of Additional Space and/or Construction of New Facilities cost component. We found that \$16,612 is allowable and \$81,670 is unallowable. The costs are unallowable because the city used an incorrect allocation percentage in its formula to determine reimbursable costs.

Beginning in FY 2005-06, the revised parameters and guidelines for the Animal Adoption Program used a formula to compute reimbursable costs for this cost component based on animal shelter statistics (total animal average daily census, square footage of the facility, and total dog/cat average daily census) applicable to 1998. The formula to determine the proportionate share of actual costs that are reimbursable is based on changes made to animal shelter square footage in the claim year based on shelter footage in FY 1998-99 as well as the total population of animals and “eligible” animals in the claim year relative to animal census information for FY 1998-99. The number of “eligible” animals includes the number of animals that died during the increased holding period plus those euthanized after the required holding period.

The city provided supporting documentation for the contract services costs that it incurred to construct additional shelter space during FY 2005-06. In the formula to compute reimbursable costs, the city determined a pro-rata percentage of 71%; however, the city did not accurately report the animal census data and square footage of the animal shelter when calculating the pro-rata percentage. We determined an

allowable pro-rata percentage of 12% based on the annual census data from the city's Animal Services Yearly Report and the square footage of the from the city's Engineering Department's Animal Control Site Plan.

The parameters and guidelines (Section IV.B.1–Acquisition of Additional Space and/or Construction of New Facilities) identify the following reimbursable activities:

Beginning January 1, 1999 – acquiring additional space by purchase or lease and/or construction of new facilities to provide appropriate or adequate shelter necessary to comply with the mandated activities during the increased holding period for impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that die during the increased holding period or are ultimately euthanized.

Eligible claimants are only entitled to reimbursement for the proportionate share of actual costs required to impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that are held during the *increased* holding period specified in Sections IV (B) (3) and (4) of these Parameters and Guidelines and die during the increased holding period or are ultimately euthanized, to the total population of animals housed in the facility (including those animals that are excluded from reimbursement, as specified in Sections IV (B) (3) and (4) of these Parameters and Guidelines) during the entire holding period required by Food and Agriculture Code sections 31108, 31752, and 31753.

Supporting Documentation Submitted with the Initial and Subsequent Reimbursement Claims

Acquiring additional space and/or construction of new facilities is reimbursable only to the extent that an eligible claimant submits, with the initial and/or subsequent reimbursement claim, documentation reflecting the following:

A determination by the governing board that acquiring additional space and/or constructing new facilities is necessary for the increased holding period required by Statutes of 1998, Chapter 752 because the existing facilities do not reasonably accommodate impounded stray or abandoned dogs, cats, and other specified animals that are ultimately euthanized. The determination by the governing board shall include all of the following findings:

- The average daily census of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that were impounded in 1998. For purposes of claiming reimbursement under section IV.B.1, average Daily Census is defined as the average number of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 housed on any given day, in a 365-day period;
- The average daily census of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that were impounded in a given year under the holding periods required by Food and Agriculture Code sections 31108, 31752, and 31753, as added or amended by Statutes of 1998, Chapter 752;

- Existing facilities are not appropriately configured and/or equipped to comply with the increased holding period required by Statutes of 1998, Chapter 752;
- Remodeling existing facilities is not feasible or is more expensive than acquiring additional space and/or constructing new facilities to comply with the increased holding period required by Statutes 1998, chapter 752; and
- Contracting with existing private or public shelters in the area to house the increase of impounded stray or abandoned dogs, cats, or other animals specified in Statutes 1998, chapter 752 is not feasible or is more expensive than acquiring additional space and/or contracting new facilities to comply with the increased holding period required by Statutes 1998, chapter 752. This finding should include the cost to contract with existing shelters.

Documentation requirement may be satisfied in whole or in part by staff agenda items, staff reports, minutes of governing board meetings, transcripts of governing board meetings, certification by the governing board describing the finding and determination and/or a resolution adopted by the governing board pursuant to Food and Agriculture Code section 31755, as added by Statutes of 1999, Chapter 81 (Assembly Bill 1482).

Recommendation

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

FINDING 5— Overstated renovating facility costs

The city claimed direct costs totaling \$249,087 in its claim for FY 2004-05 under the Renovating Facilities cost component. We found that \$156,693 is allowable and \$92,394 is unallowable. The costs are unallowable because the city used an incorrect allocation percentage in its formula to determine reimbursable costs. We also found that the city understated total renovation costs incurred.

Allowable costs for this component are determined by a formula that includes the total actual costs incurred by the city for the remodeling or renovation of existing facilities multiplied by a ratio of animals euthanized after the required holding period to the number of animals housed at the shelter during the required holding period. In addition, the additional costs must have been incurred in order to comply with the mandated activities. We made adjustments to the costs incurred and to the animal population information when determining the amount allowable.

The city provided supporting documentation for the contract services costs that it claimed. The city computed a pro-rata percentage of 85%; however, the city did not accurately report the animal census data and square footage of the animal shelter when calculating the pro-rata percentage share of costs for the renovation/remodeling of facilities. We determined that the allowable pro-rata percentage is 53% based on the

annual census data from the city's Animal Services Yearly Report and the square footage from the city's Engineering Department's Animal Control Site Plan.

The parameters and guidelines (Section IV.B.2–Remodeling/Renovating Existing Facilities) identify the following reimbursable activities:

Beginning January 1, 1999, for remodeling/renovating existing facilities to provide appropriate or adequate shelter necessary to comply with the mandated activities during the increase holding period for impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that die during the increase holding period or are ultimately euthanized.

