

SANTA BARBARA COUNTY

Audit Report

ANIMAL ADOPTION PROGRAM

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

*July 1, 2001, through June 30, 2003,
and July 1, 2006, through June 30, 2009*



JOHN CHIANG
California State Controller

November 2012



JOHN CHIANG
California State Controller

November 15, 2012

The Honorable Doreen Farr, Chair
Board of Supervisors
Santa Barbara County
105 E. Anapamu Street
Santa Barbara, CA 93101

Dear Ms. Farr:

The State Controller's Office audited the costs claimed by Santa Barbara County for the legislatively mandated Animal Adoption Program (Chapter 752, Statutes of 1998, and Chapter 313, Statutes of 2004) for the period of July 1, 2001, through June 30, 2003, and July 1, 2006, through June 30, 2009.

The county claimed \$1,527,735 for the mandated program. Our audit disclosed that \$623,321 is allowable and \$904,414 is unallowable. The costs are unallowable primarily because the county misstated allowable costs and animal census data, overstated offsetting revenues, understated indirect cost rates, and applied indirect cost rates to the incorrect cost base. The State paid the county \$316,673. Allowable costs claimed exceed the amount paid by \$306,648.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/sk

cc: The Honorable Robert W. Geis, Auditor-Controller
Santa Barbara County
Suzanne Jacobson, Chief Financial Officer
Santa Barbara County Public Health Department
Jan Glick, Animal Services Director
Santa Barbara County Public Health Department
Randall Ward, Finance Staff Analyst
Mandates Unit, Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	3
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Schedule 2—Summary of Care and Maintenance Costs.....	8
Findings and Recommendations	12
Attachment—County’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Santa Barbara County for the legislatively mandated Animal Adoption Program (Chapter 752, Statutes of 1998, and Chapter 313, Statutes of 2004) for the period of July 1, 2001, through June 30, 2003, and July 1, 2006, through June 30, 2009.

The county claimed \$1,527,735 for the mandated program. Our audit disclosed that \$623,321 is allowable and \$904,414 is unallowable. The costs are unallowable primarily because the county misstated allowable costs and animal census data, overstated offsetting revenues, understated indirect cost rates, and applied indirect cost rates to the incorrect cost base. The State paid the county \$316,673. Allowable costs claimed exceed the amount paid by \$306,648.

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. The statutes expressly identify the State policy that no adoptable animal should be euthanized if it can be adopted into a suitable home and that no treatable animal should be euthanized. The legislation increases the holding period for stray and abandoned dogs, cats, and other specified animals. It also requires public or private shelters to:

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

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

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

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

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Animal Adoption Program for the period of July 1, 2001, through June 30, 2003, and July 1, 2006, through June 30, 2009.

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

Conclusion

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

For the audit period, Santa Barbara County claimed \$1,527,735 for costs of the Animal Adoption Program. Our audit disclosed that \$623,321 is allowable and \$904,414 is unallowable.

For the FY 2001-02 claim, the State made no payment to the county. Our audit disclosed that \$144,972 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$144,972, contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payment to the county. Our audit disclosed that \$155,434 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$155,434, contingent upon available appropriations.

For the FY 2006-07 claim, the State paid the county \$316,673. Our audit disclosed that \$66,067 is allowable. The State will offset \$250,606 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

For the FY 2007-08 claim, the State made no payment to the county. Our audit disclosed that \$111,822 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$111,822, contingent upon available appropriations.

For the FY 2008-09 claim, the State made no payment to the county. Our audit disclosed that \$145,026 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$145,026, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on October 3, 2012. Suzanne Jacobson, Chief Financial Officer of the Public Health Department, responded by letter dated October 16, 2012 (Attachment), agreeing with the audit results. This final audit report includes the county's response.

Restricted Use

This report is solely for the information and use of Santa Barbara County, 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

November 15, 2012

**Schedule 1—
Summary of Program Costs
July 1, 2001, through June 30, 2003, and
July 1, 2006, through June 30, 2009**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Direct Costs:				
Developing policies and procedures	\$ 22,488	\$ -	\$ (22,488)	Finding 1
Training staff	-	1,612	1,612	Finding 2
Acquiring space/facilities/construct new facilities	1,701	9,493	7,792	Finding 3
Remodeling/renovating existing facilities	241	897	656	Finding 4
Care and maintenance of dogs, cats, and other animals	23,691	6,934	(16,757)	Finding 5
Increased holding period	28,042	22,689	(5,353)	Finding 6
Feral cats testing	4,123	6,810	2,687	Finding 7
Lost-and-found lists	65,752	4,623	(61,129)	Finding 8
Maintaining non-medical records	63,118	48,598	(14,520)	Finding 9
Necessary and prompt veterinary care	1,159	7,767	6,608	Finding 10
Procure equipment	138	18,330	18,192	Finding 11
Total direct costs	210,453	127,753	(82,700)	
Indirect costs	27,964	20,452	(7,512)	Finding 12
Total direct and indirect costs	238,417	148,205	(90,212)	
Less offsetting revenues	(6,899)	(3,233)	3,666	Finding 13
Total program costs	<u>\$ 231,518</u>	144,972	<u>\$ (86,546)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 144,972</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct Costs:				
Developing policies and procedures	\$ 22,713	\$ -	\$ (22,713)	Finding 1
Training staff	-	1,196	1,196	Finding 2
Acquiring space/facilities/constructing new facilities	29,485	25,521	(3,964)	Finding 3
Remodeling/renovating existing facilities	-	858	858	Finding 4
Care and maintenance of dogs, cats, and other animals	22,282	5,360	(16,922)	Finding 5
Increased holding period	30,501	24,270	(6,231)	Finding 6
Feral cats testing	4,825	6,595	1,770	Finding 7
Lost-and-found lists	72,568	5,032	(67,536)	Finding 8
Maintaining non-medical records	70,207	52,028	(18,179)	Finding 9
Necessary and prompt veterinary care	1,997	5,242	3,245	Finding 10
Procuring equipment	-	8,208	8,208	Finding 11
Total direct costs	254,578	134,310	(120,268)	
Indirect costs	30,665	21,124	(9,541)	Finding 12
Total program costs	<u>\$ 285,243</u>	155,434	<u>\$ (129,809)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 155,434</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2006, through June 30, 2007</u>				
Direct Costs:				
Training staff	\$ 42,314	\$ 1,967	\$ (40,347)	Finding 2
Acquiring space/facilities/construct new facilities	677	1,052	375	Finding 3
Remodeling/renovating existing facilities	-	251	251	Finding 4
Care and maintenance of dogs, cats, and other animals	31,003	4,728	(26,275)	Finding 5
Increased holding period	61,590	35,885	(25,705)	Finding 6
Feral cats testing	4,679	5,333	654	Finding 7
Lost-and-found lists	161,735	5,845	(155,890)	Finding 8
Maintaining non-medical records	64,726	67,200	2,474	Finding 9
Necessary and prompt veterinary care	1,350	8,404	7,054	Finding 10
Procuring equipment	-	4,902	4,902	Finding 11
Total direct costs	368,074	135,567	(232,507)	
Indirect costs	85,748	24,712	(61,036)	Finding 12
Total direct and indirect costs	453,822	160,279	(293,543)	
Less offsetting revenues	(137,149)	(94,212)	42,937	Finding 13
Total program costs	<u>\$ 316,673</u>	66,067	<u>\$ (250,606)</u>	
Less amount paid by the State		(316,673)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (250,606)</u>		
<u>July 1, 2007 through June 30, 2008</u>				
Direct Costs:				
Training staff	\$ 19,286	\$ 1,250	\$ (18,036)	Finding 2
Acquiring space/facilities/constructing new	-	-	-	Finding 3
Remodeling/renovating existing facilities	-	2,417	2,417	Finding 4
Care and maintenance of dogs, cats, and other animals	30,590	5,031	(25,559)	Finding 5
Increased holding period	66,268	36,553	(29,715)	Finding 6
Feral cats testing	5,668	4,941	(727)	Finding 7
Lost-and-found lists	190,939	6,021	(184,918)	Finding 8
Maintaining non-medical records	66,531	71,210	4,679	Finding 9
Necessary and prompt veterinary care	722	9,144	8,422	Finding 10
Procuring equipment	-	2,624	2,624	Finding 11
Total direct costs	380,004	139,191	(240,813)	
Indirect costs	88,251	24,382	(63,869)	Finding 12
Total direct and indirect costs	468,255	163,573	(304,682)	
Less offsetting revenues	(147,053)	(51,751)	95,302	Finding 13
Total program costs	<u>\$ 321,202</u>	111,822	<u>\$ (209,380)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 111,822</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2008 through June 30, 2009</u>				
Direct Costs:				
Training staff	\$ 20,347	\$ 970	\$ (19,377)	Finding 2
Acquiring space/facilities/constructing new	-	-	-	Finding 3
Remodeling/renovating existing facilities	-	10,680	10,680	Finding 4
Care and maintenance of dogs, cats, and other animals	27,668	6,619	(21,049)	Finding 5
Increased holding period	72,035	40,338	(31,697)	Finding 6
Feral cats testing	5,177	6,769	1,592	Finding 7
Lost-and-found lists	225,503	6,651	(218,852)	Finding 8
Maintaining non-medical records	110,898	80,728	(30,170)	Finding 9
Necessary and prompt veterinary care	512	13,206	12,694	Finding 10
Procuring equipment	-	21,963	21,963	Finding 11
Total direct costs	462,140	187,924	(274,216)	
Indirect costs	93,269	25,392	(67,877)	Finding 12
Total direct and indirect costs	555,409	213,316	(342,093)	
Less offsetting revenues	(182,310)	(68,290)	114,020	Finding 13
Total program costs	<u>\$ 373,099</u>	145,026	<u>\$ (228,073)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 145,026</u>		
<u>Summary July 1, 2001, through June 30, 2003, and July 1, 2006, through June 30, 2009</u>				
Direct Costs:				
Developing policies and procedures	\$ 45,201	\$ -	\$ (45,201)	
Training staff	81,947	6,995	(74,952)	
Acquiring space/facilities/constructing new	31,863	36,066	4,203	
Remodeling/renovating existing facilities	241	15,103	14,862	
Care and maintenance of dogs, cats, and other animals	135,234	28,672	(106,562)	
Increased holding period	258,436	159,735	(98,701)	
Feral cats testing	24,472	30,448	5,976	
Lost-and-found lists	716,497	28,172	(688,325)	
Maintaining non-medical records	375,480	319,764	(55,716)	
Necessary and prompt veterinary care	5,740	43,763	38,023	
Procuring equipment	138	56,027	55,889	
Total direct costs	1,675,249	724,745	(950,504)	
Indirect costs	325,897	116,062	(209,835)	
Total direct and indirect costs	2,001,146	840,807	(1,160,339)	
Less offsetting revenues	(473,411)	(217,486)	255,925	
Total program costs	<u>\$ 1,527,735</u>	623,321	<u>\$ (904,414)</u>	
Less amount paid by the State		(316,673)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 306,648</u>		

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>Summary by Object Account: July 1, 2001, through June 30, 2003, and July 1, 2006, through June 30, 2009</u>				
Direct Costs:				
Salaries and benefits	\$ 1,312,307	\$ 417,187	\$ (895,120)	
Services and supplies	284,043	221,585	(62,458)	
Contract services	74,596	77,816	3,220	
Travel and training	3,726	-	(3,726)	
Fixed assets	577	8,157	7,580	
Total direct costs	1,675,249	724,745	(950,504)	
Indirect costs	325,897	116,062	(209,835)	
Total direct and indirect costs	2,001,146	840,807	(1,160,339)	
Less offsetting revenues	(473,411)	(217,486)	255,925	
Total program costs	<u>\$ 1,527,735</u>	623,321	<u>\$ (904,414)</u>	
Less amount paid by the State		(316,673)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 306,648</u>		

¹ See the Findings and Recommendations section.

