

# **CITY OF CORONA**

Revised Audit Report

## **ANIMAL ADOPTION PROGRAM**

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

*July 1, 1998, through June 30, 2001;  
July 1, 2002, through June 30, 2003;  
and July 1, 2004, through June 30, 2007*



**JOHN CHIANG**  
California State Controller

January 2014



**JOHN CHIANG**  
**California State Controller**

January 6, 2014

The Honorable Karen Spiegel  
Mayor of the City of Corona  
400 South Vicentia Avenue  
Corona, CA 92882

Dear Mayor Spiegel:

The State Controller's Office audited the costs claimed by the City of Corona for the legislatively mandated Animal Adoption Program (Chapter 752, Statutes of 1998; and Chapter 313, Statutes of 2004) for the period of July 1, 1998, through June 30, 2001; July 1, 2002, through June 30, 2003; and July 1, 2004, through June 30, 2007. We did not audit the period of July 1, 2001, through June 30, 2002, because the city did not file an Animal Adoption claim. In addition, we did not audit the period of July 1, 2003, through June 30, 2004, because the program was suspended during this time.

This revised final report supersedes our previous report dated September 9, 2009. We revised all of the findings as a result of the time study performed by the city. Allowable costs increased by \$783,087, from \$58,443 to \$841,530.

The city claimed \$2,190,746 for the mandated program. Our audit found that \$841,530 is allowable and \$1,349,216 is unallowable. The costs are unallowable because the city claimed unsupported costs; understated allowable costs; claimed ineligible costs, ineligible employees, and ineligible animals; misclassified costs; and misstated animal census data. The State paid the city \$1,637,553. The amount paid exceeds allowable costs claimed by \$796,023.

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

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/kw

cc: Kerry Eden, Finance Director  
City of Corona  
Kim Sitton, Finance Manager  
City of Corona  
Elaine Fleming-Stanford, Principal Accountant  
City of Corona  
Michael Byrne, Principal Program Budget Analyst  
Mandates Unit, Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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# Revised Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the City of Corona for the legislatively mandated Animal Adoption Program (Chapter 752, Statutes of 1998; and Chapter 313, Statutes of 2004) for the period of July 1, 1998, through June 30, 2001; July 1, 2002, through June 30, 2003; and July 1, 2004, through June 30, 2007. We did not audit the period of July 1, 2001, through June 30, 2002, because the city did not file an Animal Adoption claim. In addition, we did not audit the period of July 1, 2003, through June 30, 2004, because the program was suspended during this time.

The city claimed \$2,190,746 for the mandated program. Our audit found that \$841,530 is allowable and \$1,349,216 is unallowable. The costs are unallowable because the city claimed unsupported costs; understated allowable costs; claimed ineligible costs, ineligible employees, and ineligible animals; misclassified costs; and misstated animal census data. The State paid the city \$1,637,553. The amount paid exceeds allowable costs claimed by \$796,023.

## Background

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

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

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

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

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

**Objective, Scope,  
and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Animal Adoption Program for the period of July 1, 1998, through June 30, 2001; July 1, 2002, through June 30, 2003; and July 1, 2004, through June 30, 2007.

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

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

We limited our review of the city's internal controls to 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), the Summary of Care and Maintenance Costs (Schedule 2), and in the Findings and Recommendations section of this report.

For the audit period, the City of Corona claimed \$2,190,746 for costs of the Animal Adoption Program. Our audit found that \$841,530 is allowable and \$1,349,216 is unallowable.

For the fiscal year (FY) 1998-99, through FY 2000-01; and FY 2004-05, through FY 2006-07 claims, the State paid the city \$1,637,553. Our audit found that \$722,856 is allowable. The State will offset \$914,697 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

For the FY 2002-03 claim, the State made no payment to the city. Our audit found that \$118,674 is allowable. The State will pay this amount, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a final audit report on September 9, 2009. The city concurred with the audit results, with the exception of the adjustment related to unsupported construction costs of the new shelter for FY 2000-01. In addition, the city requested to perform a time study to support additional reimbursable costs that were unsupported.

Subsequently, the city performed a time study that supported additional costs. We reviewed the time study results and additional documentation supporting the construction costs of the new shelter. As a result,

allowable costs increased by \$783,087, from \$58,443 to \$841,530. In an email dated December 5, 2013, Kim Sitton, Finance Manager, concurred with the State's interpretation of the parameters and guidelines and the revised audit results. This revised report supersedes the previous report issued September 9, 2009.

## **Restricted Use**

This report is solely for the information and use of the City of Corona, 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, CPA  
Chief, Division of Audits

January 6, 2014

**Revised Schedule 1—  
Summary of Program Costs  
July 1, 1998, through June 30, 2001;  
July 1, 2002, through June 30, 2003;  
and July 1, 2004, through June 30, 2007**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 1998, through June 30, 1999</u>				
Direct costs:				
Policies and procedures	\$ 2,130	\$ 2,130	\$ —	
Training	898	898	—	
Care and maintenance of dogs and cats <sup>2</sup>	—	843	843	Finding 2
Care and maintenance of other animals <sup>2</sup>	1,184	20	(1,164)	Finding 2
Increased holding period	25,780	13,283	(12,497)	Finding 3
Feral cats	117	117	—	
Lost and found lists	7,391	7,402	11	Finding 4
Maintaining non-medical records	15,909	5,829	(10,080)	Finding 5
Necessary and prompt veterinary care	3,345	4,101	756	Finding 6
Procuring equipment	288	288	—	
Total direct costs	57,042	34,911	(22,131)	
Indirect costs	26,736	16,467	(10,269)	Findings 2-6
Total program costs	<u>\$ 83,778</u>	51,378	<u>\$ (32,400)</u>	
Less amount paid by the State		(83,778)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (32,400)</u>		
<u>July 1, 1999, through June 30, 2000</u>				
Direct costs:				
Acquiring space/facilities	\$ —	\$ 4,186	\$ 4,186	Finding 1
Care and maintenance of dogs and cats <sup>2</sup>	48,376	2,989	(45,387)	Finding 2
Care and maintenance of other animals <sup>2</sup>	2,658	72	(2,586)	Finding 2
Increased holding period	57,420	26,566	(30,854)	Finding 3
Feral cats	164	164	—	
Lost and found lists	19,432	7,402	(12,030)	Finding 4
Maintaining non-medical records	40,952	5,829	(35,123)	Finding 5
Necessary and prompt veterinary care	3,573	4,351	778	Finding 6
Procuring equipment	4,435	4,435	—	
Total direct costs	177,010	55,994	(121,016)	
Indirect costs	57,986	21,555	(36,431)	Findings 2-6
Total program costs	<u>\$ 234,996</u>	77,549	<u>\$ (157,447)</u>	
Less amount paid by the State		(234,996)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (157,447)</u>		

## Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2000, through June 30, 2001</u>				
Direct costs:				
Acquiring space/facilities	\$ 75,180	\$ 12,151	\$ (63,029)	Finding 1
Care and maintenance of dogs and cats <sup>2</sup>	78,264	2,933	(75,331)	Finding 2
Care and maintenance of other animals <sup>2</sup>	1,776	70	(1,706)	Finding 2
Increased holding period	75,445	30,684	(44,761)	Finding 3
Feral cats	171	171	—	
Lost and found lists	38,600	8,206	(30,394)	Finding 4
Maintaining non-medical records	62,952	13,939	(49,013)	Finding 5
Necessary and prompt veterinary care	12,642	7,762	(4,880)	Finding 6
Procuring equipment	4,626	4,626	—	
Total direct costs	349,656	80,542	(269,114)	
Indirect costs	92,929	29,210	(63,719)	Findings 2-6
Total program costs	<u>\$ 442,585</u>	109,752	<u>\$ (332,833)</u>	
Less amount paid by the State		(442,585)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (332,833)</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Care and maintenance of dogs and cats <sup>2</sup>	\$ 49,776	\$ 3,857	\$ (45,919)	Finding 2
Care and maintenance of other animals <sup>2</sup>	522	93	(429)	Finding 2
Increased holding period	90,233	32,865	(57,368)	Finding 3
Feral cats	268	268	—	
Lost and found lists	60,023	10,177	(49,846)	Finding 4
Maintaining non-medical records	64,209	18,412	(45,797)	Finding 5
Necessary and prompt veterinary care	818	4,656	3,838	Finding 6
Procuring equipment	11,904	11,904	—	
Total direct costs	277,753	82,232	(195,521)	
Indirect costs	114,345	36,442	(77,903)	Findings 2-6
Total program costs	<u>\$ 392,098</u>	118,674	<u>\$ (273,424)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 118,674</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Care and maintenance of dogs and cats <sup>2</sup>	\$ 15,778	\$ 3,237	\$ (12,541)	Finding 2
Care and maintenance of other animals <sup>2</sup>	7,459	217	(7,242)	Finding 2
Increased holding period	82,055	46,032	(36,023)	Finding 3
Lost and found lists	84,179	14,589	(69,590)	Finding 4
Maintaining non-medical records	84,721	26,913	(57,808)	Finding 5
Necessary and prompt veterinary care	5,152	10,263	5,111	Finding 6
Total direct costs	279,344	101,251	(178,093)	
Indirect costs	92,150	33,981	(58,169)	Findings 2-6
Total program costs	<u>\$ 371,494</u>	135,232	<u>\$ (236,262)</u>	
Less amount paid by the State		(371,494)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (236,262)</u>		

## Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Care and maintenance of dogs and cats <sup>2</sup>	\$ 11,098	\$ 2,803	\$ (8,295)	Finding 2
Care and maintenance of other animals <sup>2</sup>	2,150	—	(2,150)	Finding 2
Increased holding period	89,874	63,371	(26,503)	Finding 3
Lost and found lists	94,452	15,161	(79,291)	Finding 4
Maintaining non-medical records	30,372	28,690	(1,682)	Finding 5
Necessary and prompt veterinary care	5,240	11,283	6,043	Finding 6
Procuring equipment	3,887	3,887	—	
Total direct costs	237,073	125,195	(111,878)	
Indirect costs	94,425	50,365	(44,060)	Findings 2-6
Total program costs	<u>\$ 331,498</u>	175,560	<u>\$ (155,938)</u>	
Less amount paid by the State		(170,403)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 5,157</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Care and maintenance of dogs and cats <sup>2</sup>	\$ 8,990	\$ 3,418	\$ (5,572)	Finding 2
Care and maintenance of other animals <sup>2</sup>	641	58	(583)	Finding 2
Increased holding period	77,796	53,402	(24,394)	Finding 3
Lost and found lists	107,866	16,078	(91,788)	Finding 4
Maintaining non-medical records	31,985	33,496	1,511	Finding 5
Necessary and prompt veterinary care	9,230	16,669	7,439	Finding 6
Total direct costs	236,508	123,121	(113,387)	
Indirect costs	97,789	50,264	(47,525)	Findings 2-6
Total program costs	<u>\$ 334,297</u>	173,385	<u>\$ (160,912)</u>	
Less amount paid by the State		(334,297)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (160,912)</u>		
<u>Summary: July 1, 1998, through June 30, 2001; July 1, 2002, through June 30, 2003; and July 1, 2004, through June 30, 2007</u>				
Direct costs:				
Policies and procedures	\$ 2,130	\$ 2,130	\$ —	
Training	898	898	—	
Acquiring space/facilities	75,180	16,337	(58,843)	
Care and maintenance of dogs and cats <sup>2</sup>	212,282	20,080	(192,202)	
Care and maintenance of other animals <sup>2</sup>	16,390	530	(15,860)	
Increased holding period	498,603	266,203	(232,400)	
Feral cats	720	720	—	
Lost and found lists	411,943	79,015	(332,928)	
Maintaining non-medical records	331,100	133,108	(197,992)	
Necessary and prompt veterinary care	40,000	59,085	19,085	
Procuring equipment	25,140	25,140	—	
Total direct costs	1,614,386	603,246	(1,011,140)	
Indirect costs	576,360	238,284	(338,076)	
Total program costs	<u>\$ 2,190,746</u>	841,530	<u>\$ (1,349,216)</u>	
Less amount paid by the State		(1,637,553)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (796,023)</u>		

## Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>Summary by object account</u>				
Direct costs:				
Salaries and benefits	\$ 1,266,469	\$ 526,933	\$ (739,536)	
Materials and supplies	258,137	50,198	(207,939)	
Contract services	14,600	9,778	(4,822)	
Fixed assets	75,180	16,337	(58,843)	
Total direct costs	1,614,386	603,246	(1,011,140)	
Indirect costs	576,360	238,284	(338,076)	
Total program costs	<u>\$ 2,190,746</u>	<u>\$ 841,530</u>	<u>\$ (1,349,216)</u>	

<sup>1</sup> See the Revised Findings and Recommendations section.

<sup>2</sup> See Schedule 2—Summary of Care and Maintenance Costs.

**Schedule 2—  
Summary of Care and Maintenance Costs  
July 1, 1998, through June 30, 2001;  
July 1, 2002, through June 30, 2003;  
and July 1, 2004, through June 30, 2007**

Cost Elements	Amount Claimed	Allowable per Audit			Total	Audit Adjustment <sup>1</sup>
		Salaries and Benefits	Materials and Supplies	Contract Services		
<u>July 1, 1998, through June 30, 1999</u>						
Care and maintenance for dogs and cats:						
Total care and maintenance costs	\$ —	\$ 13,541	\$ —	\$ —		
Percentage of dogs and cats to total animals	x —	x 95.80%	x —	x —		
Total care and maintenance costs for dogs and cats	—	12,972	—	—		
Total dog and cat kennel days	÷ —	÷ 19,163	÷ —	÷ —		
Cost per dog and cat per day	—	\$ 0.67693	—	—		
Number of eligible dogs and cats	x —	x 415	x —	x —		
Number or reimbursable days	x —	x 3	x —	x —		
Total care and maintenance costs for dogs and cats	—	843	—	—	843	843
Care and maintenance for other “eligible” animals:						
Total care and maintenance costs	4,000	13,541	—	—		
Percentage of other “eligible” animals to total animals	x 100%	x 4.20%	x —	x —		
Total care and maintenance costs for other “eligible” animals	4,000	569	—	—		
Total other “eligible” animal kennel days	÷ 365	÷ 840	÷ —	÷ —		
Cost per other “eligible” animal per day	\$ 10.95890	\$ 0.67738	—	—		
Number of eligible other “eligible” animals	x 27	x 5	x —	x —		
Number or reimbursable days	x 4	x 6	x —	x —		
Total care and maintenance costs for other “eligible” animals	1,184	20	—	—	20	(1,164)
Total care and maintenance costs, FY 1998-99	\$ 1,184	\$ 863	\$ —	\$ —	\$ 863	\$ (321)
<u>July 1, 1999, through June 30, 2000</u>						
Care and maintenance for dogs and cats:						
Total care and maintenance costs	\$ 136,000	\$ 27,050	\$ 20,978	\$ —		
Percentage of dogs and cats to total animals	x 100%	x 95.80%	x 95.80%	—		
Total care and maintenance costs for dogs and cats	136,000	25,914	20,097	—		
Total dog and cat kennel days	÷ 17,520	÷ 19,163	÷ 19,163	—		
Cost per dog and cat per day	\$ 7.76256	\$ 1.35229	\$ 1.04874	—		
Number of eligible dogs and cats	x 1,558	x 415	x 415	—		
Number or reimbursable days	x 4	x 3	x 3	—		
Total care and maintenance costs for dogs and cats	48,376	1,683	1,306	—	2,989	(45,387)

## Schedule 2 (continued)

Cost Elements	Amount Claimed	Allowable per Audit			Total	Audit Adjustment <sup>1</sup>
		Salaries and Benefits	Materials and Supplies	Contract Services		
<u>July 1, 1999, through June 30, 2000 (continued)</u>						
Care and maintenance for other "eligible" animals:						
Total care and maintenance costs	4,850	27,050	20,978	—		
Percentage of other "eligible" animals to total animals	x 100%	x 4.20%	x 4.20%	—		
Total care and maintenance costs for other "eligible" animals	4,850	1,136	881	—		
Total other "eligible" animal kennel days	÷ 365	÷ 840	÷ 840	—		
Cost per other "eligible" animal per day	\$ 13.28767	\$ 1.35238	\$ 1.04881	—		
Number of eligible other "eligible" animals	x 50	x 5	x 5	—		
Number or reimbursable days	x 4	x 6	x 6	—		
Total care and maintenance costs for other "eligible" animals	<u>2,658</u>	<u>41</u>	<u>31</u>	<u>—</u>	<u>72</u>	<u>(2,586)</u>
Total care and maintenance costs, FY 1999-2000	<u>\$ 51,034</u>	<u>\$ 1,724</u>	<u>\$ 1,337</u>	<u>\$ —</u>	<u>\$ 3,061</u>	<u>\$ (47,973)</u>
<u>July 1, 2000, through June 30, 2001</u>						
Care and maintenance for dogs and cats:						
Total care and maintenance costs	\$ 252,000	\$ 29,644	\$ 17,482	\$ —		
Percentage of dogs and cats to total animals	x 100%	x 95.80%	x 95.80%	x —		
Total care and maintenance costs for dogs and cats	252,000	28,399	16,748	—		
Total dog and cat kennel days	÷ 19,345	÷ 19,163	÷ 19,163	÷ —		
Cost per dog and cat per day	\$ 13.02662	\$ 1.48197	\$ 0.87398	—		
Number of eligible dogs and cats	x 1,502	x 415	x 415	x —		
Number or reimbursable days	x 4	x 3	x 3	x —		
Total care and maintenance costs for dogs and cats	<u>78,264</u>	<u>1,845</u>	<u>1,088</u>	<u>—</u>	<u>2,933</u>	<u>(75,331)</u>
Care and maintenance for other "eligible" animals:						
Total care and maintenance costs	6,002	29,644	17,482	—		
Percentage of other "eligible" animals to total animals	x 100%	x 4.20%	x 4.20%	x —		
Total care and maintenance costs for other "eligible" animals	6,002	1,245	734	—		
Total other "eligible" animal kennel days	÷ 730	÷ 840	÷ 840	÷ —		
Cost per other "eligible" animal per day	\$ 8.22192	\$ 1.48214	\$ 0.87381	—		
Number of eligible other "eligible" animals	x 54	x 5	x 5	x —		
Number or reimbursable days	x 4	x 6	x 6	x —		
Total care and maintenance costs for other "eligible" animals	<u>1,776</u>	<u>44</u>	<u>26</u>	<u>—</u>	<u>70</u>	<u>(1,706)</u>
Total care and maintenance costs, FY 2000-01	<u>\$ 80,040</u>	<u>\$ 1,889</u>	<u>\$ 1,114</u>	<u>\$ —</u>	<u>\$ 3,003</u>	<u>\$ (77,037)</u>