Eligible claimants are entitled to reimbursement for the proportionate share of actual costs required to plan, design, remodel, and/or renovate existing facilities in a given fiscal year based on the pro rata representation of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that are held during the increased holding period specified in Sections IV (B) (3) and (4) of these parameters and guidelines and die during the increased holding period or are ultimately euthanized, to the total population of animals housed in the facility. The population of animals housed in the facilities includes those animals that are excluded from reimbursement, as specified in Sections IV (B)(3) and (4) of these parameters and guidelines during the entire holding period required by Food and Agriculture Code sections 31108, 31752, and 31753.

Supporting Documentation Submitted with the Initial and Subsequent Reimbursement Claims

Remodeling/renovating existing facilities is reimbursable only to the extent that an eligible claimant submits, with the initial and/or subsequent reimbursement claim, documentation reflecting the following:

A determination by the governing board that remodeling/renovating existing facilities is necessary because the existing facilities do not reasonably accommodate impounded stray or abandoned dogs, cats, and other specified animals that are ultimately euthanized for the increased holding period required by Statutes of 1998, Chapter 752. The determination by the governing board shall include all of the following findings:

- The average daily census of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that were impounded in 1998. For purposes of claiming reimbursement under section IV.B.2, average Daily Census is defined as the average number of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 housed on any given day, in a 365-day period;
- The average daily census of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that were impounded in a given year under the holding periods required by Food and Agriculture Code sections 31108, 31752, and 31753, as added or amended by Statutes of 1998, Chapter 752;

- Existing facilities are not appropriately configured and/or equipped to comply with the increased holding period required by Statutes of 1998, chapter 752; and
- Contracting with existing private or public shelters in the area to house the increase of impounded stray or abandoned dogs, cats or other animals specified in Statutes 1998, chapter 752 is not feasible or is more expensive than remodeling/renovating existing facilities to comply with the increased holding period required by Statutes 1998, chapter 752.

Documentation requirements may be satisfied in whole or in part by staff agenda items, staff reports, minutes of governing board meetings, transcripts of governing board meeting, certification by the governing board describing the finding and determination and/or a resolution adopted by the governing board pursuant to Food and Agriculture Code section 31755, as added by Statutes of 1999, Chapter 81 (Assembly Bill 1482).

Recommendation

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

**FINDING 6—
Overstated care and
maintenance costs**

The city claimed \$534,928 (\$534,531 for dogs and cats and \$397 for other animals) during the audit period for the Care and Maintenance cost component. We found that \$37,379 (\$37,016 for dogs and cats and \$363 for other animals) is allowable and \$497,549 is unallowable. The costs are unallowable because the city overstated its salaries and benefits, materials and supplies, and contract services costs, misstated animal census data, overstated the cost per animal per day, overstated the number of eligible animals, and understated the number of reimbursable days.

The following table summarizes the claimed, allowable, and unallowable care and maintenance costs for the audit period separately for dogs and cats and other animals by fiscal year. Refer to Schedule 2 (Summary of Care and Maintenance Costs) for further details.

Fiscal Year	Dogs and Cats			Other Animals		
	Amount Claimed	Amount Allowable	Audit Adjustment	Amount Claimed	Amount Allowable	Audit Adjustment
1998-99	\$ -	\$ -	\$ -	\$ -	\$ 16	\$ 16
1999-2000	73,217	5,490	(67,727)	-	31	31
2000-01	76,072	4,373	(71,699)	-	39	39
2001-02	160,000	4,951	(155,049)	10	58	48
2002-03	119,404	7,240	(112,164)	3	89	86
2004-05	67,527	7,806	(59,721)	384	55	(329)
2005-06	38,311	7,156	(31,155)	-	75	75
Total	\$ 534,531	\$ 37,016	\$ (497,515)	\$ 397	\$ 363	\$ (34)

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.

The parameters and guidelines state that claimants may elect to use either the Actual Cost Method or the 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.

The parameters and guidelines specify the following steps for claiming costs using the Actual Cost Method:

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

- a) 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.
- b) 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 365-day period and the average number of all other animals at a facility housed on any given day, in a 365-day period.
- c) 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.
- d) Divide the total annual cost of care by the yearly census of dogs and cats to calculate the cost per dog and cat per day and by the yearly census of other animals to calculate the cost per other animal per day.
- e) 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.

Reimbursable days 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. The reimbursable days for other animals are four or six days from the day after impoundment.

Care and Maintenance Formula

The city elected to use the Actual Cost method to claim costs. 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 element of 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. Our calculation took into consideration that the required holding period does not include Saturday as a business day. This is consistent with an Appellate Court decision dated March 26, 2010.

The mandate reimburses claimants for costs associated with animals that were not relinquished, redeemed, adopted, or released to nonprofit agency, as well as animals for which the local agency was unable to assess fees to recover such costs.

Costs incurred by the city for care and maintenance consisted of salaries and benefits, materials and supplies, and related indirect costs (related indirect costs are addressed separately in Finding 13).

To calculate the cost per animal per day care in its claims for the audit period, the city allocated some of the expenditures incurred by its Animal Control Department between dogs and cats and other animals. Using forms provided by the city's mandated cost consultant, the city indicated the annual cost of care and maintenance of animals without providing any details on how the amounts were determined. The source of expenditures used was inconsistent because the amounts varied from 10.1% to 97.9% of total expenditures incurred within the Animal Control Department for any one fiscal year. To determine the cost per animal per day, the expenditures were divided by a number that was intended to represent the total animal census, although the numbers claimed were not always reasonable. For example, in some years, the animal census numbers used in the care and maintenance formula resulted in more claimed costs than the total amount of expenditures used in the calculation. The city multiplied the cost per animal per day times an unsupported number of eligible animals and then by either 2 or 6 reimbursable days to calculate claimable care and maintenance costs.

Schedule 2 (Summary of Care and Maintenance Costs) summarizes the adjustments that we made to claimed costs for animal care and maintenance. These adjustments consisted of changes to total annual costs incurred by the city for animal care and maintenance (salaries, benefits, and materials and supplies) and animal census data used to determine the cost per animal per day. The table also shows the changes to the number of eligible animals and the number of reimbursable days that we used to determine reimbursable costs for each year of the audit period.