**Schedule 2—
Summary of Care and Maintenance Costs ¹
July 1, 2001, through June 30, 2003, and
July 1, 2006, through June 30, 2009**

Category	Claimed			Total Costs Claimed	Allowable per Audit			Total Costs Allowable	Audit Adjustment
	Salaries and Benefits	Materials & Supplies	Fixed Assets		Salaries and Benefits	Materials & Supplies	Contract Services		
<u>July 1, 2001, through June 30, 2002</u>									
Total care and maintenance costs	\$ 466,982	\$ 414,443	\$ 4,175		\$ 286,523	\$ 61,792			
Total animal census	÷ 11,742	÷ 11,742	÷ 11,742		÷ 202,282	÷ 202,282			
Cost per day	\$ 39.77	\$ 35.30	\$ 0.36		\$ 1.42	\$ 0.31			
Care and Maintenance of Dogs and Cats:									
Cost per day	\$ 39.77	\$ 35.30	\$ 0.36		\$ 1.42	\$ 0.31			
Number of eligible dogs and cats	× 297	× 297	× 297		× 1,310	× 1,310			
Reimbursable days	× 1	× 1	× 1		× 3	× 3			
Total care and maintenance costs for dogs and cats	\$ 11,815 ²	\$ 10,485 ²	\$ 106 ²	\$ 22,406	\$ 5,581	\$ 1,218	\$ —	\$ 6,799	\$ (15,607)
Care and Maintenance of Other Eligible Animals:									
Cost per day	\$ 39.77	\$ 35.30	\$ 0.36		\$ 1.42	\$ 0.31			
Number of other eligible animals	× 17	× 17	× 17		× 13	× 13			
Reimbursable days	× 1	× 1	× 1		× 6	× 6			
Total care and maintenance costs for other animals	\$ 678 ²	\$ 601 ²	\$ 6 ²	\$ 1,285	\$ 111	\$ 24	\$ —	\$ 135	\$ (1,150)
Total care and maintenance	\$ 12,493	\$ 11,086	\$ 112	\$ 23,691	\$ 5,692	\$ 1,242	\$ —	\$ 6,934	\$ (16,757)

Schedule 2 (continued)

Category	Claimed				Allowable per Audit				Audit Adjustment
	Salaries and Benefits	Materials & Supplies	Fixed Assets	Total Costs Claimed	Salaries and Benefits	Materials & Supplies	Contract Services	Total Costs Allowable	
<u>July 1, 2002, through June 30, 2003</u>									
Total care and maintenance costs	\$ 459,653	\$ 358,322			\$ 267,442	\$ 96,004			
Total animal census	÷ 11,288	÷ 11,288			÷ 214,395	÷ 214,395			
Cost per day	\$ 40.72	\$ 31.74			\$ 1.25	\$ 0.45			
Care and Maintenance of Dogs and Cats:									
Cost per day	\$ 40.72	\$ 31.74			\$ 1.25	\$ 0.45			
Number of eligible dogs and cats	× 284	× 284			× 1,031	× 1,031			
Reimbursable days	× 1	× 1			× 3	× 3			
Total care and maintenance costs for dogs and cats	\$ 11,583 ²	\$ 9,030 ²	\$ —	\$ 20,613	\$ 3,866	\$ 1,392	\$ —	\$ 5,258	\$ (15,355)
Care and Maintenance of Other Eligible Animals:									
Cost per day	\$ 40.72	\$ 31.74			\$ 1.25	\$ 0.45			
Number of other eligible animals	× 23	× 23			× 10	× 10			
Reimbursable days	× 1	× 1			× 6	× 6			
Total care and maintenance costs for other animals	\$ 938 ²	\$ 731 ²	\$ —	\$ 1,669	\$ 75	\$ 27	\$ —	\$ 102	\$ (1,567)
Total care and maintenance costs	<u>\$ 12,521</u>	<u>\$ 9,761</u>	<u>\$ —</u>	<u>\$ 22,282</u>	<u>\$ 3,941</u>	<u>\$ 1,419</u>	<u>\$ —</u>	<u>\$ 5,360</u>	<u>\$ (16,922)</u>
<u>July 1, 2006, through June 30, 2007</u>									
Total care and maintenance costs	\$ 633,101	\$ 635,931			\$ 314,385	\$ 118,095	\$ 130		
Total animal census	÷ 8,586	÷ 8,586			÷ 315,365	÷ 315,365	÷ 315,365		
Cost per day	\$ 73.74	\$ 74.07			\$ 1.00	\$ 0.37	\$ 0.0004		
Care and Maintenance of Dogs and Cats:									
Cost per day	\$ 73.74	\$ 74.07			\$ 1.00	\$ 0.37	\$ 0.0004		
Number of eligible dogs and cats	× 196	× 196			× 1,114	× 1,114	× 1,114		
Reimbursable days	× 1	× 1			× 3	× 3	× 3		
Total care and maintenance costs for dogs and cats	\$ 14,435 ²	\$ 14,499 ²	\$ —	\$ 28,934	\$ 3,342	\$ 1,237	\$ 1	\$ 4,580	\$ (24,354)

Schedule 2 (continued)

Category	Claimed			Allowable per Audit					Audit Adjustment
	Salaries and Benefits	Materials & Supplies	Fixed Assets	Total Costs Claimed	Salaries and Benefits	Materials & Supplies	Contract Services	Total Costs Allowable	
<u>July 1, 2006, through June 30, 2007 (continued)</u>									
Care and Maintenance of Other Eligible Animals:									
Cost per day	\$ 73.74	\$ 74.07			\$ 1.00	\$ 0.37	\$ 0.0004		
Number of other eligible animals	× 14	× 14			× 18	× 18	× 18		
Reimbursable days	× 1	× 1			× 6	× 6	× 6		
Total care and maintenance costs for other animals	\$ 1,032 ²	\$ 1,037 ²	\$ —	\$ 2,069	\$ 108	\$ 40	\$ —	\$ 148	\$ (1,921)
Total care and maintenance costs	<u>\$ 15,467</u>	<u>\$ 15,536</u>	<u>\$ —</u>	<u>\$ 31,003</u>	<u>\$ 3,450</u>	<u>\$ 1,277</u>	<u>\$ 1</u>	<u>\$ 4,728</u>	<u>\$ (26,275)</u>
<u>July 1, 2007, through June 30, 2008</u>									
Total care and maintenance costs	\$ 788,628	\$ 665,931			\$ 375,013	\$ 159,536	\$ 727		
Total animal census	÷ 8,924	÷ 8,924			÷ 338,904	÷ 338,904	÷ 338,904		
Cost per day	<u>\$ 88.37</u>	<u>\$ 74.62</u>			<u>\$ 1.11</u>	<u>\$ 0.47</u>	<u>\$ 0.002</u>		
Care and Maintenance of Dogs and Cats:									
Cost per day	\$ 88.37	\$ 74.62			\$ 1.11	\$ 0.47	\$ 0.002		
Number of eligible dogs and cats	× 161	× 161			× 988	× 988	× 988		
Reimbursable days	× 1	× 1			× 3	× 3	× 3		
Total care and maintenance costs for dogs and cats	\$ 14,195 ²	\$ 11,987 ²	\$ —	\$ 26,182	\$ 3,290	\$ 1,393	\$ 6	\$ 4,689	\$ (21,493)
Care and Maintenance of Other Eligible Animals:									
Cost per day	\$ 88.37	\$ 74.62			\$ 1.11	\$ 0.47	\$ 0.002		
Number of other eligible animals	× 27	× 27			× 36	× 36	× 36		
Reimbursable days	× 1	× 1			× 6	× 6	× 6		
Total care and maintenance costs for other animals	\$ 2,390 ²	\$ 2,018 ²	\$ —	\$ 4,408	\$ 240	\$ 102	\$ —	\$ 342	\$ (4,066)
Total care and maintenance costs	<u>\$ 16,585</u>	<u>\$ 14,005</u>	<u>\$ —</u>	<u>\$ 30,590</u>	<u>\$ 3,530</u>	<u>\$ 1,495</u>	<u>\$ 6</u>	<u>\$ 5,031</u>	<u>\$ (25,559)</u>

Schedule 2 (continued)

Category	Claimed				Allowable per Audit				Audit Adjustment
	Salaries and Benefits	Materials & Supplies	Fixed Assets	Total Costs Claimed	Salaries and Benefits	Materials & Supplies	Contract Services	Total Costs Allowable	
<u>July 1, 2008, through June 30, 2009</u>									
Total care and maintenance costs	\$ 842,234	\$ 678,811			\$ 417,437	\$ 159,539			
Total animal census	÷ 12,046	÷ 12,046			÷ 318,734	÷ 318,734			
Cost per day	\$ 69.92	\$ 56.35			\$ 1.31	\$ 0.50			
Care and Maintenance of Dogs and Cats:									
Cost per day	\$ 69.92	\$ 56.35			\$ 1.31	\$ 0.50			
Number of eligible dogs and cats	× 195	× 195			× 1,183	× 1,183			
Reimbursable days	× 1	× 1			× 3	× 3			
Total care and maintenance costs for dogs and cats	\$ 13,644 ²	\$ 10,997 ²	\$ —	\$ 24,641	\$ 4,649	\$ 1,775	\$ —	\$ 6,424	\$ (18,217)
Care and Maintenance of Other Eligible Animals:									
Cost per day	\$ 69.92	\$ 56.35			\$ 1.31	\$ 0.50			
Number of other eligible animals	× 24	× 24			× 18	× 18			
Reimbursable days	× 1	× 1			× 6	× 6			
Total care and maintenance costs for other animals	\$ 1,676 ²	\$ 1,351 ²	\$ —	\$ 3,027	\$ 141	\$ 54	\$ —	\$ 195	\$ (2,832)
Total care and maintenance costs	\$ 15,320	\$ 12,348	\$ —	\$ 27,668	\$ 4,790	\$ 1,829	\$ —	\$ 6,619	\$ (21,049)
<u>Summary: July 1, 2001, through June 30, 2003, and July 1, 2006, through June 30, 2009</u>									
Care and maintenance:									
Dogs and cats	\$ 65,672	\$ 56,998	\$ 106	\$ 122,776	\$ 20,728	\$ 7,015	\$ 7	\$ 27,750	\$ (95,026)
Other eligible animals	6,714	5,738	6	12,458	675	247	—	922	(11,536)
Total care and maintenance costs	\$ 72,386	\$ 62,736	\$ 112	\$ 135,234	\$ 21,403	\$ 7,262	\$ 7	\$ 28,672	\$ (106,562)

¹ See Finding 5.

² Difference due to rounding.

Findings and Recommendations

**FINDING 1—
Misclassified
Developing Policies
and Procedures
Component costs**

The county claimed \$45,201 in salaries and benefits during the audit period under the Developing Policies and Procedures cost component. We determined that all costs are unallowable because they were not incurred to develop policies and procedures. Instead, the costs claimed were associated with time devoted to the acquisition of additional space and/or construction of new facilities by the Director of the Animal Services Department. We reclassified these costs and analyzed them in the Acquiring Additional Space Constructing New Facilities cost component (See Finding 3).