## Schedule 2 (continued)

Cost Elements	Amount Claimed	Allowable per Audit			Total	Audit Adjustment <sup>1</sup>
		Salaries and Benefits	Materials and supplies	Contract Services		
<u>July 1, 2002, through June 30, 2003</u>						
Care and maintenance for dogs and cats:						
Total care and maintenance costs	\$ 267,000	\$ 36,927	\$ 25,052	\$ —		
Percentage of dogs and cats to total animals	x 100%	x 95.80%	x 95.80%	x —		
Total care and maintenance costs for dogs and cats	267,000	35,376	24,000	—		
Total dog and cat kennel days	÷ 16,060	÷ 19,163	÷ 19,163	÷ —		
Cost per dog and cat per day	\$ 16.62516	\$ 1.84606	\$ 1.25241	—		
Number of eligible dogs and cats	x 1,497	x 415	x 415	x —		
Number or reimbursable days	x 2	x 3	x 3	x —		
Total care and maintenance costs for dogs and cats	<u>49,776</u>	<u>2,298</u>	<u>1,559</u>	<u>—</u>	<u>3,857</u>	<u>(45,919)</u>
Care and maintenance for other “eligible” animals:						
Total care and maintenance costs	6,077	36,927	25,052	—		
Percentage of other “eligible” animals to total animals	x 100%	x 4.20%	x 4.20%	x —		
Total care and maintenance costs for other “eligible” animals	6,077	1,551	1,052	—		
Total other “eligible” animal kennel days	÷ 1,095	÷ 840	÷ 840	÷ —		
Cost per other “eligible” animal per day	\$ 5.54977	\$ 1.84643	\$ 1.25238	—		
Number of eligible other “eligible” animals	x 47	x 5	x 5	x —		
Number or reimbursable days	x 2	x 6	x 6	x —		
Total care and maintenance costs for other “eligible” animals	<u>522</u>	<u>55</u>	<u>38</u>	<u>—</u>	<u>93</u>	<u>(429)</u>
Total care and maintenance costs, FY 2002-03	<u>\$ 50,298</u>	<u>\$ 2,353</u>	<u>\$ 1,597</u>	<u>\$ —</u>	<u>\$ 3,950</u>	<u>\$ (46,348)</u>
<u>July 1, 2004, through June 30, 2005</u>						
Care and maintenance for dogs and cats:						
Total care and maintenance costs	\$ 217,467	\$ 53,142	\$ 7,141	\$ —		
Percentage of dogs and cats to total animals	x 100%	x 95.80%	x 95.80%	x —		
Total care and maintenance costs for dogs and cats	217,467	50,910	6,841	—		
Total dog and cat kennel days	÷ 16,677	÷ 19,163	÷ 19,163	÷ —		
Cost per dog and cat per day	\$ 13.03994	\$ 2.65668	\$ 0.35699	—		
Number of eligible dogs and cats	x 605	x 358	x 358	x —		
Number or reimbursable days	x 2	x 3	x 3	x —		
Total care and maintenance costs for dogs and cats	<u>15,778</u>	<u>2,854</u>	<u>383</u>	<u>—</u>	<u>3,237</u>	<u>(12,541)</u>
Care and maintenance for other “eligible” animals:						
Total care and maintenance costs	7,459	53,142	7,141	—		
Percentage of other “eligible” animals to total animals	x 100%	x 4.20%	x 4.20%	x —		
Total care and maintenance costs for other “eligible” animals	7,459	2,232	300	—		
Total other “eligible” animal kennel days	÷ 24	÷ 840	÷ 840	÷ —		
Cost per other “eligible” animal per day	\$ 310.79167	\$ 2.65714	\$ 0.35714	—		
Number of eligible other “eligible” animals	x 6	x 12	x 12	x —		
Number or reimbursable days	x 4	x 6	x 6	x —		
Total care and maintenance costs for other “eligible” animals	<u>7,459</u>	<u>191</u>	<u>26</u>	<u>—</u>	<u>217</u>	<u>(7,242)</u>
Total care and maintenance costs, FY 2004-05	<u>\$ 23,237</u>	<u>\$ 3,045</u>	<u>\$ 409</u>	<u>\$ —</u>	<u>\$ 3,454</u>	<u>\$ (19,783)</u>

## Schedule 2 (continued)

Cost Elements	Amount Claimed	Allowable per Audit			Total	Audit Adjustment <sup>1</sup>
		Salaries and Benefits	Materials and Supplies	Contract Services		
<u>July 1, 2005, through June 30, 2006</u>						
Care and maintenance for dogs and cats:						
Total care and maintenance costs	\$ 161,425	\$ 27,923	\$ 7,208	\$ 10,016		
Percentage of dogs and cats to total animals	x 100%	x 95.80%	x 95.80%	x 95.80%		
Total care and maintenance costs for dogs and cats	161,425	26,750	6,905	9,595		
Total dog and cat kennel days	÷ 21,644	÷ 19,163	÷ 19,163	÷ 19,163		
Cost per dog and cat per day	\$ 7.45819	\$ 1.39592	\$ 0.36033	\$ 0.50070		
Number of eligible dogs and cats	x 744	x 414	x 414	x 414		
Number or reimbursable days	x 2	x 3	x 3	x 3		
Total care and maintenance costs for dogs and cats	11,098	1,734	447	622	2,803	(8,295)
Care and maintenance for other "eligible" animals:						
Total care and maintenance costs	32,700	27,923	7,208	10,016		
Percentage of other "eligible" animals to total animals	x 100%	x 4.20%	x 4.20%	x 4.20%		
Total care and maintenance costs for other "eligible" animals	32,700	1,173	303	421		
Total other "eligible" animal kennel days	÷ 365	÷ 840	÷ 840	÷ 840		
Cost per other "eligible" animal per day	\$ 89.58904	\$ 1.39643	\$ 0.36071	\$ 0.50119		
Number of eligible other "eligible" animals	x 6	x —	x —	x —		
Number or reimbursable days	x 4	x 6	x 6	x 6		
Total care and maintenance costs for other "eligible" animals	2,150	—	—	—	—	(2,150)
Total care and maintenance costs, FY 2005-06	\$ 13,248	\$ 1,734	\$ 447	\$ 622	\$ 2,803	\$ (10,445)
<u>July 1, 2006, through June 30, 2007</u>						
Care and maintenance for dogs and cats:						
Total care and maintenance costs	\$ 138,614	\$ 29,576	\$ 9,029	\$ 9,676		
Percentage of dogs and cats to total animals	x 100%	x 95.80%	x 95.80%	x 95.80%		
Total care and maintenance costs for dogs and cats	138,614	28,334	8,650	9,270		
Total dog and cat kennel days	÷ 26,244	÷ 19,163	÷ 19,163	÷ 19,163		
Cost per dog and cat per day	\$ 5.28174	\$ 1.47858	\$ 0.45139	\$ 0.48374		
Number of eligible dogs and cats	x 851	x 472	x 472	x 472		
Number or reimbursable days	x 2	x 3	x 3	x 3		
Total care and maintenance costs for dogs and cats	8,990	2,094	639	685	3,418	(5,572)

## Schedule 2 (continued)

Cost Elements	Amount Claimed	Allowable per Audit			Total	Audit Adjustment <sup>1</sup>
		Salaries and Benefits	Materials and Supplies	Contract Services		
<u>July 1, 2006, through June 30, 2007 (continued)</u>						
Care and maintenance for other "eligible" animals:						
Total care and maintenance costs	8,359	29,576	9,029	9,676		
Percentage of other "eligible" animals to total animals	x 100%	x 4.20%	x 4.20%	x 4.20%		
Total care and maintenance costs for other "eligible" animals	8,359	1,242	379	406		
Total other "eligible" animal kennel days	÷ 365	÷ 840	÷ 840	÷ 840		
Cost per other "eligible" animal per day	\$ 22.90137	\$ 1.47857	\$ 0.45119	\$ 0.48333		
Number of eligible other "eligible" animals	x 7	x 4	x 4	x 4		
Number or reimbursable days	x 4	x 6	x 6	x 6		
Total care and maintenance costs for other "eligible" animals	641	35	11	12	58	(583)
Total care and maintenance costs, FY 2006-07	<u>\$ 9,631</u>	<u>\$ 2,129</u>	<u>\$ 650</u>	<u>\$ 697</u>	<u>\$ 3,476</u>	<u>\$ (6,155)</u>
<u>Summary: July 1, 1998, through June 30, 2001; July 1, 2002, through June 30, 2003; and July 1, 2004, through June 30, 2007</u>						
Total care and maintenance costs for dogs and cats	\$ 212,282	\$ 13,351	\$ 5,422	\$ 1,307	\$ 20,080	\$ (192,202)
Total care and maintenance costs for other "eligible" animals	16,390	386	132	12	530	(15,860)
Total care and maintenance costs	<u>\$ 228,672</u>	<u>\$ 13,737</u>	<u>\$ 5,554</u>	<u>\$ 1,319</u>	<u>\$ 20,610</u>	<u>\$ (208,062)</u>

<sup>1</sup> See Finding 2—Overstated Care and Maintenance Costs.