Salaries and Benefits

The city performed a time study during the months of June, August, and December of 2008 and February of 2009 to determine the employee classifications involved in the care and maintenance of animals and the percentage of their time that was devoted to the reimbursable activities. The city also provided the actual salary and benefit amounts paid to the employee classifications directly involved with the care and maintenance function. Based on the results of the city's time study, we determined the shelter staff and their level of involvement in care and maintenance activities.

The following table details the number of and percentage of involvement for animal care and maintenance per employee classification:

<u>Employee Classification</u>	<u>Percentage Involvement</u>
Animal Control Supervisor	2%
Animal Control Officer (2)	12%
Kennel Attendant	46%

kennel Attendant

The Kennel Attendant's main duty is to provide care and maintenance of the animals. The city provided its job description for this employee classification, which contained a bullet-point list consisting of various duties performed. The percentage of time spent on care and maintenance activities during the time study comprised 46%, which we used to determine allowable costs. This percentage also was consistent with the range of activities included in the job description. Based on our observations and inquiries, we concurred with the city's assessment.

Animal Control Officers

Animal Control Officers' main duty is to provide animal control services in the field, not care and maintenance of animals in the shelter. However, the city's time study indicated that Animal Control Officers spent 12% of their time performing care and maintenance for stray animals brought into the shelter.

Shelter Supervisor

The Shelter Supervisor's main duty is to manage the Animal Shelter. However, the time study revealed that the Shelter Supervisor spent 2% of her time performing minimal care and maintenance activities for animals on an as-needed basis.

After we determined the employee classifications involved in the care and maintenance of animals and the extent of their involvement, we calculated allowable costs for labor, which includes the applicable percentages of actual salaries and benefits paid.

The following table summarizes the salaries and benefits amounts that we used in the care and maintenance formula by fiscal year:

Fiscal Year	Salaries and Benefits		
	Amount Claimed	Amount Allowable	Audit Adjustment
1998-99	\$ -	\$ 10,066	\$ 10,066
1999-2000	-	11,261	11,261
2000-01	-	13,263	13,263
2001-02	-	13,884	13,884
2002-03	-	21,797	21,797
2004-05	384	25,434	25,050
2005-06	-	26,966	26,966
Total	\$ 384	\$ 122,671	\$ 122,287

Contract Services

The city claimed contract services' costs of \$13 (\$10 for FY 2001-02 and \$3 for FY 2002-03) for other animals under the Care and Maintenance cost component. However, the costs were misclassified and should have been claimed as salaries and benefits.

Materials and Supplies

The city claimed materials and supplies costs totaling \$534,531 during the audit period (\$385,242 for dogs and cats and \$149,289 for other animals). However, the costs claimed as materials and supplies costs consisted of estimated salaries and benefits along with materials and supplies that were co-mingled together. The city's mandated cost consultant did not provide worksheets detailing how the claimed amounts were calculated. Therefore, the entire amount claimed was unallowable in the original audit report due to the lack of actual cost documentation

Subsequently, the city provided expenditure totals incurred each year for the various line item accounts contained within the Animal Services and Control Department's expenditure ledgers. The Shelter Manager confirmed that the line item account of "Supplies" (account number 423-003-001) was used during the audit period to post all materials and supplies expenditures for care and maintenance activities. In addition, the line item account of "Dog and Cat Food" (account number 423-003-050) was used to post food expenditures in some years of the audit period. The Shelter Manager explained that most of the food used for the care of animals was donated by city residents.

We applied material and supplies costs totaling \$58,255 in the care and maintenance formula to calculate the reimbursable costs in the program under the care and maintenance cost component.

The following table summarizes the claimed, allowable, and audit adjustment amounts for materials and supplies costs by fiscal year:

Fiscal Year	Materials and Supplies		
	Amount Claimed	Amount Allowable	Audit Adjustment
1998-99	\$ -	\$ 7,032	\$ 7,032
1999-2000	73,217	12,043	(61,174)
2000-01	76,072	5,390	(70,682)
2001-02	160,000	7,115	(152,885)
2002-03	119,404	8,869	(110,535)
2004-05	67,527	9,206	(58,321)
2005-06	38,311	8,600	(29,711)
	<u>\$ 534,531</u>	<u>\$ 58,255</u>	<u>\$(476,276)</u>

Animal Census Data

The yearly census refers to the total number of days that all animals were housed in the city's shelter. The actual cost formula requires the eligible cost of care to be divided by the yearly census to arrive at an average cost per animal per day. The cost per animal per day is then multiplied by the number of eligible animals and the number of increased days.

For the early years of the audit period, we were unable to determine the source of the yearly census numbers or the numbers of eligible animals that the city used in its claims, as these numbers were not supported by any actual census data that the city provided. The city uses a manual system to keep track of animal data. Using this information, animal census data was available for the second half of FY 2002-03 through FY 2005-06. Animal census data from the first half of FY 2002-03 and prior years was unavailable. For FY 1998-99 through FY 2002-03, we used the actual animal census data described above and allocated the data based on total animal shelter expenditures for a particular fiscal year compared average shelter expenditures incurred over the period of FY 2004-05 through FY 2005-06.