The following table summarizes the claimed, allowable, and audit adjustment amounts per fiscal year:

Fiscal Year	Salaries and Benefits		
	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 22,488	\$ -	\$(22,488)
2002-03	22,713	-	(22,713)
Total	\$ 45,201	\$ -	\$(45,201)

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 listed in Section IV (B) of these parameters and guidelines.

Recommendation

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

County’s Response

The County concurs that the costs for policy and procedures are more appropriately classified in the acquisition of additional space cost component.

**FINDING 2—
Misstated one-time
staff training costs**

The county claimed salaries and benefits totaling \$81,947 during the audit period under the Training Staff cost component. We determined that \$6,995 is allowable and \$74,952 is unallowable (understated by \$2,808 and overstated by \$77,760). Costs were understated because the county did not claim any costs incurred to train staff on the reimbursable activities for fiscal year (FY) 2001-02 and FY 2002-03. For FY 2006-07 through FY 2008-09, the county claimed costs for ineligible and unsupported training time. Allowable salaries and benefits for the audit period were for three hours spent to train all new shelter employees on the requirements of the Hayden Bill.

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

Fiscal Year	Salaries and Benefits		
	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ -	\$ 1,612	\$ 1,612
2002-03	-	1,196	1,196
2006-07	42,314	1,967	(40,347)
2007-08	19,286	1,250	(18,036)
2008-09	20,347	970	(19,377)
Total	<u>\$ 81,947</u>	<u>\$ 6,995</u>	<u>\$(74,952)</u>

Salaries and Benefits

The county verified that the time claimed for FY 2006-07 through FY 2008-09 was estimated and included ineligible training time for new employees. The county performed a reassessment of the time spent training new employees and provided the following statement regarding one-time training given to all new animal shelter employees:

All existing and new Animal Services staff was trained on the specific new procedures and responsibilities of the Hayden Bill. Staff was oriented to the fact that the legislation attempted to end the euthanasia of adoptable and treatable animals. They also learned that the legislation increased the holding periods for stray and abandoned dogs, cats, and other specific animals.

In addition, they were trained on specific shelter protocols and procedures required by the legislation to:

- Verify the temperament of feral cats
- Post lost and found list
- Establish and maintain records for impounded animals
- Ensure that impounded animals receive prompt and necessary veterinary care.

We concur with the county’s assessment that allowable costs should be based on three hours of training for all new employees regarding reimbursable activities of the mandated program, based on our observations and inquiries.

The county provided the hire date for all new employees in each fiscal year. In addition, the county explained that the Animal Services Director trained the clerks and the shelter supervisors. The shelter supervisors were responsible for training the animal shelter attendants and the animal control officers. We determined allowable salaries and benefits using three hours per new employee and three hours for the classifications identified as the training providers.

The following table summarizes the differences between hours per county and hours supported to train staff for the reimbursable activities by fiscal year:

Fiscal Year	Hours		
	Hours per County	Hours Supported	Difference
2001-02	-	48	48
2002-03	-	42	42
2006-07	1,360	60	(1,300)
2007-08	608	30	(578)
2008-09	600	24	(576)
Total	<u>2,568</u>	<u>204</u>	<u>(2,364)</u>

The program’s 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 IV–Reimbursable Activities) state that:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the mandated activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Recommendation

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

County’s Response

The County concurs that the claimed training costs were overstated due to ineligible and unsupported training time based on estimates.

**FINDING 3—
Misstated costs for
acquiring additional
space/constructing
new facilities**

The county claimed \$31,863 under the Acquiring Space/Constructing New Facilities cost component during the audit period. We determined that \$36,066 is allowable. The county understated costs by a net amount of \$4,203 (understated by \$10,954 and overstated by \$6,751). Costs were misstated because the county claimed incorrect reimbursable percentages and misclassified costs.

The following table summarizes the calculations of claimed, allowable, and audit adjustment amounts fiscal year:

Fiscal Year	Amount Claimed ¹	Amount Supported	Reim- bursable Percentage	Amount Allowable	Audit Adjustment
Salaries and benefits					
2001-02	\$ 144	\$ 22,488	14.03%	\$ 3,155	\$ 3,011
2002-03	3,850	22,713	12.04%	2,735	(1,115)
2006-07	78	-	3.94%	-	(78)
Total salaries and benefits	<u>4,072</u>	<u>45,201</u>		<u>5,890</u>	<u>1,818</u>
Services and supplies					
2001-02	1	3,899	14.03%	547	546
2002-03	1,173	32,243	12.04%	3,882	2,709
2006-07	-	3,119	3.94%	123	123
Total services and supplies	<u>1,174</u>	<u>39,261</u>		<u>4,552</u>	<u>3,378</u>
Contract services					
2001-02	1,556	41,277	14.03%	5,791	4,235
2002-03	24,462	157,009	12.04%	18,904	(5,558)
2006-07	599	23,576	3.94%	929	330
Total contract services	<u>26,617</u>	<u>221,862</u>		<u>25,624</u>	<u>(993)</u>
Summary					
2001-02	1,701	67,664	14.03%	9,493	7,792
2002-03	29,485	211,965	12.04%	25,521	(3,964)
2006-07	677	26,695	3.94%	1,052	375
Total	<u>\$ 31,863</u>	<u>\$ 306,324</u>		<u>\$ 36,066</u>	<u>\$ 4,203</u>

¹ The county claimed 3.77% of costs for FY 2001-02, 15.58% for FY 2002-03, and 2.54% for FY 2006-07

Santa Maria Shelter

The county constructed a new shelter in 2005 located at 548 W. Foster Road in Santa Maria. The county provided documentation showing that costs incurred for the Santa Maria animal shelter were, in part, a result of the increased holding period required by the Statutes of 1998, Chapter 752.

In addition, the county provided animal census data for animals impounded in the county's animal shelter in 1998. In 1998, the county used the "DataEase" database to maintain animal data. The county maintained three separate databases; one for each shelter. The census information contained the total census of animals and did not break up

the census by dogs and cats and other animals. We used the percentages of dogs and cats to total population from the county's animal data for FY 2001-02 to isolate the census of dogs and cats and other animals for 1998.

The county determined reimbursable costs related to acquiring additional space/constructing new facilities by applying a percentage to supported costs. The county claimed 3.77% for FY 2001-02, 15.58% for FY 2002-03 and 2.54% for FY 2006-07.

For FY 2001-02 and FY 2002-03, the county used the percent of increased boarding days from FY 1998-99. For FY 2006-2007, the county used the formula specified in the parameters and guidelines; however, the county inadvertently used the count of dead and euthanized animals within the holding period instead of the euthanized animals after the holding period.

We determined the reimbursable percentages of 14.03% for FY 2001-02 and 12.04% for FY 2002-03 by using the county's raw animal census data. The formula for these two years, as prescribed in the parameters and guidelines, requires dividing the eligible animals by the total population of animals housed (this was a count of the animals used in the calculation of the census). Eligible animals include: dogs and cats that die on days 4, 5, and 6 plus those euthanized on day 7 and later, and (2) other' animals that die on days 2, 3, 4, 5, or 6 plus those euthanized on day 7 or later.

For FY 2006-07, we determined the reimbursable percentage by using the revised acquisition of additional space formula specified in the parameters and guidelines.

Salaries and Benefits

The county claimed salaries and benefits totaling \$4,072. We determined that \$5,890 is allowable. The county understated salaries and benefits by \$1,818 primarily because it claimed incorrect reimbursable percentages and misclassified costs.

Reclassified Costs

The county claimed salaries and benefits totaling \$31,709 (\$3,879 for FY 2001-02; \$24,711 for FY 2002-03, and \$3,119 for FY 2006-07) for county architects. However, the architects are not employed by the county's Public Health Department. Accordingly, the total labor and overhead costs incurred by another county department were passed on to the Public Health Department. Therefore, we reclassified these costs as services and supplies costs.

We also reclassified salaries and benefits claimed under the Developing Policies and Procedures cost component. Costs totaling \$45,201 (\$22,488 for FY 2001-02; and \$22,713 for FY 2002-03) (see Finding 1) were for the Director of Animal Services' time associated with the planning and construction of the Santa Maria shelter only.

Services and Supplies

The county claimed services and supplies totaling \$1,174. We determined that \$4,552 is allowable. Allowable costs were understated by \$3,378 because the county claimed incorrect reimbursable percentages.

Allowable costs were based on costs supported by the county's Department of General Service (DGS) final workbook for the construction of the new animal shelter built at 548 W. Foster Road in Santa Maria.

Contract Services

The county claimed contract services totaling \$26,617. We determined that \$25,624 is allowable and \$993 is unallowable. The costs are unallowable because the county claimed incorrect reimbursable percentages.

The county incurred general construction costs totaling \$221,862. The largest single expenditure of \$152,416 was incurred in FY 2002-03 for the architectural firm of Hall Hurley Deutch, Inc. These costs also were supported by the county's DGS final workbook for the project.

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, for 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 entitled to reimbursement for the proportionate share of actual costs required to plan, design, acquire, and/or build 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

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

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

County’s Response

The County concurs that this component was understated.

**FINDING 4—
Allowable costs for
remodeling/renovating
existing facilities**

The county claimed \$241 for renovating facilities for FY 2001-02. We determined that \$15,103 is allowable. The costs were understated because the county did not claim reimbursement for eligible remodeling costs incurred during the audit period. The county provided documentation supporting additional eligible costs during the course of the audit for costs incurred to renovate its old Santa Maria shelter and the Santa Barbara shelter to accommodate the increased holding period required by the Hayden Bill.

The following table summarizes the remodeling costs incurred, the percentages claimed and allowable, claimed costs, allowable costs, and the audit adjustment amounts by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed ¹</u>	<u>Amount Supported</u>	<u>Reim- bursable Percentage</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Services and supplies					
2001-02	\$ 241	\$ -	14.03%	\$ -	\$ (241)
2002-03	-	-	12.04%	-	\$ -
2006-07	-	4,739	5.29%	251	\$ 251
2007-08	-	18,307	4.68%	857	\$ 857
2008-09	-	7,297	3.43%	250	\$ 250
Total services and supplies	<u>241</u>	<u>30,343</u>		<u>1,358</u>	<u>1,117</u>
Contract services					
2001-02	-	6,397	14.03%	897	897
2002-03	-	7,125	12.04%	858	858
2006-07	-	-	3.94%	-	-
2007-08	-	33,331		1,560	1,560
2008-09	-	304,061		10,430	10,430
Total contract services	<u>-</u>	<u>350,914</u>		<u>13,745</u>	<u>13,745</u>
Summary					
2001-02	241	6,397		897	656
2002-03	-	7,125		858	858
2006-07	-	4,739		251	251
2007-08	-	51,638		2,417	2,417
2008-09	-	311,358		10,680	10,680
Total	<u>\$ 241</u>	<u>\$ 381,257</u>		<u>\$ 15,103</u>	<u>\$ 14,862</u>

¹ The county claimed 3.77% of services and supplies totaling \$6,397 for FY 2001-02.

Santa Maria Shelter (Older Shelter) and Santa Barbara Shelter

The county remodeled its older Santa Maria shelter located at 3415 Olcutt Road in FY 2001-02 and FY 2002-03. A new shelter was subsequently built at a new location (see Finding 3). The county remodeled its Santa Barbara shelter during FY 2006-07, FY 2007-08, and FY 2008-09.

The county provided documentation indicating that the remodeling of the existing shelter was necessary to accommodate the increased holding period required by the Hayden Bill. For both projects, the county provided copies of the county's five-year Capital Improvement Project and Board of Supervisors Agenda Letter supporting the need for the renovation because of the increased holding period mandated by the State.