# Revised Findings and Recommendations

**FINDING 1—  
Unallowable  
construction of new  
facility costs**

The city claimed \$75,180 for the Construction of New Facilities cost component. We determined that \$16,337 is allowable and \$58,843 is unallowable. The costs are unallowable because the city claimed reimbursement based on animal data that was unsupported and for construction costs in the wrong fiscal year.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
<u>Fixed assets:</u>			
1999-2000	\$ -	\$ 4,186	\$ 4,186
2000-01	75,180	12,151	(63,029)
Total	<u>\$ 75,180</u>	<u>\$ 16,337</u>	<u>\$ (58,843)</u>

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

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

Eligible claimants are only entitled to reimbursement for the proportionate share of actual costs required to 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 (including those animals that are excluded from reimbursement, as specified in Sections IV (B) (3) and (4) of these Parameters and Guidelines) during the entire holding period required by Food and Agriculture Code sections 31108, 31752 and 31753.

**Background – Construction of Additional Shelter Space**

On June 16, 1999, the City Council approved the adoption of the fiscal year (FY) 1999-2000 capital improvement program budget which allocated \$116,700 towards the Animal Control Improvements Project. Subsequently, the capital improvement program budget was increased to \$135,200 in FY 2000-01. The final building plans and the award for bids of contractors were approved by the city in January of 2001. The project funded construction for the expansion of an existing animal shelter building. The building expansion created 1,011 square feet of additional

kennel space used for small animals that are impounded, and an animal adoption isolation area. The project was completed in FY 2001-02.

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

### **Audit Adjustments**

#### *Unsupported Pro-rata Representation of Animals*

The parameters and guidelines state that reimbursement is based on the number of animals that die during the increased holding period or are ultimately euthanized (numerator) to the total population of animals housed at the facility (denominator). The audit adjustment occurred because the number of animals used in the calculation was unsupported, as noted in the paragraphs below.

- Died during the increased holding period: The city was unable to support the number of animals they used to calculate reimbursable costs, including the number of animals that died in its animal shelter. During the course of fieldwork we were informed that the animal statistics data was destroyed for the all of the fiscal years in the audit period prior to FY 2004-05. The city submitted kennel card data for FY 2004-05 through FY 2006-07; however, the animal data only included euthanized animals, therefore the animals that died during the holding period are not represented in the calculation.
- Ultimately euthanized: The city, as mentioned previously, was unable to support the number of animals they used to calculate reimbursable costs. Therefore, we used the average number of stray animals that were euthanized after the required holding period (days 7+) from FY 2004-05 through FY 2006-07 to calculate reimbursable costs for the prior fiscal years where animal data was unavailable.

#### *Construction Costs Reported in the Wrong Fiscal Year*

The city reported construction costs of \$116,144 for FY 2000-01 to build additional space for small animals at an animal adoption isolation area. In the city's response to the draft audit report they submitted documentation for additional costs totaling \$3,174; resulting in total construction costs of \$119,318. We reviewed the invoices submitted and determined that the additional costs relate to the shelter expansion and are a result of complying with the mandate. However, within the original documentation submitted with the claims the city included construction costs totaling \$19,805 that were not incurred during FY 2000-01. Costs incurred for construction of additional space were adjusted for the following reasons:

- The city included \$16,697 for the cost of kennels incurred in FY 1999-2000 and \$3,108 for final construction costs incurred in FY 2001-02.
- We moved the costs totaling \$16,697 that were incorrectly claimed for FY 2000-01 to FY 1999-2000 under the fixed assets object account. We calculated the allowable pro-rata portion using the animal data available for that fiscal year (see Finding 2 for discussion of Animal Data and *Eligible Animal Population*). We determined that the allowable pro-rata percentage for FY 1999-2000 is 25.07% based on 1,675 animals impounded and 420 eligible animals—the reimbursable portion totals \$4,186.
- The amount of construction costs the city incurred for FY 2000-01 totals \$99,513. We calculated the allowable pro-rata portion using the animal data available for that fiscal year. We determined that the allowable pro-rata percentage for FY 2000-01 is 12.21% based on 3,439 animals impounded and 420 eligible animals—the reimbursable portion totals \$12,151.
- We determined that the costs incorrectly claimed for FY 2000-01 for expenses that were incurred in FY 2001-02 totaling \$3,108 are unallowable because the city did not submit a claim for FY 2001-02.

The following table shows the pro-rata reimbursable amount based on changes we made to the animal population and to allowable construction costs for FY 1999-2000 and FY 2000-01:

Category	Fiscal Year		Total
	1999-2000	2000-01	
Total allowable "eligible" animals	420	420	
Total population of animals housed at the facility	÷ 1,675	÷ 3,439	
Reimbursement ratio	25.07%	12.21%	
Allowable construction costs	x 16,697	x 99,513	
Amount allowable	\$ 4,186	\$ 12,151	\$ 16,337

#### Recommendation

We recommend that the city ensure that claimed costs are properly calculated and supported by source documentation.

#### City's Response

The city concurs with the audit finding.

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

The city claimed \$228,672 (\$212,282 for dogs and cats, and \$16,390 for other animals) during the audit period for the Care and Maintenance cost component. We determined that \$20,610 (\$20,080 for dogs and cats, and \$530 for other animals) is allowable and \$208,062 is unallowable. The cost are unallowable because the city misstated allowable hours; claimed unallowable materials and supplies; misstated the number of reimbursable days; and could not support the claimed yearly census or the claimed number of stray dogs, cats, and other animals that died during the increased holding period or were ultimately euthanized. Additional related indirect costs of \$3,595 are allowable because we allowed more salaries and benefits than claimed.

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

Fiscal Year	Direct Costs Claimed			Direct Costs Allowable			Direct Cost Audit Adjustment	Indirect Cost Audit Adjustment
	Dogs and Cats	Other Animals	Total Claimed	Dogs and Cats	Other Animals	Total Claimed		
1998-99	\$ -	\$ 1,184	\$ 1,184	\$ 843	\$ 20	\$ 863	\$ (321)	\$ 423
1999-2000	48,376	2,658	51,034	2,989	72	3,061	(47,973)	832
2000-01	78,264	1,776	80,040	2,933	70	3,003	(77,037)	946
2002-03	49,776	522	50,298	3,857	93	3,950	(46,348)	1,248
2004-05	15,778	7,459	23,237	3,237	217	3,454	(19,783)	(1,574)
2005-06	11,098	2,150	13,248	2,803	-	2,803	(10,445)	763
2006-07	8,990	641	9,631	3,418	58	3,476	(6,155)	957
<b>Total</b>	<b>\$ 212,282</b>	<b>\$ 16,390</b>	<b>\$ 228,672</b>	<b>\$ 20,080</b>	<b>\$ 530</b>	<b>\$ 20,610</b>	<b>\$ (208,062)</b>	<b>\$ 3,595</b>

The parameters and guidelines identify that the *increased costs* are for performing the following activities only:

- 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 (Food and Agricultural Code section 31108, 31752) states:

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 to six business days from the day after impoundment.

- Section IV.B.3 – Care and Maintenance for Impounded Stray or Abandoned Animals Specified in Food and Agricultural Code section 31753 that Die During the Increased Holding Period or are Ultimately Euthanized (Food and Agricultural Code section 31753) states:

Beginning January 1, 1999 – Providing care and maintenance for four or six business days from the day after impoundment for impounded 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.

In addition, the parameters and guidelines for both section IV.B.3 (a) and section IV.B.3 (b) state that:

#### Exclusions

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

- Stray or abandoned dogs and cats and other animals that are irretrievably suffering from a serious illness or severe injury (Food and Agricultural Code section 17006);
- Newborn stray or abandoned dogs and cats and other animals that need maternal care and have been impounded without their mothers (Food and Agricultural Code section 17006);
- Stray or abandoned dogs and cats and other animals too severely injured to more or where a veterinarian is not available and it would be more humane to dispose of the animal (Penal Code section 597.1, subdivision (e), 597f, subd. (d));
- Owner relinquished dogs and cats and other animals, and
- Stray or abandoned dogs and cats and other animals that are ultimately redeemed, adopted, or released to a nonprofit animal rescue or adoption organization.

#### Methods for Claiming Costs

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

#### *Time Study Method*

The parameters and guidelines specify the following steps for claiming costs using the Time Study Method:

Under the time study method, a random sample of impounded stray or abandoned dogs and cats and [other] animals are observed to determine the amount of time to provide care and maintenance during a reimbursable day.

The time study shall be developed using one representative month each quarter and be supported with actual source documentation. Time studies shall be conducted on a more frequent basis if there are significant variations of time expended from month to month. The time study shall identify hours devoted to each specific category. If the time study supports a fixed-cost approach such as an animal day (i.e., dog-day, cat-day, etc.), the eligible claimant shall document the analysis supporting the method used.

Time records used to support the time study shall:

- a) Reflect an after-the-fact distribution of each employee's actual activity;
- b) Account for the total activity for which each employee is compensated;
- c) Account for the total labor hours of the month;
- d) Be signed and dated by the employee not later than the end of the pay period that follows the pay period covered by the report; and
- e) Document, by signature or initials and date, supervisor approval.