The following table summarizes the claimed, allowable, and differences in animal census information by fiscal year:

Fiscal Year	Animal Census		
	Census Claimed	Census Allowable	Difference
1998-99	-	6,369	6,369
1999-2000	2,646	9,079	6,433
2000-01	2,373	8,645	6,272
2001-02	2,920	11,019	8,099
2002-03	3,285	12,559	9,274
2004-05	19,345	18,980	(365)
2005-06	14,235	14,235	-
Total	44,804	80,886	36,082

Eligible Dogs, Cats, and "Other" Animals

We were unable to determine the source of the yearly census numbers that the city used in its claims for eligible dogs and cats and other animals. The city should have used the number of stray dogs, cats, and other animals that died (of natural causes) during the increased holding period or were ultimately euthanized (after the holding period). The city was able to support only the number of eligible animals from its animal census data for FY 2003-04 through FY 2005-06. For those years, the average number of eligible dogs and cats was 1,302. Using this number as a base, we allocated it to the earlier years of the audit period based on total animals for any one year compared to a three-year average of total animals for FY 2003-04 through FY 2005-06. In the absence of animal data with which to calculate the number of eligible animals for the other years of the audit period, we used this allocation methodology to determine reasonable numbers of eligible animals for the early years of the audit period.

The following table summarizes the claimed, allowable, and unallowable eligible animals used in the care and maintenance formula for the audit period by fiscal year:

Fiscal Year	Amount Claimed			Amount Allowable		
	Dogs/Cats	Other Animals	Total Claimed	Dogs/Cats	Other Animals	Total Allowable
1998-99	-	-	-	-	2	2
1999-2000	1,644	-	1,644	712	2	714
2000-01	1,756	-	1,756	678	3	681
2001-02	1,199	15	1,214	864	5	869
2002-03	1,490	15	1,505	985	6	991
2004-05	2,384	3	2,387	1,422	5	1,427
2005-06	1,487	-	1,487	958	5	963
	9,960	33	9,993	5,619	28	5,647

Reimbursable Days

The number of reimbursable days the city used in its claims was inconsistent. For dogs and cats, the city used six days for FY 1999-2000 and FY 2000-01 and two days for FY 2002-03 through FY 2005-06. The city used six reimbursable days for other animals for FY 2001-02 and FY 2002-03 and two reimbursable days for FY 2004-05. The city did not consider the increased holding period and the number of reimbursable days when claiming costs under this component.

A recent Appellate Court ruling in the case of *Purifoy v. Howell* determined that Saturday is not considered a business day for the purposes of this mandated program. Therefore, for the audit period, we determined that the increased holding period for dogs and cats is three days and the increased holding period for other animals is six days.

Assembly Bill 222

Assembly Bill 222 (Chapter 97, Statutes of 2011) was enacted on July 25, 2011, and took effect January 1, 2012. This bill states that a “business day” includes any day that a public or private animal shelter is open to the public for at least four hours, excluding state holidays. This bill would be applicable beginning January 1, 2012, and does not affect the audit period covered in this audit.

Recommendation

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

**FINDING 7—
Overstated increased
holding period costs**

The city claimed direct costs totaling \$66,118 for the Increased Holding Period cost component during the audit period. We found that salaries and benefits totaling \$32,007 are allowable and \$34,111 is unallowable. The costs are unallowable because the city estimated the amount of time and overstated the employee classifications involved in the reimbursable activity. We worked with city representatives to determine the number of hours that the shelter was open to the public to make animals available for owner redemption during the audit period and the number of extra staff required to perform this reimbursable activity.

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

Fiscal Year	Salaries and Benefits		
	Amount Claimed	Amount Allowable	Audit Adjustment
1998-99 ¹	\$ 580	\$ 1,573	\$ 993
1999-2000	2,334	4,116	1,782
2000-01	3,441	4,763	1,322
2001-02	6,660	4,060	(2,600)
2002-03	6,906	5,170	(1,736)
2004-05	18,882	5,867	(13,015)
2005-06	27,315	6,458	(20,857)
Total	\$ 66,118	\$ 32,007	\$ (34,111)

¹ For FY 1998-99, the reimbursement beginning January 1, 1999

Hours of Operation

During the audit period, the shelter was open to the public on Saturdays from 10:00 a.m. to 2:00 p.m. City staff confirmed that its animal shelter used the same hours of operation for Saturdays during the entire audit period. The shelter meets the requirements of the mandate by making animals available for owner redemption or adoption on the weekend day.

Staffing Requirements

We held discussions with the Shelter Manager concerning the staffing requirements to make animals available for owner redemption on Saturdays when the shelter was open, in comparison to Sundays, when the shelter was closed. Based on these discussions, we concluded that an Animal Control Officer was the additional staff available in the shelter on Saturdays to interact with the public.

The following table shows the claimed and the allowable employee classifications determined to be the increased positions necessary to comply with the reimbursable activity of making the animals available for owner redemption. In addition, the table summarizes the total hours claimed and allowable:

	Fiscal Year							Totals
	1998-99	1999-2000	2000-01	2001-02	2002-03	2004-05	2005-06	
<u>Claimed hours</u>								
Employee positions:								
Animal Control Officer	1	1	1	1	1	2	2	
Senior Animal Control Officer	-	-	-	-	-	1	-	
Kennel Attendant	-	-	-	-	-	1	1	
Total employee positions	1	1	1	1	1	4	3	
x Hours claimed ¹	0.97	2	3	2.60	2.70	2.18	4	
x Weeks per year	26	52	52	52	52	52	52	
Total hours claimed	25	104	156	135	140	452	624	1,636
<u>Allowable hours</u>								
Employee positions:								
Animal Control Officer	1	1	1	1	1	1	1	
Total employee positions	1	1	1	1	1			
x Hours allowable per position	4	4	4	4	4	4	4	
x Weeks per year	26	52	52	52	52	52	52	
Total hours allowable	104	208	208	208	208	208	208	1,352

¹ Hours claimed were adjusted as needed to compute the total hours claimed per year.