Services and Supplies

The county claimed services and supplies totaling \$241 for construction work which was reclassified as contract services. We determined that \$1,358 is allowable.

Contract Services

The county did not claim any contract services for remodeling. The county provided support for eligible costs during the course of the audit. We determined that \$13,745 is allowable based on total supported costs of \$350,914. These costs were incurred to remodel the Santa Barbara shelter to accommodate the increased holding period.

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

Beginning January 1, 1999—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

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

County's Response

The County concurs that this component was understated and appreciates the start-from-scratch approach to submitting supporting documentation for all years.

**FINDING 5—
Overstated care and maintenance, costs for dogs, cats, and other animals**

The county claimed \$135,234 under the Care and Maintenance for Dogs, Cats, and Other Animals cost component. We determined that \$28,672 is allowable and \$106,562 is unallowable. The costs were overstated because the county claimed costs for employee classifications that were not involved with care and maintenance activities, claimed ineligible costs, and incorrectly calculated the annual census, the eligible number of dogs, cats, and other animals, and the number of reimbursable days.

The following table summarizes the claimed, allowable, and unallowable care and maintenance costs for the audit period. Refer to Schedule 2, Summary of Care and Maintenance Costs for further details.

Fiscal Year	Amount Claimed			Amount Allowable			Audit Adjustment
	Dogs/Cats	Other Animals	Total Claimed	Dogs/Cats	Other Animals	Total Allowable	
2001-02	\$ 22,406	\$ 1,285	\$ 23,691	\$ 6,799	\$ 135	\$ 6,934	\$ (16,757)
2002-03	20,613	1,669	22,282	5,258	102	5,360	(16,922)
2006-07	28,934	2,069	31,003	4,580	148	4,728	(26,275)
2007-08	26,182	4,408	30,590	4,689	342	5,031	(25,559)
2008-09	24,641	3,027	27,668	6,424	195	6,619	(21,049)
Total	\$ 122,776	\$ 12,458	\$ 135,234	\$ 27,750	\$ 922	\$ 28,672	\$ (106,562)

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 irretrievably 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 county 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:

- 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 stray 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.

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

Care and Maintenance Formula

The county 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(s). This total is divided by the annual census of animals housed in the shelter(s) to determine a cost per animal per day.

The next element of the formula is to add 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 a California appellate court decision in the case of *Purifoy v. Howell* filed March 26, 2010 (183 Cal. App 4th 166).

The county based its calculations of care and maintenance costs on the assumption that eligible dogs and cats comprise a certain percentage of the total animals population and that eligible “other animals” comprise another certain percentage of the total animal population. The county then multiplied total costs incurred for salaries and benefits, materials and supplies, and fixed assets each year by the applicable percentage of “eligible animals” it determined for that year. The county used this methodology throughout the audit period to calculate claimed costs for care and maintenance of animals. In addition, the county claimed costs for employee classifications that do not perform care and maintenance activities and costs incurred for activities that are not related to care and maintenance of animals. This is an incorrect application of the Actual Costs Formula.

Costs incurred by the county for care and maintenance consisted of salaries and benefits, materials and supplies, contract services, fixed assets, and related indirect 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 county for animal care and maintenance 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, Benefits and Related Indirect Costs

During the course of the audit, the animal shelter management provided a list of personnel who participate in the care and maintenance functions. Management also provided information related to the level of involvement of each classification according to their job duty description and staffing requirements during the audit period. We used this information in determining the percentage of the daily workload that was devoted to caring for and maintaining animals.

The following table details the percent of animal care and maintenance per employee classification for all three shelters as determined by shelter management.

<u>Employee Classification</u>	<u>Shelter</u>		
	<u>Santa Barbara Shelter</u>	<u>Lompoc Shelter</u>	<u>Santa Maria Shelter</u>
FY 2001-02 and 2002-03:			
Office Assistant II (Clerk)	0%	0%	0%
Animal Shelter Attendant	60%	62%	75%
Animal Control Officers	35%	28%	10%
Animal Control Officer Supervisor	5%	10%	15%
	<u>100%</u>	<u>100%</u>	<u>100%</u>
FY 2006-07, 2007-08, and 2008-09:			
Office Assistant II (Clerk)	0%	0%	0%
Animal Shelter Attendant	60%	62%	94%
Animal Control Officers	35%	28%	5%
Animal Control Officer Supervisor	5%	10%	1%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

Once 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 unsupported salaries, benefits, and related indirect costs used by the county in the care and maintenance costs formula by fiscal year:

Fiscal Year	Salaries, Benefits, and Related Indirect Costs		
	Amount Per County	Amount Supported	Difference
2001-02	\$ 466,982	\$ 286,523	\$ (180,459)
2002-03	459,653	267,442	(192,211)
2006-07	633,101	314,385	(318,716)
2007-08	788,628	375,013	(413,615)
2008-09	842,234	417,437	(424,797)
Total	<u>\$ 3,190,598</u>	<u>\$ 1,660,800</u>	<u>\$ (1,529,798)</u>

Materials and Supplies

We worked in conjunction with county staff to identify the costs eligible for reimbursement for the care and maintenance component. The county provided expenditure reports and line item descriptions of the costs incurred for the care and maintenance of animals. We tested the expenses identified for care and maintenance costs and determined that the expenditure account totals per year were reasonable.

The county claimed materials and supplies related to food, household expense, instruments and equipment, small tools and instruments, and special projects. During the audit, the county analyzed the costs within these accounts and identified costs that were only related to the care and maintenance of animals. We reviewed the county's analysis and concurred with its results.

The county also identified costs during the audit for electricity, natural gas, water, and refuse related to the care and maintenance of animals that were not claimed. The Animal Services Department is within the county's Public Health Department. These costs were not directly charged to the Animal Services Department or identified as an indirect cost when determining the department's indirect cost rates. Consequently, we included costs that were directly related to the care and maintenance of animals.

In addition, the county identified other costs during the audit related to the care and maintenance of animals that were not claimed, such as cat cages, a pressure washing system, and an animal lift table. We also included these costs.

The following table summarizes materials and supplies used by the county in the care and maintenance costs formula by fiscal year:

Fiscal Year		Amount Per County	Amount Supported	Difference
2001-02	Materials and supplies claimed	\$ 414,443	\$ 42,576	\$ (371,867)
	Electricity, natural gas, water, and refuse	-	19,215	19,215
	Subtotal	414,443	61,791	(352,652)
2002-03	Materials and supplies claimed	358,322	51,727	(306,595)
	Electricity, natural gas, water, and refuse	-	37,780	37,780
	7200 - supplies (Cat Cages)		6,495	6,495
	Subtotal	358,322	96,002	(262,320)
2006-07	Materials and supplies claimed	635,931	89,392	(546,539)
	Electricity, natural gas, water, and refuse	-	28,701	28,701
	Subtotal	635,931	118,093	(517,838)
2007-08	Materials and supplies claimed	665,931	99,050	(566,881)
	Electricity, natural gas, water, and refuse	-	58,303	58,303
	7120 - Pressure washing system	-	2,185	2,185
	Subtotal	665,931	159,538	(506,393)
2008-09	Materials and supplies claimed	678,811	107,366	(571,445)
	Electricity, natural gas, water, and refuse	-	48,392	48,392
	7120 - Pressure washing maintenance	-	1,417	1,417
	7348 - Animal lift table	-	2,368	2,368
	Subtotal	678,811	159,543	(519,268)
Totals	Materials and supplies	\$ 2,753,438	\$ 594,967	\$ (2,158,471)

Contract Services

The county did not claim any costs for contract services under this cost component. However, county staff identified reimbursable contract services costs during the course of the audit. Total contract services subject to the care and maintenance costs formula totaled \$857 (\$130 for kennel repairs in FY 2006-07 and \$727 for kennel maintenance in FY 2007-08).

Fixed Assets

The county identified \$4,175 in fixed assets subject to the care and maintenance costs formula for FY 2001-02. However, the county identified that the costs incurred were for a file server that we reclassified to the Procuring Equipment cost component. The county also supported that the actual cost of the file server was \$10,196 (see Finding 11).

Animal Census Data

The yearly census of animals refers to the total number of days that all animals were housed in the county's shelters. The actual cost formula requires the eligible costs 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 census, the county used the count of animals (raw number of animals impounded) for the year instead of the total census (the total number of days that all animals were housed in the shelters per year).

The county provided the actual animal census information from its Chameleon database system for the audit period. We worked in conjunction with Public Health Department management to determine the allowable animal census per fiscal year. Management verified the validity of the raw data and correct any data error entries. For example, staff corrected animal data showing negative days impounded, zeros shown for the number of animals impounded, and other inconsistencies in the raw data.

The following table summarizes the differences between animal census information per county and census supported by fiscal year:

Fiscal Year	Animal Census		
	Census per County	Census Supported	Difference
2001-02	11,742	202,282	190,540
2002-03	11,288	214,395	203,107
2006-07	8,586	315,365	306,779
2007-08	8,924	338,904	329,980
2008-09	12,046	318,734	306,688
Total	52,586	1,389,680	1,337,094

Eligible Dogs, Cats, and Other Animals

The county counted dogs and cats that died (of natural causes) or were euthanized during the increased holding period (days 3 through 6) and other animals that died (of natural causes) or were euthanized during the increased holding period (days 1 through 6). Instead, the county should have counted 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). We determined the eligible number of animals to apply to the actual cost formula for all years of the audit period. We applied the exclusions per the parameters and guidelines to the raw animal data provided by the county. The Public Health Department confirmed and agreed with the number of eligible animals that we used in the Actual Cost Formula.

To verify the eligible animal population claimed, we ran a query of all animals that fit the following reimbursement criteria:

Dogs and Cats

- Died (of natural causes) during the increased holding period: died on days 4, 5, or 6

- Ultimately euthanized: euthanized on day 7 of the holding period or later

Eligible Other Animals

- Died (of natural causes) during the increased holding period: Died on day 2, 3, 4, 5, or 6 (animals that died on day 1 were not included because they were most likely irremediably suffering from a serious illness or injury or were too severely injured to move and it may have been more humane to dispose of the animal).
- Ultimately euthanized: Euthanized on day 7 of the holding period and beyond.

The following table summarizes the understated number of eligible animals used by the county in the care and maintenance costs formula by fiscal year:

Fiscal Year	Animals Per County			Animals Supported			Difference
	Dogs/Cats	Other Animals	Total Claimed	Dogs/Cats	Other Animals	Total Allowable	
2001-02	297	17	314	1,310	13	1,323	1,009
2002-03	284	23	307	1,031	10	1,041	734
2006-07	196	14	210	1,114	18	1,132	922
2007-08	161	27	188	988	36	1,024	836
2008-09	195	24	219	1,183	18	1,201	982
Total	1,133	105	1,238	5,626	95	5,721	4,483

Reimbursable Days

The county did not consider the increased holding period and the number of reimbursable days when claiming costs under this component.

The 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. The county calculation of the care and maintenance costs formula only factored one increased holding day for dogs, cats, and other animals.

Food and Agriculture Code section 31108, subdivision (2)(d)

Food and Agricultural Code section 31108, subdivision (2)(d), was amended by Chapter 97, Statutes of 2011 (Assembly Bill 222) on July 29, 2011. The legislation was effective January 1, 2012. It 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. The legislative change does not affect the audit period covered in this audit.

Recommendation

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

County’s Response

The County concurs that this component was overstated. Although the County took a conservative approach to this claim and used no more than 2.53% of calculated costs (in any year), it was still overstated. The population of animals was used rather than the annual census (days), and the count of allowable animals was understated.