The time study performed by the city for the care and maintenance of dogs and cats and "other" animals substantiates a fixed-cost approach applied to an animal per day. 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 using the actual cost method. The use of this actual cost method requires claimants to calculate the total amount of eligible costs incurred to provide care and maintenance for the animals housed in its shelter. This total is divided by the annual census of animals housed in the shelter to determine a cost per animal per day.

#### *Actual Cost Method*

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

Under the actual cost method, actual reimbursable care and maintenance costs per animal per day are computed for an annual claim period.

- a) Determine the total annual cost of care and maintenance for all dogs and cats and other animals impounded at a facility. Total cost of care and maintenance includes labor, materials, supplies, indirect costs, and contract services.
- b) Determine the average daily census of all dogs and cats and other animals impounded at a facility. For purposes of claiming reimbursement under IV.B.3 (a) and (b), average daily census is defined as the average number of all dogs and cats and other animals 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 and cats and other animals by 365 to calculate the yearly census of dogs and cats and other animals.
- d) Divide the total annual cost of care by the yearly census of dogs and cats and other animals to calculate the cost per animal per day.
- e) Multiply the cost per animal per day, by the number of impounded stay or abandoned dogs and cats and other animals that die during the increased holding period or are ultimately euthanized, by each reimbursable day (the difference between three days from the day of

capture, and four or six business days from the day after impoundment for dogs and cats, and four or six business days from the day after impoundment for “other” animals).

### **Care and Maintenance Formula**

Costs incurred by the city for care and maintenance of animals consisted of salaries and benefits, materials and supplies, contract services, and related indirect costs. We made adjustments to the costs incurred by the city and to the animal data that was used to claim costs. As a result, we adjusted the costs per animal per day.

The tables in Schedule 2 summarize the claimed costs, allowable costs, and audit adjustments for the Care and Maintenance cost component, as well as adjustments made to the animal data by fiscal year. The tables consist of changes made to the total annual costs incurred by the city for animal care and maintenance (salaries and benefits, materials and supplies, and contract services) and changes to the animal census data used to determine the cost per animal per day. The table also shows changes to the number of eligible animals and the number of reimbursable days that were used to determine reimbursable costs for the audit period.

### **Audit Adjustments – Animal Data**

#### *Average Daily Animal Census*

The average daily census refers to the average number of all “eligible” animals housed at a shelter on any given day within a 365-day period multiplied by 365. The city was unable to support the claimed animal data figures they used to calculate reimbursable costs.

The city purged all of the animal statistics data for FY 1998-99 through FY 2002-03; however, the city was able to provide photocopies of kennel cards for euthanized animals for FY 2004-05 through FY 2006-07. Due to the unavailability of complete animal statistics, we provided the city the opportunity to perform a time study to determine the average daily census. The city performed a 15-day time study in which they kept track of the number of animals in the shelter each day during that consecutive period. The city’s time study resulted in an average of 35.2 dogs, 17.3 cats, and 2.3 other animals in the shelter per day. We reviewed the time study and determined it was reasonable. We calculated the average daily annual census for dogs and cats and other animals as follows:

Two Week Time Study - Animal Census	
Dogs	35.2
Cats	+ 17.3
Subtotal - dogs and cats	52.5
Days in period	x 365
Yearly census of dogs and cats	19,163
Other animals	2.30
Days in period	x 365
Yearly census of "other" animals	840

The following table summarizes the yearly animal census claimed, allowable, and difference:

Fiscal Year	Amount Claimed			Amount Allowable			Difference		
	Dogs and Cats	Other Animals	Total	Dogs and Cats	Other Animals	Total	Dogs and Cats	Other Animals	Total
1998-99	-	365	365	19,163	840	20,003	19,163	475	19,638
1999-2000	17,520	365	17,885	19,163	840	20,003	1,643	475	2,118
2000-01	19,345	730	20,075	19,163	840	20,003	(182)	110	(72)
2002-03	16,060	1,095	17,155	19,163	840	20,003	3,103	(255)	2,848
2004-05	16,681	24	16,705	19,163	840	20,003	2,482	816	3,298
2005-06	21,645	365	22,010	19,163	840	20,003	(2,482)	475	(2,007)
2006-07	26,244	365	26,609	19,163	840	20,003	(7,081)	475	(6,606)

*Eligible Animal Population*

The next element of the formula is adding the number of stray and abandoned animals that died of natural causes during the increased holding period plus those animals that were euthanized after the required holding period. As previously mentioned, the city’s animal data only included euthanized animals; therefore, the animals that died during the increased holding period are not represented in the calculation. In addition, we excluded the following animals from the population of eligible animals:

- Dogs, cats, and other animals that were classified as owner sign-off (OSO—surrendered).
- Dogs, cats, and other animals that were not classified (blanks).
- Dogs, cats, and other animals that were euthanized for humane reasons (usually on day 1).
- Dogs, cats, and other animals that were suffering from a serious illness or severe injury (usually euthanized on day 1).

We also sorted dogs, cats, and other animals by animal ID to remove any animals reported more than once.

The following table summarizes the number of “eligible” animals claimed, allowable, and the difference:

Fiscal Year	Amount Claimed			Amount Allowable			Difference		
	Dogs and Cats	Other Animals	Total	Dogs and Cats	Other Animals	Total	Dogs and Cats	Other Animals	Total
1998-99	-	27	27	415	5	420	415	(22)	393
1999-2000	1,558	50	1,608	415	5	420	(1,143)	(45)	(1,188)
2000-01	1,502	54	1,556	415	5	420	(1,087)	(49)	(1,136)
2002-03	1,497	47	1,544	415	5	420	(1,082)	(42)	(1,124)
2004-05	605	6	611	358	12	370	(247)	6	(241)
2005-06	744	6	750	414	-	414	(330)	(6)	(336)
2006-07	851	7	858	472	4	476	(379)	(3)	(382)

#### *Cost Per Animal Per Day Calculation*

The total number of “eligible” animals is then multiplied by the cost per animal per day. The resulting amount represents the allowable costs for providing care and maintenance. Our calculation took into consideration that the required holding period does not include Saturday as a business day. This is consistent with an Appellate Court decision, dated March 26, 2010, in the case of *Purifoy v. Howell* which determined that Saturday is *not* considered a business day.

#### *Reimbursable Days*

The city inconsistently claimed either two or four increased holding days for dogs and cats and “other” animals throughout the audit period, therefore misstating the number of allowable reimbursable days. We calculated allowable costs using two reimbursable days for dogs and cats, and four reimbursable days for “other animals”; refer to Schedule 2 for details.

#### **Audit Adjustments – Direct and Indirect Costs**

##### *Time Study*

In order to substantiate salary and benefit costs related to the care and maintenance of animals, the city conducted a time study for the months of November 2008, February 2009, June 2009, and September 2009. The time study for this component involved four employees with the following job classifications: Animal Control Supervisor, Animal Control Officer I (2), and an Animal Attendant. The city studied the following four animal shelter activities:

- Cleaning Animals: Cleaning of animals.
- Cleaning Cages: Daily cleaning of kennels and cat cages, and grounds maintenance.
- Feeding: Feeding the animals.

- Care: Exercising the animals. Extended care for animals that have been injured, or have a congenital or hereditary condition until the animal becomes “adoptable.” This may include walking, bandaging, wound treatment, or stabilizing the pet.

The time study identified the following hours and job classification for the care and maintenance component:

Care and Maintenance Time Study Hours							
Job Title	Nov. 2008	Feb. 2009	June 2009	Sept. 2009	Total Hours	Annualized Hours	Percentage per Job Title
Animal Control Supervisor	6.26	4.51	5.25	-	16.02	48.06	3.0%
ACO I *	29.75	36.00	36.75	49.50	152.00	456.00	28.0%
ACO I	32.25	17.75	26.75	29.50	106.25	318.75	19.0%
Animal Attendant	41.59	68.13	83.25	78.50	271.47	814.41	50.0%
Total	109.85	126.39	152.00	157.50	545.74	1,637.22	100.0%

\* ACO stands for an "Animal Control Officer".

#### *Misstated Productive Hourly Rates*

For the audit period, the city did not provide documentation supporting the salary and benefit amounts used to calculate the productive hourly rates (PHR). We asked the city to provide the actual salary and benefit reports for the shelter staff. We recalculated the PHR using the total salaries and benefits paid to each employee as determined by the city's payroll system. The city did not provide any data for FY 1998-99 because it switched over to a new payroll system in the middle of FY 1999-2000. Consequently, the city provided partial payroll data for FY 1999-2000. For FY 1999-2000 we used the actual salaries and benefits paid to employees and used the corresponding actual hours to calculate the PHR. We applied the PHR figures we calculated from FY 1999-2000 to FY 1998-99 because it was fair and reasonable considering that only the last half of FY 1998-99 is reimbursable for this cost component. For the remaining fiscal years in the audit period we calculated the PHR using the employees' actual salary and benefit costs and used an annual productive hourly base of 1,800 hours. In total, the city overstated employee productive hourly rates for the entire audit period.

We calculated allowable costs using the audited PHR, the employee classification percentages, and total annualized hours identified in the time study. For FY 1998-99 through FY 2004-05 we applied the time identified in the time study for an Animal Attendant towards the Animal Control Officer classification because the city did not have an Animal Attendant classification for these fiscal years.