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:

1. Making the animal available for owner redemption on one weekday evening until at least 7:00 p.m., or one weekend day; or
2. 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

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

**FINDING 8—
Overstated feral cat costs**

The city claimed direct costs totaling \$132,480 for the Feral Cats cost component during the audit period. We found that \$24,653 is allowable and \$107,827 is unallowable. The costs are unallowable because the city estimated the costs to comply with the reimbursable activities. The animal shelter conducted a time study during the months of June, September, and December of 2008 and February of 2009 to substantiate the time spent performing feral cat testing.

The following table summarizes the claimed, allowable, and unallowable salary and benefit costs for the Feral Cats cost component for the audit period by fiscal year:

Fiscal Year	Salaries and Benefits		
	Amount Claimed	Amount Allowable	Audit Adjustment
1998-99 ¹	\$ 9,284	\$ 701	\$ (8,583)
1999-2000	15,632	2,116	(13,516)
2000-01	12,574	2,348	(10,226)
2001-02	27,427	2,622	(24,805)
2002-03	32,360	3,844	(28,516)
2004-05	26,054	6,780	(19,274)
2005-06	9,149	6,242	(2,907)
	<u>\$ 132,480</u>	<u>\$ 24,653</u>	<u>\$ (107,827)</u>

¹ Reimbursement begins January 1, 1999.

Time Study

The city conducted a time study to determine the average amount of time staff spent performing feral cat testing. The time study was conducted during the months of July, August, and December of 2008 and February of 2009. The employee classifications of Shelter Supervisor, Animal Control Officers, and Kennel Attendants participated in the time study. The Shelter Supervisor stated that shelter personnel performed feral cat testing on all cats entering the shelter and additional tests for cats that exhibited signs of being feral during the first test. The time study found that it took shelter employees an average of 14.33 minutes per animal to perform feral cat testing.

The following table identifies the involvement level of employee classifications to conduct feral cat tests based on the time study that the city conducted:

Employee Classification	Feral Cat Tests			Percentage of Tests Conducted by Employee
	Number of Tests	Total Minutes Per Time Study	Average Minutes Per Test	
Animal Care Attendants	382	5,314		88%
Animal Control Officers	46	728		11%
Shelter Supervisor	4	150		1%
Total	<u>432</u>	<u>6,192</u>	<u>14.33</u>	<u>100%</u>

To determine allowable salaries and benefits, we applied the results of the city's time study (14.33 minutes per feral cat test) to the employee productive hourly rates and multiplied the results by the percentage that the various employee classifications performed the reimbursable activities.

We used an average of the actual animal census data from FY 2003-04 through FY 2005-06 to determine the percentage of cats in the shelter’s animal population. We used this percentage to determine the number of cats to use in the calculation of reimbursable costs for feral cats. Data from the earlier years were not available for the calculations.

The following table summarizes the claimed hours, allowable hours, and differences to employee hours based on the results of the time study:

	Fiscal Year						
	1998-99 ¹	1999-2000	2000-01	2001-02	2002-03	2004-05	2005-06
Total hours claimed	400	696.5	557.5	556	656	780	312
Allowable hours:							
Number of tests	814	1,159	1,101	1,406	1,602	2,223	1,988
Minutes per test	14.33	14.33	14.33	14.33	14.33	14.33	14.33
Total hours allowable	194.4	276.8	263.0	335.8	382.6	530.9	474.8
Difference	(205.6)	(419.7)	(294.5)	(220.2)	(273.4)	(249.1)	162.8

¹ For FY 1998-99, reimbursement began on January 1, 1999.

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

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

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

**FINDING 9—
Overstated lost and found lists**

The city claimed direct costs totaling \$232,286 under the Lost and Found Lists cost component during the audit period. We found that \$38,022 is allowable and \$194,264 is unallowable. The costs are unallowable because the city estimated the costs to comply with the five reimbursable activities outlined for the cost component. Using forms developed by the city’s mandated cost consultant, the city estimated time spent during each fiscal year of the audit period on the reimbursable activities. Allowable costs are based on a time study that the city conducted for the activities of providing lost and found information to the public.

The following table summarizes the claimed, allowable, and audit adjustment amounts for salaries and benefits for the Lost and Found Lists cost component by fiscal year:

Fiscal Year	Salaries and Benefits		
	Amount Claimed	Amount Allowable	Audit Adjustment
1998-99	\$ 5,687	\$ 2,221	\$ (3,466)
1999-2000	10,997	3,739	(7,258)
2000-01	16,578	5,299	(11,279)
2001-02	18,055	4,861	(13,194)
2002-03	20,719	5,835	(14,884)
2004-05	118,513	7,850	(110,663)
2005-06	41,737	8,217	(33,520)
	<u>\$ 232,286</u>	<u>\$ 38,022</u>	<u>\$(194,264)</u>

Time Study

The city conducted a time study in July, August, and December of 2008 and February of 2009, to determine the average amount of time spent performing the lost and found activities. The employee classifications of Kennel Attendants, Animal Control Officers, and the Shelter Supervisor participated in the time study. The time study focused on the time it takes to update the lost and found list for the public.

The time study found that shelter employees spent a total of 116 hours a year to perform mandated activities related to the Lost and Found Lists component, as noted in the table below. These hours were applied to the employee classifications that performed the reimbursable activities based on the extent of their involvement identified in the time study. We used this method to determine allowable costs.

The following table identifies the involvement level of employee classifications to perform the reimbursable activities based on the time study that the city conducted:

Employee Classification	Lost and Found Lists		
	Total Hours Per Time Study	Total Annualized Hours	Percentage of Activities Conducted by Employee
Kennel Attendants	75.25	225.75	57%
Animal Control Officers	46.63	139.89	35%
Shelter Supervisor	10.50	31.50	8%
Total	<u>132.38</u>	<u>397.14</u>	<u>100%</u>

To determine allowable salaries and benefits, we applied the results of the city’s time study (397.14 hours per year) to the employee productive hourly rates and multiplied the results by the number of hours that the various employee classifications performed the reimbursable activities.