**FINDING 6—
Overstated increased
holding period costs**

The county claimed salaries and benefits totaling \$258,436 for the Holding Period cost component during the audit period. We determined that \$159,735 is allowable and \$98,701 is unallowable. The costs were unallowable because the county overstated the number of hours the shelter was open to the public making animals available for owner redemption for the audit period, and the county overstated the eligible number of during Animal Care Attendants on duty for FY 2006-07 through FY 2008-09.

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

Fiscal Year	Salaries and Benefits		
	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 28,042	\$ 22,689	\$ (5,353)
2002-03	30,501	24,270	(6,231)
2006-07	61,590	35,885	(25,705)
2007-08	66,268	36,553	(29,715)
2008-09	72,035	40,338	(31,697)
Total	<u>\$258,436</u>	<u>\$159,735</u>	<u>\$ (98,701)</u>

Hours of Operation

During the audit period, the shelters were open to the public on Saturdays from 10:00 am to 4:00 p.m., which is 6 hours per allowable employee. County staff confirmed that its animal shelters have been using the same hours of operation for Saturdays since FY 2001-02. The shelters meet the requirements of the mandate by making animals available for owner redemption or adoption on Saturday.

The shelter’s hours of operation are essential in determining the allowable hours to comply with the increased Holding Period cost component. The county incorrectly claimed eight hours per employee. While shelter staff may come in to work prior to 10:00 a.m., the shelter staff only make animals available for owner redemption on Saturdays from 10:00 a.m. to 4:00 p.m., which is six hours per allowable employee.

Staffing Requirements

We held discussions with county staff concerning the staffing requirements to make animals available for owner redemption on Saturdays when the shelter was open, in comparison with Sundays when the shelter is closed. We also obtained staffing schedules for the Santa Barbara, Lompoc, and Santa Maria shelters to determine the number of increased positions necessary to make animals available for owner redemption.

For 2001-02 and 2002-03, we determined that costs incurred for three Office Assistants were allowable. Based on the staffing schedules provided, the number of Animal Care Attendant positions is the same whether the shelter is open or closed. The Animal Care Attendants primarily take care of feeding and maintaining the animals and do not assist in making the animals available for owner redemption. We gave the county the opportunity to provide support for costs for an additional Animal Shelter Attendant for the first two years of the audit. The county confirmed that there were no additional Animal Shelter Attendants scheduled on Saturdays for these two years.

The Santa Maria Shelter was moved to a newer and bigger location in 2005. For FY 2006-07, FY 2007-08, and FY 2008-09, we determined that three Office Assistants (one at each of the county’s three shelters) and one Animal Shelter Attendant (for the Santa Maria Shelter) are allowable. Based on the staffing schedule provided, there is one additional Animal Care Attendant on duty when the shelter is open compared with when the shelter is closed. Therefore, the additional Animal Care Attendant is assisting the Clerks to make the animals available for owner redemption on Saturdays.

The following table illustrates the claimed and allowable employee classifications determined to be the increased positions necessary to make animals available for owner redemption. In addition, the table summarizes the total hours claimed and allowable:

	Fiscal Year					Totals
	2001-02	2002-03	2006-07	2007-08	2008-09	
<u>Claimed hours</u>						
Employee positions						
Office Assistants	3	3	3	3	3	
Animal Shelter Attendants	-	-	2	2	2	
Total employee positions	3	3	5	5	5	
Hours Claimed per Position	× 8	× 8	× 8	× 8	× 8	
Weeks per Year	× 52	× 52	× 52	× 52	× 52	
Total Hours Claimed	<u>1,248</u>	<u>1,248</u>	<u>2,080</u>	<u>2,080</u>	<u>2,080</u>	<u>8,736</u>
<u>Allowable hours</u>						
Employee positions						
Office Assistants	3	3	3	3	3	
Animal Shelter Attendants	-	-	1	1	1	
Total employee positions	3	3	4	4	4	
Hours Allowable per Position	× 6	× 6	× 6	× 6	× 6	
Weeks per Year	× 52	× 52	× 52	× 52	× 52	
Total hours allowable	<u>936</u>	<u>936</u>	<u>1,248</u>	<u>1,248</u>	<u>1,248</u>	<u>5,616</u>

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

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

Recommendation

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

County’s Response

The County concurs that the Saturday hours were overstated. The County claimed eight hours per day to staff the three animal shelters. Since the shelters were only open to the public for six hours, the County overstated the costs by two hours.

**FINDING 7—
Misstated feral cat
testing costs**

The county claimed costs totaling \$24,472 (\$24,382 in salaries and benefits and \$90 in materials and supplies) during the audit period under the Feral Cats Testing cost component. We determined that \$30,448 is allowable (\$30,358 in salaries and benefits and \$90 in materials and supplies) and costs were understated by the net amount of \$5,976 (understated by \$6,703 and overstated by \$727). Costs were misstated because the county estimated the time it took to conduct a feral cat test and misstated the number of feral cat tests conducted.

All costs initially were unallowable as claimed because they were based on estimates. However, the county conducted a time study during the course of the audit to support costs.

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

Fiscal Year	Total Direct Costs		
	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 4,123	\$ 6,810	\$ 2,687
2002-03	4,825	6,595	1,770
2006-07	4,679	5,333	654
2007-08	5,668	4,941	(727)
2008-09	5,177	6,769	1,592
Total	\$ 24,472	\$ 30,448	\$ 5,976

Claimed Costs

The county confirmed that they called each shelter and asked for an estimate of time it took to conduct a feral cat test. We confirmed that the county has a protocol for assessing feral cats and this assessment is documented in a “Feral Cat Temperament Assessment” form. However, the time to conduct this test was estimated; therefore, the time claimed was unallowable.

Time Study

The county conducted a time study during the course of the audit to support the time it takes shelter staff to verify whether a cat is feral or tame. The county documented the time it took Office Assistant IIs (Clerk), Animal Shelter Attendants, and Animal Control Officers to conduct the feral cat tests.

The county conducted its time study from April 4, 2011, through April 18, 2011, and also from May 2, 2011, through May 13, 2011. County staff summarized the results of the time study and properly excluded erroneous time sheets that indicated that cats were tested for 15, 16, or even 19 minutes per day. The county verified these large time increments recorded with shelter personnel to clarify the misunderstanding. The county concluded that such time sheets included the time to intake the cat, create a non-medical record, and possibly care for and feed the animal, not just to conduct the feral cat test portion. The county made the necessary adjustments to the erroneous time sheets.

The county resubmitted a summary sheet, excluding time sheets for the erroneous entries noted above. Based on the revised time study results, the county determined that, on average, it may take staff 6.06 minutes per cat to determine if the cat is feral or tame.

Number of feral cat tests

The county understated the number of cats that received a feral cat test. The county only used the number of cats that ultimately were determined to be feral. However, shelter management agreed that only counting the cats that are deemed feral would understate the actual number of feral cat tests conducted. The county provided the maximum eligible number of cats that would have received a feral cat test during the audit period from its Chameleon tracking system. The county excluded cats that likely would not have had a feral cat test based on their intake condition, and the cats from the Santa Barbara shelter for FY 2006-07, FY 2007-08, and FY 2008-09. The cats in the Santa Barbara shelter during those years were cared for by a volunteer group called Animal Shelter Assistance Program.

The following table summarizes the number of feral cats tests claimed and the allowable maximum number of feral cats that would have received a feral cat test by the employee classifications that performed the tests by fiscal year:

	Fiscal Year					Totals
	2001-02	2002-03	2006-07	2007-08	2008-09	
<u>Tests by classification per county</u>						
Clerk	-	-	-	-	-	
Animal Shelter Attendant	364	364	355	343	447	
Animal Control Officer	364	364	355	343	447	
Animal Control Officer (Supervisor)	-	-	-	-	-	
Total claimed	<u>728</u>	<u>728</u>	<u>710</u>	<u>686</u>	<u>894</u>	<u>3,746</u>
<u>Tests by classification supported</u>						
Clerk	792	672	480	423	536	
Animal Shelter Attendant	1,377	1,169	836	735	932	
Animal Control Officer	1,274	1,081	773	680	862	
Animal Control Officer (Supervisor)	-	-	-	-	-	
Total allowable	<u>3,443</u>	<u>2,922</u>	<u>2,089</u>	<u>1,838</u>	<u>2,330</u>	<u>12,622</u>
Difference - feral cat tests	<u>2,715</u>	<u>2,194</u>	<u>1,379</u>	<u>1,152</u>	<u>1,436</u>	<u>8,876</u>

Hours

We determined the allowable hours per employee classification based on the time study conducted.

The following table summarizes the adjustment to the hours claimed based on the estimated time per employee classification, per fiscal year and the allowable hours as a result of the time study conducted during the course of the audit and the maximum allowable number of feral cat tests performed:

	Fiscal Year					Totals
	2001-02	2002-03	2006-07	2007-08	2008-09	
<u>Hours by classification per county</u>						
Clerk	-	-	-	-	-	
Animal Shelter Attendant	165.77	166.35	122.08	142.52	169.68	
Animal Control Officer	-	-	-	-	-	
Animal Control Officer (Supervisor)	28.60	28.47	28.78	27.53	39.25	
Total Hours Claimed	<u>194.37</u>	<u>194.82</u>	<u>150.86</u>	<u>170.05</u>	<u>208.93</u>	<u>919.03</u>
<u>Hours by classification supported</u>						
Clerk	80.00	67.87	48.48	42.72	54.13	
Animal Shelter Attendant	139.08	118.07	84.43	74.23	94.13	
Animal Control Officer	128.67	109.18	78.07	68.68	87.07	
Animal Control Officer (Supervisor)	-	-	-	-	-	
Total Hours Supported	<u>347.75</u>	<u>295.12</u>	<u>210.98</u>	<u>185.63</u>	<u>235.33</u>	<u>1,274.81</u>
Difference - hours by classification	<u>153.38</u>	<u>100.30</u>	<u>60.12</u>	<u>15.58</u>	<u>26.40</u>	<u>355.78</u>

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

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

Recommendation

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

County’s Response

The County concurs that estimated time was not allowable and therefore conducted a time study. Also, the County claimed cats that were ultimately deemed feral (3,746) and should have claimed all cats tested regardless of outcome (12,622). This resulted in an understated claim.

**FINDING 8—
Overstated lost-and-found lists costs**

The county claimed salaries and benefits totaling \$716,497 during the audit period under the Lost-and-Found Lists cost component. We determined that \$28,172 is allowable. The county overstated costs by \$688,325. Costs were overstated because the county estimated the costs to comply with the five reimbursable activities outlined for the Lost-and-Found Lists cost component and included ineligible time. The county included the time that it took staff to help owners of lost pets look for their animal in the kennel area and the time to comfort and counsel distressed pet owners. While these activities are part of the shelter’s lost-and-found process and examples of good customer service, they are not reimbursable activities under the mandated program.

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
2001-02	\$ 65,752	\$ 4,623	\$ (61,129)
2002-03	72,568	5,032	(67,536)
2006-07	161,735	5,845	(155,890)
2007-08	190,939	6,021	(184,918)
2008-09	225,503	6,651	(218,852)
Total	\$ 716,497	\$ 28,172	\$ (688,325)

Time Study

All costs claimed initially were unallowable because the county claimed estimated costs for this cost component. During the course of the audit, the county conducted a two-pay-period time study from May 2, 2011, through May 15, 2011, and from May 30, 2011, through June 12, 2011, at all three animal shelters (Santa Barbara Animal Shelter, Lompoc Animal Shelter, and Santa Maria Animal Shelter) to determine the time required to comply with the mandated activities. The time study results are based on time captured during a typical four-week period.