#### *Summary of Productive Hourly Rate Adjustments by Reimbursable Components*

The productive hourly rate calculation previously noted also affected the following reimbursable components:

Reimbursable Component	Audit Adjustment
Increased holding period	\$ (26,883)
Lost and found lists	(17,674)
Maintaining non-medical records	(22,306)
Necessary and prompt veterinary care	(488)
Total	<u>\$ (67,351)</u>

#### *Materials and Supplies*

The city included \$366,388 in material and supply costs for FY 1999-2000 through FY 2006-07 in its calculation of care and maintenance of animals impounded at its shelter. We determined that \$86,890 is allowable and \$279,498 is unallowable. The unallowable costs occurred for the following reasons:

- The city claimed reimbursement for non-mandate related purchases;
- The city claimed reimbursement for construction costs under both the Acquisition of Additional Space and Care and Maintenance cost components for unallowable costs; and
- The city misclassified necessary and prompt veterinary care related costs within the Care and Maintenance cost component (see Finding 6).

The following table summarizes the material and supply costs claimed, the non-mandate-related costs, the reclassified costs, and the allowable costs by fiscal year:

Category	Fiscal Year						Total
	1999-2000	2000-01	2002-03	2004-05	2005-06	2006-07	
Amount claimed	\$ 52,562	\$ 236,989	\$ 37,103	\$ 11,724	\$ 12,251	\$ 15,759	\$ 366,388
Non-mandate related costs:							
Euthanasia costs	(9,000)	-	(1,055)	-	-	-	(10,055)
Construction costs	(22,584)	(161,412)	-	-	-	-	(183,996)
Carcass disposal	-	(11,175)	(10,725)	-	-	-	(21,900)
Medical costs	-	(46,920)	-	-	-	-	(46,920)
Subtotal, non-mandate related costs	<u>(31,584)</u>	<u>(219,507)</u>	<u>(11,780)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(262,871)</u>
Reclassified costs:							
Vaccine costs	-	-	(271)	(4,583)	(4,047)	(6,730)	(15,631)
Flea/tick medicine	-	-	-	-	(996)	-	(996)
Subtotal, reclassified costs	<u>-</u>	<u>-</u>	<u>(271)</u>	<u>(4,583)</u>	<u>(5,043)</u>	<u>(6,730)</u>	<u>(16,627)</u>
Audit adjustment	<u>(31,584)</u>	<u>(219,507)</u>	<u>(12,051)</u>	<u>(4,583)</u>	<u>(5,043)</u>	<u>(6,730)</u>	<u>(279,498)</u>
Amount allowable	<u>\$ 20,978</u>	<u>\$ 17,482</u>	<u>\$ 25,052</u>	<u>\$ 7,141</u>	<u>\$ 7,208</u>	<u>\$ 9,029</u>	<u>\$ 86,890</u>

Recommendation

No recommendation is applicable because the activity is no longer a state-mandated reimbursable program. On July 28, 2009, the Legislature adopted Assembly Bill 12, 4th Extraordinary Session, which suspended the requirements of Chapter 752, Statutes of 1998, stating that shelters may revert back to the 72-hour holding period.

City's Response

The city concurs with the audit finding.

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

The city claimed direct costs totaling \$498,603 for the Increased Holding Period cost component during the audit period. We determined that \$266,203 is allowable and \$232,400 is unallowable. The costs are unallowable because the city claimed reimbursement for ineligible costs (\$205,517) and misstated the employee productive hourly rates (\$26,883). Unallowable related indirect costs total \$109,339.

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

Fiscal Year	Direct Costs Claimed	Direct Costs Allowable	Direct Cost Audit Adjustment	Indirect Cost Audit Adjustment
<u>Salaries and benefits:</u>				
1998-99	\$ 25,780	\$ 13,283	\$ (12,497)	\$ (6,127)
1999-2000	57,420	26,566	(30,854)	(14,887)
2000-01	75,445	30,684	(44,761)	(22,429)
2002-03	90,233	32,865	(57,368)	(30,434)
2004-05	82,055	46,032	(36,023)	(12,846)
2005-06	89,874	63,371	(26,503)	(11,656)
2006-07	77,796	53,402	(24,394)	(10,960)
Total	<u>\$ 498,603</u>	<u>\$ 266,203</u>	<u>\$ (232,400)</u>	<u>\$ (109,339)</u>

The parameters and guidelines (section IV.B.5 – Agencies 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 owners to reclaim their animals by appointment at a mutually agreeable time when the agency would otherwise be closed.

**Audit Adjustments – Unallowable Costs Claimed**

*Hours of Operation*

The parameters and guidelines state that a shelter using the holding period of four business days after the day of impoundment must either “make the animal available for owner redemption on one weekday evening until at least 7:00 p.m., or, one weekend day.” Reimbursement is limited to *one* of the days—either the increased Wednesday hours or all of the Saturday hours. As the Saturday hours are longer than the increased Wednesday hours, reimbursement is allowable for the operating hours that the shelter is open to the public on Saturdays.

For FY 1998-99 through FY 2002-03, the city did not explain how the hours claimed were calculated. For FY 2004-05 through FY 2006-07 the city claimed reimbursement for 364 hours (7 Saturday hours x 52 weeks) per employee classification. The city provided documentation identifying the hours of operation for its animal shelter on Saturdays during the audit period. We determined that the city overstated allowable costs by \$205,517 due to the excess number of employee hours claimed.

We adjusted allowable hours using the allowable hours per the shelter's operating hours and the number of allowable employees as follows:

Fiscal Year	Hours Claimed	Hours Allowable					Total Hours	Difference
		Shelter Hours - Saturday	Hours per Saturday	Weeks Per Year	Number of Employees			
1998-99	1,007	9 am to 5 pm	8	26	3	624	(383)	
1999-2000	2,311	9 am to 5 pm	8	52	3	1,248	(1,063)	
2000-01	2,969	9 am to 5 pm	8	52	3	1,248	(1,721)	
2002-03	2,351	10 am to 5 pm	7	52	3	1,092	(1,259)	
2004-05	2,184	10 am to 5 pm	7	52	3	1,092	(1,092)	
2005-06	2,184	10 am to 7 pm	9	52	3	1,404	(780)	
2006-07	1,820	10 am to 5 pm	7	52	3	1,092	(728)	
<b>Total</b>	<b>14,826</b>					<b>7,800</b>	<b>(7,026)</b>	

#### *Misstated Allowable Hours and Employee Positions*

The city claimed weekend hours for Animal Control Supervisor, Senior Animal Control Officer, Animal Control Officers I & II, Administrative Assistant, Senior Office Assistant, and an Office Assistant II. However, the city did not take into account the difference between the regular staffing needs and the increased staffing needs to comply with the requirement of this component. As a result, the city overstated the number of eligible employee positions and did not properly calculate the number of reimbursable hours per each position.

#### *Staffing Requirements – Time Study*

The city conducted a time study for the Increased Holding Period cost component for the months of November 2008, February 2009, June 2009, and September 2009. The time study for this component involved the following job classifications: Animal Control Manager, Animal Control Supervisor, Animal Control Officer II (3), Animal Control Officer I (2), Animal Attendant, Senior Administrative Assistant, and Senior Office Assistant. The city tracked which employees worked on Saturdays and Sundays; however, a time-study cannot be applied to the Increased Holding Period cost component because the activity is not repetitive in nature. However, the time study does identify the additional employees (job classifications) who worked on Saturdays during the years of the audit period for the purpose of providing the public access to the shelter on one weekend day.

Based on the information from the time study we identified an Animal Control Manager, Senior Administrative Assistant, and Sr. Office Assistant as the extra employees needed on one weekend day to make animals available to the public. For FY 1998-99 through FY 2000-01 claims, we allowed costs for one additional Animal Control Supervisor and an Administrative Secretary rather than an Animal Control Manager and Senior Administrative Assistant identified in the time study because the city did not have either a manager or senior administrative assistant classification for these fiscal years.

The following table shows the allowable employee classifications determined to be the increased positions necessary to comply with making the animals available for owner redemption, and the total hours allowable:

Position/Hours	Fiscal Year							Total
	1998-99	1999-2000	2000-01	2002-03	2004-05	2005-06	2006-07	
AC Supervisor	1	1	1	-	-	-	-	
Admin. Secretary	1	1	1	-	-	-	-	
Sr. Office Assist.	1	1	1	1	1	1	1	
AC Manager	-	-	-	1	1	1	1	
Sr. Admin. Assist.	-	-	-	1	1	1	1	
No. of positions	x 3	x 3	x 3	x 3	x 3	x 3	x 3	
Hours per position	x 8	x 8	x 8	x 7	x 7	x 9	x 7	
Saturdays per year	x 26	x 52						
Allowable hours	<u>624</u>	<u>1,248</u>	<u>1,248</u>	<u>1,092</u>	<u>1,092</u>	<u>1,404</u>	<u>1,092</u>	<u>7,800</u>

*Employee Productive Hourly Rates and Benefit Rates*

As described in Finding 2, the city misstated employee productive hourly rates. We applied the adjusted productive hourly rates to the allowable hours and determined that salary and benefit costs were overstated by \$26,883.