The following table summarizes the claimed and allowable hours based on the results of the time study:

	Fiscal Year						Total	
	¹	2000	2000-01	2001-02	2002-03	2004-05		2005-06
Claimed hours	245	490	735	366	420	2,600	832	5,688
Allowable hours	198.57	397.14	397.14	397.14	397.14	397.14	397.14	2,581.41
Difference	(46)	(93)	(338)	31	(23)	(2,203)	(435)	(3,107)

¹ For FY 1998-99, the reimbursement beginning January 1, 1999.

The parameters and guidelines allow reimbursement, beginning January 1, 1999, for providing owners of lost animals and those who find lost animals with all of the following:

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

Recommendation

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

**FINDING 10—
Overstated
maintaining non-
medical records costs**

The city claimed direct costs totaling \$318,428 during the audit period under the Maintaining Non-Medical Records cost component. We found that \$41,040 is allowable and \$277,388 is unallowable. The costs are unallowable because the city estimated the time that it took its animal shelter staff to process non-medical animal records. The allowable costs are based on a time study that the city conducted to determine the amount of time spent by various employee classifications processing non-medical animal records.

The following tables summarize the claimed, allowable, and unallowable costs for salaries and benefits for the Non-Medical Records cost component by fiscal year:

Fiscal Year	Salaries and Benefits		
	Amount Claimed	Amount Allowable	Audit Adjustment
1998-99 ¹	\$ -	\$ 1,190	\$ 1,190
1999-2000	-	2,942	2,942
2000-01	-	3,730	3,730
2001-02	98,660	4,368	(94,292)
2002-03	76,462	6,217	(70,245)
2004-05	52,005	11,443	(40,562)
2005-06	91,301	11,150	(80,151)
	<u>\$ 318,428</u>	<u>\$ 41,040</u>	<u>\$ (277,388)</u>

¹ Reimbursement for FY 1998-99 begins on January 1, 1999.

Time Study

The city conducted a time study to determine the average amount of time that staff spent performing the reimbursable activities. The time study was conducted during the months of June, August, and December of 2008 and February of 2009, to determine the time required to process records for incoming animals and the final disposition of animals within the city’s manual animal record-keeping system.

The reimbursable activities were performed by the employee classifications of Kennel Attendant, Animal Control Officer, and Shelter Supervisor. The city maintained time study logs that tracked the shelter staff’s time for entering information into the manual system. The city’s time study results showed that 11.36 minutes were spent processing incoming animal records and records for the final disposition of animals.

The following table identifies the involvement level of employee classifications to process non-medical records based on the time study that the city conducted:

Employee Classification	Non-Medical Records			Percentage of Time Spent per Employee
	Number of Records	Total Minutes Per Time Study	Average Minutes Per Record	
Kennel Attendant	419	4,763	-	42%
Animal Control Officer	178	1,988	-	17%
Shelter Supervisor	413	4,725	-	41%
Total	<u>1,010</u>	<u>11,476</u>	<u>11.36</u>	<u>100%</u>

To determine allowable salaries and benefits, we applied the results of the city’s time study to the employee classifications that performed the activities.

Number of Animal Records Processed

We applied the time study results to the number of animal records processed. The city provided data from its manual record-keeping system for FY 2003-04 through FY 2005-06. We determined an average number of animal records processed during these three years and allocated the result to FY 1998-99 through FY 2002-03 based on changes to total expenditures incurred in the city’s animal shelter. We used the results as a substitute for the number of animal records processed for the earlier years. The city was unable to provide animal statistics data for FY 1998-99 through FY 2002-03. However, we acknowledged that non-medical records were maintained for animals during those years, as well.

The following table summarizes the claimed and allowable animal records and hours, based on the results of the time study:

	Fiscal Year						
	1998-99 ¹	1999-00	2000-01	2001-02	2002-03	2004-05	2005-06
<u>Total Animal Records</u>							
Allowable	988 *	1,408 *	1,340 *	1,708 *	1,947 *	2,675	2,467
Claimed	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
Difference	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>Total hours</u>							
Allowable	187.1	266.6	253.7	323.4	368.6	506.5	467.1
Claimed	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000.0</u>	<u>1,550.0</u>	<u>1,280.0</u>	<u>1,820.0</u>
Difference	<u>187.1</u>	<u>266.6</u>	<u>253.7</u>	<u>(1,676.6)</u>	<u>(1,181.4)</u>	<u>(773.5)</u>	<u>(1,352.9)</u>

¹ Reimbursement for FY 1998-99 begins on January 1, 1999.

* An average of animal census data from FY 2003-04 through FY 2005-06 was used to determine records processed for FY 1998-99 through FY 2002-03.

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.

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

The cost of Software license renewal contracts, to the extent these costs are not claimed as an indirect cost under these parameters and guidelines, is eligible for reimbursement under Section V (A) (2) of the parameters and guidelines. If the computer software is utilized in some way that is not directly related to the maintenance of records specified in

this section, only the pro rata portion of the software license renewal contract that is used for compliance with this section is reimbursable.

Recommendation

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

**FINDING 11—
Overstated necessary
and prompt
veterinary care costs**

The city claimed direct costs totaling \$93,310 for the Necessary and Prompt Veterinary Care cost component during the audit period. We found that \$7,930 is allowable and \$85,380 is unallowable. The costs are unallowable because the estimated the costs incurred to perform the reimbursable activities Allowable costs are based on a time study that the city conducted for the activities of providing an initial physical exam and administering wellness vaccines to dogs.

The following tables summarize the claimed, allowable, and audit adjustment amounts for the cost component for the audit period by fiscal year:

Fiscal Year	Total Direct Costs		
	Amount Claimed	Amount Allowable	Audit Adjustment
1998-99 ¹	\$ -	\$ 236	\$ 236
1999-2000	-	605	605
2000-01	-	748	748
2001-02	-	877	877
2002-03	-	1,245	1,245
2004-05	70,120	2,106	(68,014)
2005-06	23,190	2,113	(21,077)
	<u>\$ 93,310</u>	<u>\$ 7,930</u>	<u>\$ (85,380)</u>

¹ Reimbursement begins January 1, 1999.