The time study determined that shelter employees spend a total of 205 hours a year to comply with all five requirements of the Lost-and-Found Lists cost component, as noted in the table below. These hours were applied to one employee per classification per year to determine allowable costs.

The following table summarizes the claimed and allowable hours for the Lost-and-Found Lists cost component by employee classification:

	Fiscal Year					Total
	2001-02	2002-03	2006-07	2007-08	2008-09	
<u>Hours by classification per county</u>						
Office Assistant II	2,002.5	2,002.5	3,115	3,115	3,115	13,350
Animal Shelter Attendant	476.83	476.83	1,560	1,335	1,780	5,629
Animal Control Officer	-	-	300.38	1,001.25	1,001.25	2,303
Animal Control Officer Supv.	352.29	352.29	289.26	289.26	289.26	1,572
Total hours claimed	<u>2,831.62</u>	<u>2,831.62</u>	<u>5,264.64</u>	<u>5,740.51</u>	<u>6,185.51</u>	<u>22,854</u>
<u>Hours by classification supported</u>						
Office Assistant II	140	140	140	140	140	700
Animal Shelter Attendant	46	46	46	46	46	230
Animal Control Officer	13	13	13	13	13	65
Animal Control Officer Supv.	6	6	6	6	6	30
Total hours allowable	<u>205</u>	<u>205</u>	<u>205</u>	<u>205</u>	<u>205</u>	<u>1,025</u>
Difference - hours	<u>(2,626.62)</u>	<u>(2,626.62)</u>	<u>(5,059.64)</u>	<u>(5,535.51)</u>	<u>(5,980.51)</u>	<u>(21,829)</u>

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

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

County's Response

The County concurs that this was overstated. The mandate allows for five specific requirements and the County included estimated time for all aspects of uniting an animal with their owner.

**FINDING 9—
Misstated
maintaining non-
medical records costs**

The county claimed \$375,480 during the audit period under the Maintaining Non-Medical records cost component. We determined that \$319,764 is allowable and the net amount of \$55,716 is unallowable (understated by \$7,506 and overstated by \$63,222). The costs were misstated because the county claimed costs for employees who did not perform the reimbursable activities, underclaimed costs for employee classifications that did perform the reimbursable activities, overstated the applicable percentage of allowable costs for materials and supplies and contract services, and claimed unallowable costs.

The following table summarizes the combined claimed, allowable, and unallowable direct costs for the Maintaining Non-Medical Records cost component by fiscal year:

Fiscal Year	Amount Claimed ¹	Amount Supported	Reim- bursable Percentage	Amount Allowable	Audit Adjustment
Salaries and benefits					
2001-02	\$ 29,072	\$ 25,383	100.00%	\$ 25,383	\$ (3,689)
2002-03	26,164	26,228	100.00%	26,228	64
2006-07	9,721	29,852	100.00%	29,852	20,131
2007-08	12,548	30,647	100.00%	30,647	18,099
2008-09	31,881	37,544	100.00%	37,544	5,663
Total salaries and benefits	<u>109,386</u>	<u>149,654</u>		<u>149,654</u>	<u>40,268</u>
Services and supplies					
2001-02	27,326	22,299	80.00%	17,839	(9,487)
2002-03	34,350	24,090	80.00%	19,272	(15,078)
2006-07	45,702	39,574	80.00%	31,659	(14,043)
2007-08	46,742	43,462	80.00%	34,770	(11,972)
2008-09	65,544	43,843	80.00%	35,074	(30,470)
Total services and supplies	<u>219,664</u>	<u>173,268</u>		<u>138,614</u>	<u>(81,050)</u>
Contract services					
2001-02	6,720	6,720	80.00%	5,376	(1,344)
2002-03	8,160	8,160	80.00%	6,528	(1,632)
2006-07	7,110	7,111	80.00%	5,689	(1,421)
2007-08	7,241	7,241	80.00%	5,793	(1,448)
2008-09	13,008	10,138	80.00%	8,110	(4,898)
Total contract services	<u>42,239</u>	<u>39,370</u>		<u>31,496</u>	<u>(10,743)</u>
Travel and training					
2002-03	1,533	-	0.00%	-	(1,533)
2006-07	2,193	-	0.00%	-	(2,193)
Total travel and training	<u>3,726</u>	<u>-</u>		<u>-</u>	<u>(3,726)</u>
Fixed assets					
2008-09	465	-	0.00%	-	(465)
Total fixed assets	<u>465</u>	<u>-</u>		<u>-</u>	<u>(465)</u>
Summary					
2001-02	63,118	54,402		48,598	(14,520)
2002-03	70,207	58,478		52,028	(18,179)
2006-07	64,726	76,537		67,200	2,474
2007-08	66,531	81,350		71,210	4,679
2008-09	110,898	91,525		80,728	(30,170)
Total	<u>\$ 375,480</u>	<u>\$ 362,292</u>		<u>\$ 319,764</u>	<u>\$ (55,716)</u>

¹ The county claimed 3.77% of costs for FY 2001-02, 15.58% for FY 2002-03, and 2.54% for FY 2006-07

Salaries and Benefits – Employee Classifications

For the audit period, the county claimed \$109,386 in salaries and benefits. The county claimed \$105,070 for personnel in the employee classifications of Computer Systems Specialist and EDP Systems and Program Analyst to process animal records. In addition, the county claimed \$4,316 for staff to attend Chameleon system conferences. The county agreed that the various employee classifications claimed do not process the intake or final disposition of an animal and that they misinterpreted the reimbursable activity. Therefore, the county opted to properly support costs with a time study.

Time Study

The county performed a time study for this cost component from September 19, 2011, through October 2, 2011. The county studied the time required to process records for incoming animals and the final disposition of animals. These activities were performed by various employee classifications. The county’s time study results showed that 3.05 minutes were spent processing incoming animal records and 2.69 minutes were spent processing records for the final disposition of animals.

Number of Animal Records Processed

We applied the time study results to the number of animal records processed based on data that the county was able to provide from its Chameleon database system.

The following table summarizes the numbers of non-medical records processed for the audit period by fiscal year:

	Fiscal Year					Total
	2001-02	2002-03	2006-07	2007-08	2008-09	
Intake	11,745	11,290	11,213	11,101	12,049	57,398
Final Disposition	11,745	11,290	11,213	11,101	12,049	57,398

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

Employee Classification	Percentage Involvement
<u>Incoming Animal Records</u>	
Clerks	59%
Animal Shelter Attendants	5%
Animal Control Officers	33%
Animal Control Officer Supervisor	3%
	<u>100%</u>
<u>Final Disposition Records</u>	
Clerks	78%
Animal Shelter Attendants	15%
Animal Control Officers	6%
Animal Control Officer Supervisor	1%
	<u>100%</u>

To determine allowable salaries and benefits, we applied the results of the county's time study to the employee classifications that performed the activities. We determined that costs totaling \$149,654 were allowable for salaries and benefits.

Services and Supplies – Data Processing and T1 Phone Line Costs

The county claimed costs totaling \$219,664 for services and supplies. We determined that \$138,614 is allowable and \$81,050 is unallowable. Eligible costs for this component consisted of costs incurred for webhosting, Crystal report fees, license upgrade fees for all three shelters, the department's data processing charges from the county, and monthly T1 data line charges. We determined that these costs were allowable costs associated with the Chameleon software license renewal contracts. However, only a portion directly related to the maintenance of animal records is allowable.

Reimbursable Portion Related to the Maintenance of Non-Medical Records

For the audit period, the county claimed 100% of costs claimed related to the maintenance of non-medical records. The county analyzed the portion that is not directly related to the maintenance of non-medical records. We concurred with the county's analysis that 80% of the costs incurred were for the maintenance of non-medical records.

Reclassified costs

Costs claimed under this cost component totaling \$52,802 were reclassified to the Procuring Equipment cost component (see Finding 11). These costs were incurred for the purchase of computers, laptops, and other miscellaneous shelter and Field Officer equipment necessary for recording the non-medical animal records. However, this specific component allows reimbursement only for costs related to the software license renewal contracts, not the computer equipment. We analyzed computer equipment costs for eligibility in Finding 11.

We reclassified costs totaling \$5,750 from contract services to services and supplies within this cost component. These costs were incurred in FY 2008-09 for the county's portion of desktop and patch licenses.

Contract Services – Cost of Chameleon License Renewal

The county claimed 100% of costs incurred for the annual license renewal for its Chameleon software system. We applied the applicable percentage of 80%, as noted above, and determined allowable costs to be \$31,496.

Travel and Training and Fixed Asset Costs

The county claimed costs totaling \$3,726 for travel and training, and \$465 for fixed assets that were determined to be unallowable. The costs were incurred to send staff to Chameleon system conferences. The county supported these costs; however the costs incurred are not eligible for reimbursement under the mandate.

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

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

County's Response

The County concurs with this finding. Costs were included in this component that should have been in the Equipment component.

FINDING 10— Allowable necessary and prompt veterinary care costs

The county claimed \$5,740 under the Necessary and Prompt Veterinary Care cost component. We determined that \$43,763 is allowable and allowable costs were understated by the net amount of \$38,023 (overstated by \$2,512 and understated by \$40,535). Costs were misstated because the county claimed ineligible contract services costs and understated allowable costs for salaries and benefits and materials and supplies.

The county claimed medical costs as services and supplies under the Care and Maintenance of Dogs, Cats, and Other Animals cost component (see Finding 5), which was an incorrect application of costs under that cost component. These costs were reclassified and are analyzed here. Allowable costs totaling \$14,980 for salaries and benefits are based on a time study that the county conducted for the activities of providing an initial physical exam and administering wellness vaccines. The county also provided actual costs incurred for the cost of the wellness vaccines administered and the costs incurred for the necessary and prompt veterinary care services provided on a contract basis to “treatable” or “adoptable” animals.

The following table summarizes the claimed, allowable, and unallowable total direct costs for the Necessary and Prompt Veterinary Care cost component for the audit period by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits			
2001-02	\$ -	\$ 2,818	\$ 2,818
2002-03	-	2,510	\$ 2,510
2006-07	-	2,852	\$ 2,852
2007-08	-	3,060	\$ 3,060
2008-09	-	3,740	\$ 3,740
Total services and supplies	-	14,980	14,980
Materials and supplies			
2001-02	-	3,166	3,166
2002-03	-	2,732	2,732
2006-07	-	4,717	4,717
2007-08	-	5,145	5,145
2008-09	-	6,079	6,079
Total materials and supplies	-	21,839	21,839
Contract services			
2001-02	1,159	1,783	624
2002-03	1,997	-	(1,997)
2006-07	1,350	835	(515)
2007-08	722	939	217
2008-09	512	3,387	2,875
Total contract services	5,740	6,944	1,204
Summary			
2001-02	1,159	7,767	6,608
2002-03	1,997	5,242	3,245
2006-07	1,350	8,404	7,054
2007-08	722	9,144	8,422
2008-09	512	13,206	12,694
Total	\$ 5,740	\$ 43,763	\$ 38,023

Salaries and Benefits – Initial Physical examination and Administration of a Wellness Vaccine

The county did not claim any costs for salaries and benefits for the activities of providing initial physical examinations and administering wellness vaccines. However, the county conducted two time studies during the course of the audit to support the time it takes staff to conduct an initial physical examination of animals and to administer a wellness vaccine. The time studies were performed from August 8, 2011, through August 21, 2011. As a result of the time studies, we determined that salaries and benefits costs totaling \$14,980 are allowable.