Recommendation

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

City's Response

The city concurs with the audit finding.

**FINDING 4—  
Unallowable lost and  
found list costs**

The city claimed direct costs totaling \$411,943 for the Lost and Found List cost component during the audit period. We determined that \$79,015 is allowable and \$332,928 is unallowable. The costs are unallowable because the city claimed reimbursement for ineligible costs (\$315,254) and misstated employee productive hourly rates (\$17,674). Unallowable related indirect costs total \$148,399.

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

<u>Fiscal Year</u>	<u>Direct Costs Claimed</u>	<u>Direct Costs Allowable</u>	<u>Direct Cost Audit Adjustment</u>	<u>Indirect Cost Audit Adjustment</u>
<u>Salaries and benefits:</u>				
1998-99	\$ 7,391	\$ 7,402	\$ 11	\$ 6
1999-2000	19,432	7,402	(12,030)	(5,805)
2000-01	38,600	8,206	(30,394)	(15,230)
2002-03	60,023	10,177	(49,846)	(26,443)
2004-05	84,179	14,589	(69,590)	(24,815)
2005-06	94,452	15,161	(79,291)	(34,872)
2006-07	107,866	16,078	(91,788)	(41,240)
Total	<u>\$ 411,943</u>	<u>\$ 79,015</u>	<u>\$ (332,928)</u>	<u>\$ (148,399)</u>

The parameters and guidelines (section I.V.B.6 – Lost and Found Lists (Food and Agricultural Code section 32001)) identify the *increased costs* to perform the following reimbursable activities:

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

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

**Audit Adjustments – Unallowable Costs Claimed**

*Misstated Allowable Hours and Employee Positions – Time Study*

The city claimed hours for an Animal Control Supervisor, Senior Animal Control Officer, Animal Control Officers I & II, Administrative Secretary, Senior Office Assistant, and an Office Assistant. Due to claimed costs being unsupported the city conducted a time study over a period of a year for the months of November 2008, February 2009, June 2009, and September 2009 for the Lost and Found List cost component.

The time study captured two different duties regarding lost and found lists, and the time study involved six employees with the following job classifications: Animal Control Manager, Animal Control Supervisor, Animal Control Officer I (2), Senior Administrative Assistant, and Senior Office Assistant.

The city tracked the following lost and found list duties/activities:

- (G1) – Lost and Found Duties (Record Keeping): Maintain lost and found report for the general public. Referral to animals listed on our lost and found board. Referral to other agencies, rescue groups or private individuals that may have lost or found a pet.

Updating information in the city's computer system for animals listed as lost or stolen. Give information to the general public that have found a dog that is identified by a tag or micro chip from the city's computer system. Records kept in the note section with date and person that has found the dog and the staff that spoke with them.

- (G2) – Petfinder – Web Duties: Update website daily or as needed to place all animals that are impounded at the shelter (must include location found, sex, general description, and photo). Micro chip scan found pets and take photos and place on website for private individuals as requested when they choose to keep the animal in their care.

Based on the information provided in the job duty statements in relation to the level of involvement of each classification, we determined that the hours and employee classifications identified in the time study are reasonable and supported. For FY 1998-99 through FY 2000-01 claims, we are allowing costs for a Senior Animal Control Officer and Administrative Secretary rather than an Animal Control Manager and Senior Administrative Assistant identified in the time study because the city did not have a manager or senior administrative assistant classification for these fiscal years.

As a result claimed costs were misstated over the audit period totaling \$315,254 because the city overstated the number of eligible employee positions and did not properly calculate the number of reimbursable hours per each position.

#### *Employee Productive Hourly Rates and Benefit Rates*

As described in Finding 2, the city misstated employee productive hourly rates. We applied the adjusted productive hourly rates to the allowable hours and determined that salary and benefit costs were overstated by \$17,674.

#### Recommendation

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

City’s Response

The city concurs with the audit finding.

**FINDING 5—  
Unallowable  
maintaining non-  
medical records**

The city claimed direct costs totaling \$331,100 for the Maintaining Non-Medical Records cost component during the audit period. We determined that \$133,108 is allowable and \$197,992 is unallowable. The costs are unallowable because the city claimed reimbursement for ineligible costs (\$175,685) and misstated employee productive hourly rates (\$22,307). Unallowable related indirect costs total \$91,422.

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

<u>Fiscal Year</u>	<u>Direct Costs Claimed</u>	<u>Direct Costs Allowable</u>	<u>Direct Cost Audit Adjustment</u>	<u>Indirect Cost Audit Adjustment</u>
<u>Salaries and benefits:</u>				
1998-99	\$ 15,909	\$ 5,829	\$ (10,080)	\$ (4,943)
1999-2000	40,952	5,829	(35,123)	(16,948)
2000-01	62,952	13,939	(49,013)	(24,560)
2002-03	64,209	18,412	(45,797)	(24,295)
2004-05	84,721	26,913	(57,808)	(20,615)
2005-06	30,372	28,690	(1,682)	(740)
2006-07	31,985	33,496	1,511	679
Total	<u>\$ 331,100</u>	<u>\$ 133,108</u>	<u>\$ (197,992)</u>	<u>\$ (91,422)</u>

The parameters and guidelines (section IV.B.7–Maintaining Non-Medical Records (Food and Agricultural Code section 32003)) 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.

**Audit Adjustments – Unallowable Costs Claimed**

*Misstated Allowable Hours and Employee Positions – Time Study*

The city claimed hours for Animal Control Supervisor, Senior Animal Control Officer, Animal Control Officers I & II, Administrative Secretary, and an Office Assistant. Due to the unsupported claimed costs,

the city conducted a time study in the months of November 2008, February 2009, June 2009, and September 2009 for the Lost and Found List cost component. The time study tracked the activity of maintaining mandate records, maintaining mandate records for all animals in care, and preparing annual reports as required. The time study involved six employees with the following job classifications: Animal Control Manager, Animal Control Supervisor, Animal Control Officer I (2), Animal Attendant, and Senior Administrative Assistant.

Employees tracked the average time it takes to process non-medical records, in fifteen minute increments. The time study resulted in total annualized hours of 733.89 which we multiplied by 60 to attain the minutes per year of 44,033. The minutes per year were then divided by the number of animals impounded (4,313 per the animal statistics report submitted by city for FY 2008-09). We used the animal statistics for FY 2008-09 because that is consistent with the time period in which the time study was conducted. The city's time study resulted in an average of 10 minutes spent by an employee for processing incoming and outgoing records for the disposition of animals.

Based on the information provided in the job duty statements in relation to the level of involvement of each classification, we determined that the hours and employee classifications identified in the time study are reasonable and supported. For FY 1998-99 through FY 2000-01 we are allowing additional costs for a Senior Animal Control Officer, Administrative Secretary, and Animal Control Officer rather than an Animal Control Manager, Senior Administrative Assistant, and Animal Attendant, because the city did not have a manager or senior administrative assistant classification for these fiscal years.

#### *Number of Animal Records Processed*

Application of the time study averages requires the number of animal records processed each fiscal year. The city provided monthly activity reports from the animal control bureau which showed the number of animals impounded in each of the fiscal years in the audit period.

As a result, we applied the average of 10 minutes for processing an animal record to the number of animals impounded by the employees job position percentage identified in the time study to obtain hours per position. The following table summarizes the allowable hours, percentage of hours per job classification, and hours per job classification for each fiscal year.

Category	Fiscal Year							Total
	1998-99	1999-2000	2000-01	2002-03	2004-05	2005-06	2006-07	
<u>Allowable Hours:</u>								
Animal records	1,675	1,675	3,439	4,039	4,260	4,342	4,760	
Minutes per record	10	10	10	10	10	10	10	
Allowable hours	279	279	573	673	710	724	793	3,752
<u>Percentage of hours per position:</u>								
AC Supervisor	29%	29%	29%	29%	29%	29%	29%	
AC Manager	0%	0%	0%	3%	3%	3%	3%	
Sr. ACO	3%	3%	3%	0%	0%	0%	0%	
ACO I	66%	66%	66%	66%	66%	66%	66%	
Admin. Secretary	2%	2%	2%	0%	0%	0%	0%	
Sr. Admin. Assist.	0%	0%	0%	2%	2%	2%	2%	
Percentage allocated	100%	100%	100%	100%	100%	100%	100%	
<u>Allowable hours per position:</u>								
AC Supervisor	80.91	80.91	166.17	195.17	205.90	209.96	229.97	1,088.08
AC Manager	-	-	-	20.19	21.30	21.72	23.79	87.00
Sr. ACO	8.37	8.37	17.19	-	-	-	-	25.56
ACO I	184.14	184.14	378.18	444.18	468.60	477.84	523.38	2,476.32
Admin. Secretary	5.58	5.58	11.46	-	-	-	-	17.04
Sr. Admin. Assist.	-	-	-	13.46	14.20	14.48	15.86	58.00
Allowable hours	279.00	279.00	573.00	673.00	710.00	724.00	793.00	3,752.00

As a result, claimed costs were overstated by \$175,685 for the audit period because the city overstated the number of eligible employee positions and did not properly calculate the number of reimbursable hours per each position.

#### *Employee Productive Hourly Rates and Benefit Rates*

As described in Finding 2, the city misstated employee productive hourly rates. We applied the adjusted productive hourly rates to the allowable hours and determined that salary and benefit costs were overstated by \$22,307.