Time Study

The city conducted a time study for the activity of performing the initial physical examination and administering wellness vaccines to dogs. The time study was performed during June, August, and December of 2008 and in February of 2009. A Kennel Attendant, Animal Control Officer, and the Shelter Supervisor participated in the time study and are qualified to make a determination in regards to an animal being “adoptable,” “treatable,” or “non-rehabilitatable,” and to perform limited medical services. As a result of the time study; it takes shelter staff an average of 19.17 minutes to conduct an initial physical exam and administer wellness vaccines.

The following table identifies the involvement level of employee classifications to perform the reimbursable activities based on the time study that the city conducted:

Employee Classification	Initial Physical Exams and Administer Wellness Vaccines			
	Number of Procedures	Total Minutes Per Time Study	Average Minutes Per Procedure	Percentage of Time Spent per Employee
Kennel Attendant	260	4,965	-	58%
Animal Control Officer	63	1,238	-	14%
Shelter Supervisor	125	2,385	-	28%
Total	448	8,588	19.17	100%

To determine allowable salaries and benefits, we applied the results of the city’s time study to the employee classifications that performed the activities.

Number of Eligible Animals

The city was able to support only the number of eligible dogs from its animal census data for FY 2003-04 through FY 2005-06. For those years, the average number of eligible dogs was 355. Using this number as a base, we allocated it to the earlier years of the audit period based on total dogs for any one year compared to a three-year average of total dogs for FY 2003-04 through FY 2005-06. In the absence of animal data with which to calculate the number of eligible dogs for the other years of the audit period, we used this allocation methodology to determine reasonable numbers of eligible dogs for the early years of the audit period.

The following count of eligible dogs was used for application of the time study results:

	Fiscal Year						
	1998-99	1999-2000	2000-01	2001-02	2002-03	2004-05	2005-06
Eligible dogs	136	194	185	236	269	343	328

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

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

An initial physical examination of the animal to determine the animal’s baseline health status and classification as adoptable, treatable, or non-rehabilitatable.

- A wellness vaccine administered to treatable or adoptable animals.

- Veterinary care to stabilize and or relieve the suffering of a treatable animal.
- Veterinary care intended to remedy any applicable disease, injury, or congenital or hereditary condition that adversely affects the health of a treatable animal or that is likely to adversely affect the animal’s health in the future, until the animal becomes adoptable.

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 when 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

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

**FINDING 12—
Unallowable
procuring equipment
costs**

The city claimed direct costs totaling \$57,718 (\$51,950 in salaries and benefits and \$5,768 in materials and supplies) under the Procuring Equipment cost component. During the audit, the city did not provide any documentation supporting the salaries and benefits and materials and supplies costs claimed.

The following tables summarize the claimed, allowable, and audit adjustment amounts for the Procuring Equipment cost component by fiscal year:

Fiscal Year	Direct Costs		
	Amount Claimed	Amount Allowable	Audit Adjustment
1998-99	\$ -	\$ -	\$ -
1999-2000	4,600	-	(4,600)
2000-01	1,168	-	(1,168)
2001-02	11,346	-	(11,346)
2002-03	-	-	-
2004-05	26,736	-	(26,736)
2005-06	13,868	-	(13,868)
	<u>\$ 57,718</u>	<u>\$ -</u>	<u>\$ (57,718)</u>

Salaries and benefits

During the audit, the city was unable to provide documentation to support the salaries and benefits claimed under the Procuring Equipment cost component. The city claimed time spent by the Shelter Supervisor (230 hours in FY 2001-02, 400 hours in FY 2004-05, and 200 hours in FY 2005-06) to procure kennel equipment, although no costs for procuring kennel equipment was claimed for those years.

The following tables summarize the claimed, allowable, and unallowable costs for salaries and benefits by fiscal year:

Fiscal Year	Salaries and Benefits		
	Amount Claimed	Amount Allowable	Audit Adjustment
1998-99	\$ -	\$ -	\$ -
1999-2000	-	-	-
2000-01	-	-	-
2001-02	11,346	-	(11,346)
2002-03	-	-	-
2004-05	26,736	-	(26,736)
2005-06	13,868	-	(13,868)
	<u>\$ 51,950</u>	<u>\$ -</u>	<u>\$ (51,950)</u>

Materials and supplies

The city claimed materials and supplies costs in FY 1999-2000 and FY 2000-01; however, no documentation was provided to support the costs claimed. Therefore, the entire amount claimed was unallowable.

The following tables summarize the claimed, allowable, and unallowable costs for materials and supplies by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
1999-2000	\$ 4,600	\$ -	\$ (4,600)
2000-01	1,168	-	(1,168)
	<u>\$ 5,768</u>	<u>\$ -</u>	<u>\$ (5,768)</u>

The parameters and guidelines (section IV.B.10) identify the following reimbursable activity:

Beginning January 1, 1999 for procuring medical, kennel, and computer equipment necessary to comply with the reimbursable activities listed in Section IV (B) for the parameters and guidelines, to the extent these costs are not claimed as an indirect cost under Section V (B) of the parameters and guidelines. If the medical, kennel, and computer equipment is utilized in some way not directly related to the mandated program or the population of animals listed in Section IV (B), only the pro rata portion of the activity that is used for the purposes of the mandated program is reimbursable.