Time Study-Initial Physical Examination

During the course of the audit, the agency performed a time study for conducting an initial physical examination of an animal to determine its baseline health. An Animal Shelter Attendant, Animal Control Officers, an Animal Control Officer Supervisor, and a Registered Veterinary Technician participated in the time study and are qualified to make a determination in regard to an animal being “adoptable,” “treatable,” or “non-rehabilitatable.” The time study determined that it takes the shelter staff an average of 3.44 minutes to conduct an initial physical examination.

The following table summarizes the allowable salaries and benefits as a result of the Initial Physical Examination time study:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Difference</u>
2001-02	\$ -	\$ 1,492	\$ 1,492
2002-03	-	1,320	1,320
2006-07	-	1,512	1,512
2007-08	-	1,636	1,636
2008-09	-	2,029	2,029
Total	<u>\$ -</u>	<u>\$ 7,989</u>	<u>\$ 7,989</u>

The following table summarizes the percent of Initial Physical exams performed per employee classification as a result of the time study:

<u>Classification</u>	<u>Percent of Exams Per Classification</u>
Animal Shelter Attendant	43%
Animal Control Officer	46%
Animal Control Officer (Supervisor)	10%
Registered Veterinary Technician	1%

We applied the 3.44 minutes per initial physical examination to the eligible animals per classification by each employee’s productive hourly rate to determine allowable salaries and benefits costs totaling \$7,989.

Time Study – Administration of a Wellness Vaccine

During the course of the audit, the agency also performed a time study for administering a wellness vaccine to adoptable, treatable, or non-rehabilitatable animals. An Animal Shelter Attendant, Animal Control Officers, and an Animal Control Officer Supervisor participated in the time study.

The time study determined that it takes shelter staff an average of 3.08 minutes to administer a wellness vaccine to adoptable, treatable, or non-rehabilitatable animals.

The following table summarizes the allowable salaries and benefits for the administration of wellness vaccines as a result of the time study by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Difference</u>
2001-02	\$ -	\$ 1,326	\$ 1,326
2002-03	-	1,190	1,190
2006-07	-	1,340	1,340
2007-08	-	1,424	1,424
2008-09	-	1,711	1,711
Total	<u>\$ -</u>	<u>\$ 6,991</u>	<u>\$ 6,991</u>

The following table summarizes the percentage of individual employee classifications that administered wellness vaccines based on the time study results:

<u>Classification</u>	<u>Percent of Exams per Classification</u>
Animal Shelter Attendant	56%
Animal Control Officer	32%
Animal Control Officer (Supervisor)	12%

We applied the 3.08 minutes to the number of eligible animals given wellness vaccines based on the percentage involvement per employee classification and multiplied the result by the employee's productive hourly rate to determine allowable salaries and benefits costs totaling \$6,991.

Number of Eligible Animals

During the course of the audit, we obtained the county's raw animal data from its Chameleon database. We determined the number of eligible dogs and cats that received the initial physical examination and the wellness vaccines based on the Chameleon system's raw data.

The parameters and guidelines specifically state that reimbursement is limited to “stray and abandoned animals....that die during the holding period or are ultimately euthanized.” As noted in Finding 1, we determined the average holding period to be six days; therefore, reimbursement is limited to the following population of animals:

- Stray animals that died during the holding period: died on days 2, 3, 4, 5, or 6
- Stray animals that were ultimately euthanized: euthanized on day 7 or later

This calculation is consistent with the ruling in the case of *Purifoy v. Howell* which determined that Saturday is not considered a business day for the purposes of this mandated program.

We filtered the animal data provided by the agency using this criterion and determined the number of animals that were eligible for reimbursement. This count of eligible animals was used for the initial physical examination time study.

Cat Wellness Vaccines

The Santa Maria and Lompoc shelters administered the Feline Viral Rhinotracheitis Calicivirus Panleukopenia (FVRCP) vaccine for the entire audit period. The Santa Barbara shelter provided FVRCP and Rabies vaccines for the entire audit period. However, the county did not incur any costs at the Santa Barbara shelter for the last three years of the audit period for the FVRCP vaccine because the costs were provided by a volunteer group, Animal Shelter Assistance Program (ASAP). We applied the eligible vaccines to the costs of the vaccines, inclusive of needles and syringe.

Dog Wellness Vaccines

The county administered Bordatella and DA2PP vaccines to dogs for the entire audit period. We applied the costs of the vaccines, inclusive of needles and syringes.

Contract Services –Necessary and Prompt Veterinary Care Invoices

The county claimed \$5,740 for contract services related to necessary and prompt veterinary care. We determined that \$6,944 is allowable and the county understated eligible costs by \$1,204 (overstated by \$2,512 and understated by \$3,716). The costs were misstated because the county claimed costs for veterinary procedures that are ineligible for reimbursement and underclaimed costs for eligible veterinary procedures that were performed during the holding period.

For the audit period, the county applied a percentage (2.31% for FY 2001-02, 2.13% for FY 2002-03, 1.60% for FY 2007-08, and 1.48% for FY 2008-09) of total costs incurred for contract veterinarians. These percentages represented the county’s determination of costs incurred for the euthanasia of dogs and cats. This is an incorrect methodology to determine eligible costs for this component.

We advised the county's Public Health Department management that costs were reimbursable only for eligible medical services performed for eligible animals during the required holding period. We requested that the county determine which invoices for veterinary services met these criteria. Accordingly, management reviewed each contract service invoice and provided a spreadsheet of reimbursable veterinary costs per year along with the actual invoice from the contract veterinarian. The invoices properly detailed the type of animal service performed, the animal ID, the date the service was performed, and the intake date of the animal.

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

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

County’s Response

The County concurs that this component was understated. Claimed costs were limited to contract veterinarians and should have included some staff time and supply costs.

**FINDING 11—
Misclassified
procuring equipment
costs**

The county claimed \$138 under the Procuring Equipment cost component that are ineligible for reimbursement. However, we determined that costs reclassified to this cost component from other cost components in the county’s claims, as well as costs not originally claimed totaling \$56,027 ($\$70,035 \times 80\%$) are allowable.

The following table summarizes the costs claimed, the supported costs, the allowable prorata percentage and the allowable costs by fiscal year:

Procuring Equipment					
Fiscal Year	Amount Claimed ¹	Amount Supported	Reimbursable Percentage	Amount Allowable	Audit Adjustment
2001-02	\$ 138	\$ 22,913	80%	\$ 18,330	\$ 18,192
2002-03	-	10,260	80%	8,208	8,208
2006-07	-	6,128	80%	4,902	4,902
2007-08	-	3,280	80%	2,624	2,624
2008-09	-	27,454	80%	21,963	21,963
Total	<u>\$ 138</u>	<u>\$ 70,035</u>		<u>\$ 56,027</u>	<u>\$ 55,889</u>

¹ The county claimed 3.77% of costs for FY 2001-02 totaling \$3,528

The county claimed \$138 ($\$3,657 \times 3.77\%$) under this component in FY 2001-02. These costs were for a freezer purchase, an autoclave (used for sterilizing surgical instruments), and microchip readers. None of these costs are eligible for reimbursement under the mandated program.

The county provided support for costs not originally claimed that are eligible for reimbursement under the mandated program. The county provided support for computers purchased for the animal services department in FY 2001-02 totaling \$7,034 and costs totaling \$10,196 for a computer file server. In addition, we reclassified costs from the Non-Medical Records cost component totaling \$52,802 (\$5,683 in FY 2001-02, \$10,260 in FY 2002-03, \$6,128 in FY 2006-07, \$3,280 in FY 2007-08, and \$27,451 in FY 2008-09). The county originally claimed 100% of costs for the Maintaining Non-Medical Records cost component for the purchase of computers and computer equipment for the Animal Services Department. We determined that these costs were necessary to comply with the maintenance of non-medical records. We applied the previously-determined percentage of 80% based on the time the county’s Chameleon animal database system is used for mandated activities, and determined allowable costs to be \$56,027.

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

Beginning January 1, 1999—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

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

County’s Response

The County concurs that the equipment originally included in the non-medical records component should be classified as equipment, resulting in understated costs to this component.

**FINDING 12—
Understated indirect
cost rates and
overstated indirect
costs**

The county claimed \$325,897 for indirect costs during the audit period. We determined that \$116,062 is allowable and \$209,835 is unallowable. The costs are unallowable primarily because of the unallowable salaries and benefits identified in Findings 1 through 11. However, the county understated its indirect cost rates and applied the understated rates to the incorrect cost base for FY 2001-02 and FY 2002-03.

The following table summarizes the overstated indirect cost rates for FY 2001-02 and FY 2002-03:

	Fiscal Year	
	2001-02	2002-03
Claimed	17.25%	17.72%
Allowable	28.10%	29.17%
Difference	<u>(10.85%)</u>	<u>(11.45%)</u>

The following table summarizes the overstated indirect costs for the audit period:

	Fiscal Year					
	2001-02	2002-03	2006-07	2007-08	2008-09	
Allowable salaries and benefits	\$72,782	\$72,417	\$85,184	\$86,002	\$100,802	<u>\$417,187</u>
Allowable indirect cost rates	28.10%	29.17%	29.01%	28.35%	25.19%	
Allowable indirect costs	\$20,452	\$21,124	\$24,712	\$24,382	\$25,392	\$116,062
Claimed indirect costs	27,964	30,665	85,748	88,251	93,269	325,897
Audit adjustment	<u>(\$7,512)</u>	<u>(\$9,541)</u>	<u>(\$61,036)</u>	<u>(\$63,869)</u>	<u>(\$67,877)</u>	<u>(\$209,835)</u>

For FY 2001-02, and FY 2002-03, the county calculated the indirect cost rates by dividing total indirect costs by a base of total direct costs. However, the county only applied the indirect cost rate for those years to direct salaries and benefits instead of to total direct costs. In addition, for FY 2001-02, the county used Public Health Department expenditures from FY 2000-01 to determine its indirect cost rate. County representatives indicated that expenditures from the prior year were used because they did not have a certified copy of the indirect cost rate from the county Auditor-Controller at the time the claim was submitted. Therefore, prior year expenditures were used to calculate the indirect cost rate for FY 2001-02. We asked the county for actual departmental costs incurred for FY 2001-02 and used those costs to recalculate the indirect cost rate for that year. The county recalculated its indirect cost rate for FY 2001-02 and FY 2002-03 using direct salaries and benefits as the base instead of total direct costs.

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

Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in the Office of Management and Budget (OMB) Circular A-87. Claimants have the option of using 10% of direct labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

Recommendation

We recommend that the county ensure that its indirect cost rates are properly calculated and are applied to the same direct cost base that was used to calculate the rates.

County's Response

The County concurs that the indirect costs were understated for two of the five years because the percent was calculated on all costs, not just salary and benefit costs. The County concurs that the indirect costs were overstated only because some of the salary and benefit costs were disallowed.

**FINDING 13—
Overstated offsetting
reimbursements**

The county reported offsetting reimbursements totaling \$437,411 on its mandated costs claims for FY 2001-02, FY 2006-07, FY 2007-08, and FY 2008-09. We determined that the county should have offset \$217,486 for the audit period, and that offsets were overstated by \$255,925. The difference occurred because \$57,364 was offset for contracting cities' claims that were not filed with the State under the Animal Adoption Program. In addition, we determined that \$198,561 was offset on the county's claims for overstated costs identified during our audit that were not incurred under the mandated program. Because offsetting reimbursements for the contracting cities are based on percentages of allowable costs incurred by the county, the resulting allowable amounts available for claiming by the contracting cities is lower.