#### Recommendation

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

#### City's Response

The city concurs with the audit finding.

**FINDING 6—  
Understated  
necessary and prompt  
veterinary care**

The city claimed direct costs totaling \$40,000 for the Necessary and Prompt Veterinary Care cost component during the audit period. We determined that \$59,085 is allowable. The costs are understated because the city misstated allowable hours and did not claim salaries and benefits for FY 2002-03 through FY 2006-07 (\$17,993), understated materials and supplies (\$1,580), and overstated employee productive hourly rates (\$488). Allowable related indirect costs total \$7,489.

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

Fiscal Year	Direct Costs Claimed	Direct Costs Allowable	Direct Cost Audit Adjustment	Indirect Cost Audit Adjustment
<u>Salaries and benefits:</u>				
1998-99	\$ 2,027	\$ 2,783	\$ 756	\$ 371
1999-2000	2,005	2,783	778	376
2000-01	7,886	3,006	(4,880)	(2,446)
2002-03	-	3,810	3,810	2,021
2004-05	-	4,713	4,713	1,681
2005-06	-	5,562	5,562	2,446
2006-07	-	6,766	6,766	3,040
Total, salaries and benefits	11,918	29,423	17,505	7,489
<u>Materials and supplies:</u>				
1998-99	-	-	-	-
1999-2000	-	-	-	-
2000-01	-	-	-	-
2002-03	-	28	28	-
2004-05	5,152	5,550	398	-
2005-06	5,240	5,721	481	-
2006-07	9,230	9,903	673	-
Total, materials and supplies	19,622	21,202	1,580	-
<u>Contract services:</u>				
1998-99	1,318	1,318	-	-
1999-2000	1,568	1,568	-	-
2000-01	4,756	4,756	-	-
2002-03	818	818	-	-
2004-05	-	-	-	-
2005-06	-	-	-	-
2006-07	-	-	-	-
Total, contract services	8,460	8,460	-	-
<u>Total</u>				
1998-99	3,345	4,101	756	371
1999-2000	3,573	4,351	778	376
2000-01	12,642	7,762	(4,880)	(2,446)
2002-03	818	4,656	3,838	2,021
2004-05	5,152	10,263	5,111	1,681
2005-06	5,240	11,283	6,043	2,446
2006-07	9,230	16,669	7,439	3,040
Total	\$ 40,000	\$ 59,085	\$ 19,085	\$ 7,489

The parameters and guidelines (section IV.B.8 – Necessary and Prompt Veterinary Care (Civil Code Sections 1834 and 1846)) identify the following reimbursable activities:

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

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

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

#### Population Exclusions

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

- Animals that are irremediably suffering from a serious illness or severe injury (Food and Agricultural Code section 17006);
- Newborn animals that need maternal care and have been impounded without their mothers (Food and Agricultural Code section 17006);
- Animals too severely injured to move or when a veterinarian is not available and it would be more humane to dispose of the animal (Penal Code sections 597.1, subdivision (e), 597f, subd. (d));
- Owner-relinquished animals; and
- Stray or abandoned animals that are ultimately redeemed, adopted, or released to a nonprofit animal rescue or adoption organization.

#### Veterinary Care Exclusions

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

- Emergency treatment given to injured cats and dogs (Penal Code section 597f, subd. (b));

- Administration of rabies vaccination to dogs (Health and Safety Code section 121690);
- Implantation of microchip identification;
- Spay or neuter surgery and treatment; [and]
- Euthanasia.

### **Audit Adjustments – Unallowable Costs Claimed**

#### *Allowable Hours – Initial Physical Examination and Wellness Vaccine Time Studies*

The city claimed hours for seven Animal Control Officer (ACO) IIs for FY 1998-99 through FY 2000-01; the city did not claim salary and benefit costs for FY 2002-03 through FY 2006-07. Due to the unsupported claimed costs, the city conducted a time study for the week of November 1, 2010, through November 7, 2010. The time study for this cost component involved two ACO IIs and two ACO Is.

The city's time studies covered shelter staff activities for conducting an initial physical examination of the animal to determine the animal's baseline health, and a time study for administering a wellness vaccine to "adoptable," or "treatable" animals. The city kept track of the number of animals and the time needed to conduct a wellness exam and wellness vaccine. A city veterinarian comes to the shelter approximately once a week; per the city the veterinarian has provided appropriate training to the shelter staff involved with a wellness exam and wellness vaccine. Therefore, we determined that the shelter staff who participated in the time study are qualified to make a determination whether an animal is "adoptable," "treatable," or "non-rehabilitatable" as required by the program's parameters and guidelines.

Based on the time study, it takes the ACO I an average of 10 minutes to perform the wellness exam and he or she performs this activity 39% of the time. It takes an average of 17 minutes for an ACO II to perform the wellness exam and he or she performs this activity 61% of the time. The wellness vaccine time study was performed only by the ACO I classification; per the time study it takes an average of 9 minutes to perform this activity.

We applied the allowable minutes and allocated the allowable percentage of time spent per classification for the initial physical examination and wellness vaccine to the eligible animals (as discussed below) by the productive hourly rate.

#### *Number of Eligible Animals*

The city uses kennel cards instead of a computer software system to keep track of animal statistics. The city purged its animal statistics for FY 1998-99 through FY 2002-03. However, the city was able to provide photocopies of the kennel cards for the animals that were euthanized during FY 2004-05 through FY 2006-07. The city compiled this kennel card data and provided spreadsheets for FY 2004-05, FY 2005-06, and

FY 2006-07. We used the spreadsheets submitted by the city and followed the criterion below to determine “eligible” animals.

The parameters and guidelines state that reimbursement is limited to “stray and abandoned animals. . . that die during the holding period or are ultimately euthanized.” As noted in Finding 2, we determined the average holding period to be six days; therefore, reimbursement is limited to the following population of animals:

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

The city’s animal data included euthanized animals only; therefore, the animals that died during the holding period are not represented in the calculation. This calculation is consistent with the Appellate Court 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 spreadsheets provided by the city using this criterion and determined the number of reimbursable “eligible” animals.

The following table summarizes the total allowable “eligible” animals, and the allowable animals and allowable hours for performing a wellness exam and administering a wellness vaccine per job title for the audit period by fiscal year:

Fiscal Year	"Eligible" Animals			Number of Animals Per Job Title			Allowable Hours Per Job Title			Total Allowable Hours
	Eligible dogs and cats	Eligible "other" animals	Total	Exam		Vaccine	Exam		Vaccine	
				ACO I 61%	ACO II 39 %	ACO I	ACO I 10 Min.	ACO II 17 Min.	ACO I 9 Min.	
1998-99	415	5	420	256	164	420	43	46	63	152
1999-2000	415	5	420	256	164	420	43	46	63	152
2000-01	415	5	420	256	164	420	43	46	63	152
2002-03	415	5	420	256	164	420	43	46	63	152
2004-05	358	12	370	226	144	370	38	41	56	135
2005-06	414	-	414	253	161	414	42	46	62	150
2006-07	472	4	476	290	186	476	48	53	71	172
<b>Total</b>	<b>2,904</b>	<b>36</b>	<b>2,940</b>	<b>1,793</b>	<b>1,147</b>	<b>2,940</b>	<b>300</b>	<b>324</b>	<b>441</b>	<b>1,065</b>

In total, we determined that the city understated salaries and benefits by \$17,993 for the audit period.

*Employee Productive Hourly Rates and Benefit Rates*

As described in Finding 2, the city misstated employee productive hourly rates. We applied the adjusted productive hourly rates to the allowable hours and determined that salary and benefit costs were overstated by \$488.

*Misstated Materials and Supplies Costs*

The city claimed materials and supplies related to veterinary care medicine and vaccines totaling \$16,627 under the Care and Maintenance cost component for FY 2002-03 through FY 2006-07. We reclassified these costs under the Necessary and Prompt Veterinary Care cost component and calculated the pro-rata portion. The pro-rata portion is the percentage of stray and abandoned animals that died during the holding period, plus those that were ultimately euthanized, compared to the total number of animals housed at the shelter during each fiscal year. We determined that the reimbursable portion of costs incurred totaling \$1,580 is allowable, with the \$19,622 originally claimed, for a total of \$21,202.

The following table summarizes the pro-rata calculation for the reclassified costs, and details the total costs claimed, amount allowable, and the audit adjustments for materials and supplies cost for FY 2002-03 through FY 2006-07:

Fiscal Year	Amount Claimed	Eligible Animals	Animals Housed	Pro-rata Percentage	Re-classified Allowable Care and Maintenance Costs (not pro-rated)	Allowable Pro-rated Costs	Total Allowable	Audit Adjustment
2002-03	\$ -	420	4,039	10.40%	\$ 271	\$ 28	\$ 28	\$ 28
2004-05	5,152	370	4,260	8.69%	4,583	398	5,550	398
2005-06	5,240	414	4,342	9.53%	5,043	481	5,721	481
2006-07	9,230	476	4,760	10.00%	6,730	673	9,903	673
Total	<u>\$ 19,622</u>				<u>\$ 16,627</u>	<u>\$ 1,580</u>	<u>\$ 21,202</u>	<u>\$ 1,580</u>

Recommendation

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

City's Response

The city concurs with the audit finding.

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

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