Recommendation

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

**FINDING 13—
Understated indirect
cost rates and
misstated indirect
costs**

The city claimed \$47,268 for indirect costs for FY 1998-99 through FY 2000-01 and FY 2005-06. We found that \$58,132 is allowable and costs were understated by the net amount of \$10,864 (overstated by \$23,441 and understated by \$34,305). The costs were understated primarily because the city understated its indirect cost rates for every year of the audit period. The city also claimed unallowable salaries and benefits that are identified in Findings 1 through 12.

The following table summarizes the claimed, allowable, and audit adjustment amounts for indirect costs by fiscal year:

Fiscal Year	Allowable Salaries and Benefits	Allowable Indirect Cost Rates	Allowable Indirect Costs	Claimed Indirect Costs	Audit Adjustment
1998-99	\$ 5,930	49.50%	\$ 2,935	\$ 12,444	\$ (9,509)
1999-2000	16,182	58.60%	9,483	18,334	(8,851)
2000-01	20,028	40.90%	8,191	13,272	(5,081)
2001-02 *	20,092	43.60%	8,760	-	8,760
2002-03 *	27,516	27.00%	7,429	-	7,429
2004-05 *	39,802	24.00%	9,552	-	9,552
2005-06	39,669	29.70%	11,782	3,218	8,564
Total	<u>\$ 169,219</u>		<u>\$ 58,132</u>	<u>\$ 47,268</u>	<u>\$ 10,864</u>

* For FY 2001-02 through FY 2004-05, the city did not claim any indirect costs.

Understated indirect cost rates

Rates Claimed

The indirect cost rates included in the city’s claims were prepared by its mandated cost consultant and were not based on a consistent methodology. In addition, no Indirect Cost Rate Proposals (ICRP) were developed to claim indirect costs for FY 2001-02 through FY 2004-05, although the city claimed salaries and benefits costs for each of those years.

Recalculated Rates

The city utilized the services of a mandated cost consultant that was not involved with the preparation of the city’s claims to prepare revised ICRPs for each year of the audit period. We reviewed these ICRPs and found that the indirect cost rate calculations were based on a consistent methodology. In addition, we concurred with the spread of shelter expenditures between direct and indirect costs. Therefore, we used these revised indirect cost rates to calculate allowable indirect costs for this revised audit report.

The following table summarizes the claimed, allowable, and audit adjustments for indirect cost rates by fiscal year:

	Fiscal Year							
	1998-99	1999-2000	2000-01	2001-02	2002-03	2004-05	2005-06	2006-07
Allowable rates	18.40%	27.34%	50.57%	64.91%	53.69%	52.24%	58.32%	61.54%
Claimed rates	25.23%	54.75%	39.01%	57.49%	43.41%	46.90%	52.46%	54.51%
Difference	-6.83%	-27.41%	11.56%	7.42%	10.28%	5.34%	5.86%	7.03%

The following table shows the audit adjustment for indirect costs that is related to misstated indirect cost rates.

Fiscal Year	Indirect Cost Rate Difference	Total Direct Cost Allowable	Adjustment for Rate Difference
1998-99	2.47%	\$ 5,930	\$ 146
1999-2000	5.57%	16,182	901
2000-01	0.18%	20,028	36
2001-02	43.60%	20,092	8,760
2002-03	27.00%	27,516	7,429
2004-05	24.00%	39,802	9,552
2005-06	9.16%	39,669	3,634
Totals		\$ 169,219	\$ 30,458

Overstated indirect costs related to overstated salaries and benefits

Indirect costs were overstated by \$19,594 for the audit period as a result of the unallowable salaries and benefits identified in Findings 1 through 12. The city’s salaries and benefits and related indirect costs were all unallowable in the original audit report. Subsequently, the city conducted a time study on various cost components that identified allowable salaries and benefits. In addition, the city submitted revised Indirect Cost Rate Proposals for every year of the audit period.

The following table summarizes the audit adjustments to indirect costs for rate differences and unallowable costs by fiscal year:

Fiscal Year	Adjustment for Rate Differences	Adjustment For Unallowable Costs	Total Audit Adjustment
1998-99	\$ 146	\$ (9,655)	(9,509)
1999-2000	901	(9,752)	(8,851)
2000-01	36	(5,117)	(5,081)
2001-02	8,760	-	8,760
2002-03	7,429	-	7,429
2004-05	9,552	-	9,552
2005-06	3,634	4,930	8,564
Total	\$ 30,458	\$ (19,594)	\$ 10,864

The parameters and guidelines (section V.B.—Indirect Costs) state that:

Indirect costs are those that have been incurred for common or joint purposes. These costs benefit more than one cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved. After direct costs have been determined and assigned to other activities, as appropriate, indirect costs are those remaining to be allocated to benefited cost objectives. A cost may not be allocated as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been claimed as a direct cost.

Claimants have the option of using 10% of direct labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) pursuant to the Office of Management and Budget (OMB) Circular A-87.

Recommendation

The Animal Adoption Program was suspended in the FY 2010-11 through FY 2013-14 Budget Acts. If the program becomes active, we recommend that the city ensure that its indirect cost rates are properly and consistently calculated and are applied to the same direct cost base that was used to calculate the rate.

**Attachment—
City's Response to
Revised Audit Results**



ROY W. WASDEN
CITY MANAGER

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June 24, 2014

Jim Venneman, CPA
State Controller's Office
Division of Audits - Mandated Cost Audits Bureau
P.O. Box 942850
Sacramento, CA 94250-5874

Subject: City of Turlock
Revised Animal Adoption Audit Report

Dear Mr. Venneman –

The City of Turlock has reviewed the revised Animal Adoption audit report that was sent to us on June 20, 2014. We appreciate the opportunity to reopen the final audit report that was issued back in January 2009 and accept the revised findings.

We would like to extend our thanks to the State Controller's staff for working with us to make the necessary changes.

Thank you.

Roy W. Wasden
City Manager

cc: Marie Lorenzi, Senior Accountant

**State Controller's Office
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<http://www.sco.ca.gov>