We requested that the county determine the extent that reimbursements received from its contracting cities for animal control services were used for mandated activities. The county determined that \$217,486 should be offset on its claims for the audit period (\$3,233 for FY 2001-02, \$0 for FY 2002-03, \$94,212 for FY 2006-07, \$51,751 for FY 2007-08, and \$68,290 for FY 2008-09). Accordingly, we will make the appropriate adjustments for city claims filed under the Animal Adoption Program.

The following table summarizes audit adjustments for offsetting reimbursements by fiscal year:

Offsetting Reimbursements			
Fiscal Year	Amount Offset	Amount That Should Have Been Offset	Audit Adjustment
2001-02	\$ (6,899)	\$ (3,233)	\$ 3,666
2002-03	-	-	-
2006-07	(137,149)	(94,212)	42,937
2007-08	(147,053)	(51,751)	95,302
2008-09	(182,310)	(68,290)	114,020
Total	<u><u>\$ (473,411)</u></u>	<u><u>\$ (217,486)</u></u>	<u><u>\$ 255,925</u></u>

Amount Offset

During the audit period, the county offset \$473,411 on its Animal Adoption claims, which accounts for the proportionate share of mandated costs incurred for the following six contracting cities:

- City of Buellton
- City of Goleta
- City of Guadalupe
- City of Lompoc
- City of Santa Maria
- City of Solvang

The county determined the amounts to be offset on its claims each year based upon the total population of each contracting city to the total population of all contracting entities serviced. In addition, the county based its offset calculations on the total of the cost components the county determined the contracting entities were entitled to claim. The county provided each of the contracting entities an individual total that the cities could claim under the Animal Adoption program. County staff did not help prepare the contracting cities' Animal Adoption claims, encourage the contracting cities to file claims, or advise the contracting cities on how to file a claim. The county only provided the amounts the contracting entities could claim, which are the amounts the county offset against their Animal Adoption claims for the audit period.

The following table summarizes the amounts of offsetting reimbursements that the county determined for the cities that contracted with it for animal control services during the audit period. Based on this information, we determined that the claims filed by these cities were overstated by \$198,561. As a result, total reimbursement offsets claimed by the county were overstated by \$255,925 for the audit period (\$57,364 for costs not claimed by the cities and \$198,561 for overstated costs).

Fiscal Year	City of Buellton	City of Goleta	City of Guadalupe	City of Lompoc	City of Santa Maria	City of Solvang	Total Amount Offset
<u>Offsetting Revenues By Contracting Cities per Santa Barbara County</u>							
2001-02	\$ -	\$ -	\$ (1,664)	\$ -	\$ -	\$ (1,569)	\$ (3,233)
2002-03	-	-	-	-	-	-	-
2006-07	-	(26,324)	-	-	(63,230)	(4,658)	(94,212)
2007-08	(1,486)	(9,897)	-	(12,676)	(25,938)	(1,754)	(51,751)
2008-09	(1,962)	(12,685)	-	(16,364)	(34,967)	(2,312)	(68,290)
Total allowable	<u>\$ (3,448)</u>	<u>\$ (48,906)</u>	<u>\$ (1,664)</u>	<u>\$ (29,040)</u>	<u>\$ (124,135)</u>	<u>\$ (10,293)</u>	<u>\$ (217,486)</u>
<u>Costs Claimed By Contracting Cities</u>							
2001-02	\$ -	\$ -	\$ (2,634)	\$ -	\$ -	\$ (2,483)	\$ (5,117)
2002-03	-	-	-	-	-	-	-
2006-07	-	(26,324)	-	-	(63,230)	(4,658)	(94,212)
2007-08	(4,059)	(27,027)	-	(34,616)	(70,829)	(4,791)	(141,322)
2008-09	(5,038)	(32,599)	-	(42,023)	(89,798)	(5,938)	(175,396)
Total claimed	<u>\$ (9,097)</u>	<u>\$ (85,950)</u>	<u>\$ (2,634)</u>	<u>\$ (76,639)</u>	<u>\$ (223,857)</u>	<u>\$ (17,870)</u>	<u>\$ (416,047)</u>
<u>Audit Adjustment By Contracting Cities</u>							
2001-02	\$ -	\$ -	\$ (970)	\$ -	\$ -	\$ (914)	\$ (1,884)
2002-03	-	-	-	-	-	-	-
2006-07	-	-	-	-	-	-	-
2007-08	(2,573)	(17,130)	-	(21,940)	(44,891)	(3,037)	(89,571)
2008-09	(3,076)	(19,914)	-	(25,659)	(54,831)	(3,626)	(107,106)
Audit adjustment	<u>\$ (5,649)</u>	<u>\$ (37,044)</u>	<u>\$ (970)</u>	<u>\$ (47,599)</u>	<u>\$ (99,722)</u>	<u>\$ (7,577)</u>	<u>\$ (198,561)</u>

Calculation of Offsetting Reimbursement

We requested that the county determine the extent that contract reimbursements received by the county for animal control services were used for mandated activities.

The county used a consistent methodology to calculate offsetting reimbursement amounts at the conclusion of the audit. The county determined the amounts to be offset on its claims each year based upon the total population of each contracting city to the total population of all contracting entities serviced. In addition, the county based its offset calculations on the total of the cost components the county determined the contracting entities were entitled to claim. The county provided us with specific dollar amounts to be offset against its claims for the audit period totaling \$217,486 for the audit period, as noted in the table above. Because the county incurs all the costs for the animal services provided, we did not audit the methodology used by the county to arrive at the offset per city per year. The county’s calculations were based on specific percentages applied to the contracting city’s claims filed with the State under the Animal Adoption program for each fiscal year.

The following table summarizes the related percentages to be offset, as determined by the county:

Fiscal Year	Offset
2001-02	63.17%
2002-03	0.00%
2006-07	100.00%
2007-08	36.62%
2008-09	38.94%

The parameters and guidelines (section VII–Offsetting Savings and Other Reimbursements) state the following:

Any offsetting savings that the claimant experiences as a direct result of this mandate must be deducted from the costs claimed. Additionally, reimbursement for this mandate received from any source shall be identified and deducted from this claim. These sources shall include, but are not limited to, rewards received under the authority of Civil Code section 1845; licensing fees and fines received and applied pursuant to Food and Agriculture Code section 30652, Government Code section 28502, and Penal Code section 597f; other state funds, and federal funds. The fees and fines received pursuant to Food and Agriculture Code section 30652 shall be deducted from the claim according to the priority specified in the statute and stated below:

- First, to pay fees for the issuance of dog license tags pursuant to Food and Agriculture Code section 30652, subdivision(a);
- Second, in accordance with Food and Agriculture Code section 30652, subdivision (b), any excess revenue held after the payment of dog license tags shall be applied to the fees, salaries, costs, expenses, or any or all of them for the enforcement of Division 14 of the Food and Agriculture code, including Food and Agriculture Code section 31108, and all ordinances that are made pursuant to division 14. Cost incurred

under Food and Agriculture Code Section 31108 are specified in Section IV (B) (1), (2),(3), and (5), and Section IV (A) of these parameters and guidelines. Any or all excess revenue must be applied to the cost incurred under Food and Agriculture Code section 31108 before any revenue can be applied to subdivisions (c) and (d) of Food and Agriculture Code section 30652.

Recommendation

We recommend that the county offset all reimbursements received from contracting cities on its Animal Adoption claims to the extent that the revenues funded mandated activities.

County's Response

The County concurs. Since the submitted claims will be reduced to the audited allowable costs, all offsetting revenues will also be reduced and therefore are overstated. The offsetting revenues that the County included were the City's proportionate share of the claims.

**Attachment—
County’s Response to
Draft Audit Report**



Takashi M. Wada, MD, MPH Director/Health Officer
Anne M. Fearon, Deputy Director
Suzanne Jacobson, CPA Chief Financial Officer
Michele Mickiewicz, MPH Deputy Director
Elizabeth Snyder, MBA Deputy Director
Peter Hasler, MD Medical Director

October 16, 2012

Jim L. Spano, Chief, Mandated Costs Audits Bureau
State Controller's Office
Division of Audits
PO Box 942850
Sacramento, CA 94250-5874

Re: Santa Barbara County Draft Audit Report
Animal Adoption
July 1, 2001 through June 30, 2003, and July 1, 2006 through June 30, 2009

Dear Mr. Spano,

The County of Santa Barbara received the Draft audit summarizing the method used to calculate allowable costs according to the Parameters and Guidelines for Animal Adoption claims. In accordance with the draft audit, the County submits the following responses to the Findings.

Finding 1 – Misclassified developing policies and procedures component costs

The County concurs that the costs for policy and procedures are more appropriately classified in the acquisition of additional space cost component.

Finding 2 – Misstated one-time staff training costs

The County concurs that the claimed training costs were overstated due to ineligible and unsupported training time based on estimates.

Finding 3 – Misstated costs for acquiring additional space/constructing new facilities

The County concurs that this component was understated.

Finding 4 – Allowable costs for remodeling/renovating existing facilities

The County concurs that this component was understated and appreciates the start-from-scratch approach to submitting supporting documentation for all years.

Finding 5 – Overstated care and maintenance, costs for dogs, cats, and other animals

The County concurs that this component was overstated. Although the County took a conservative approach to this claim and used no more than 2.53% of calculated costs (in any year), it was still overstated. The population of animals was used rather than the annual census (days), and the count of allowable animals was understated.

Finding 6 – Overstated increased holding period costs

The County concurs that the Saturday hours were overstated. The County claimed eight hours per day to staff the three animal shelters. Since the shelters were only open to the public for six hours, the County overstated the costs by two hours.

Finding 7 – Misstated feral cat testing costs

The County concurs that estimated time was not allowable and therefore conducted a time study. Also, the County claimed cats that were ultimately deemed feral (3,746) and should have claimed all cats tested regardless of outcome (12,622). This resulted in an understated claim.

Finding 8 – Overstated lost-and-found lists costs

The County concurs that this was overstated. The mandate allows for five specific requirements and the County included estimated time for all aspects of uniting an animal with their owner.

Finding 9 – Misstated maintaining non-medical records costs

The County concurs with this finding. Costs were included in this component that should have been in the Equipment component.

Finding 10 – Allowable necessary and prompt veterinary care costs

The County concurs that this component was understated. Claimed costs were limited to contract veterinarians and should have included some staff time and supply costs.

Finding 11 – Misclassified procuring equipment costs

The County concurs that the equipment originally included in the non-medical records component should be classified as equipment, resulting in understated costs to this component.

Finding 12 – Understated indirect cost rates and overstated indirect costs

The County concurs that the indirect costs were understated for two of the five years because the percent was calculated on all costs, not just salary and benefit costs. The County concurs that the indirect costs were overstated only because some of the salary and benefit costs were disallowed.

Finding 13 – Overstated offsetting revenues

The County concurs. Since the submitted claims will be reduced to the audited allowable costs, all offsetting revenues will also be reduced and therefore are overstated. The offsetting revenues that the County included were the City's proportionate share of the claims.

At the end of page 2 of the audit, there is a payment option for the amount due:

For the FY 2006-07 claim, the State paid the county \$316,673. Our audit disclosed that \$66,067 is allowable. The State will offset \$250,606 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

The County chooses to remit the \$250,606 payment directly and not have it offset with other program payments. Please send the County an invoice or provide the name, section and address of where the payment should be sent.

Sincerely,



Suzanne Jacobson, CPA
Public Health Department Chief Financial Officer

c: Robert W. Geis, CPA
Santa Barbara County Auditor Controller
Jan Glick, Animal Services Director
Santa Barbara County Public Health Department

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>