

# **CITY OF MORENO VALLEY**

Audit Report

## **ANIMAL ADOPTION PROGRAM**

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

*July 1, 2001, through June 30, 2007*



**JOHN CHIANG**  
California State Controller

June 2009



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

June 30, 2009

The Honorable Richard A. Stewart  
Mayor of the City of Moreno Valley  
14177 Frederick Street  
Moreno Valley, CA 92553

Dear Mayor Stewart:

The State Controller's Office audited the costs claimed by the City of Moreno Valley 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, 2007.

The city claimed \$1,692,150 for the mandated program. Our audit disclosed that \$122,938 is allowable and \$1,569,212 is unallowable. The costs are unallowable primarily because the city claimed unsupported costs. The State paid the city \$610,412. The amount paid exceeds allowable costs claimed by \$487,474.

If the city performs a valid time study and projects the results to the audit period, we will review the results and revise the final report, as appropriate.

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: Steve Fries, Division Manager  
Animal Services Shelter  
City of Moreno Valley  
Brooke N. McKinney, Treasury Operations Division Manager  
City of Moreno Valley  
Todd Jerue, Program Budget Manager  
Corrections and General Government  
Department of Finance

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the City of Moreno Valley 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, 2007.

The city claimed \$1,692,150 for the mandated program. Our audit disclosed that \$122,938 is allowable and \$1,569,212 is unallowable. The costs are unallowable primarily because the city claimed unsupported costs. The State paid the city \$610,412. The amount paid exceeds allowable costs claimed by \$487,474.

## 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. 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, 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) and in the Findings and Recommendations section of this report.

For the audit period, the City of Moreno Valley claimed \$1,692,150 for costs of the Animal Adoption Program. Our audit disclosed that \$122,938 is allowable and \$1,569,212 is unallowable.

For the FY 2001-02 claim, the State made no payment to the city. Our audit disclosed that \$31,047 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$31,047, contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payment to the city. Our audit disclosed that \$172 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$172, contingent upon available appropriations.

For the FY 2004-05 claim, the State paid the city \$177,149. Our audit disclosed that \$45,640 is allowable. The State will offset \$131,509 from other mandated program payments due to the city. Alternatively, the city may remit this amount to the State.

For the FY 2005-06 claim, the State paid the city \$184,470. Our audit disclosed that \$26,112 is allowable. The State will offset \$158,358 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

For the FY 2006-07 claim, the State paid the city \$248,793. Our audit disclosed that \$19,967 is allowable. The State will offset \$228,826 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

**Views of  
Responsible  
Official**

We issued a draft audit report on May 13, 2009. Steve Fries, Animal Services Division Manager, responded by letter dated May 29, 2009 (Attachment), noting that Findings 1 and 2 in the audit report could be subject to change pending the city's completion of a time study. The city did not respond to Findings 3 and 4. This final audit report includes the city's response.

**Restricted Use**

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

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

June 30, 2009

**Schedule 1—  
Summary of Program Costs  
July 1, 1999, through June 30, 2007**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Salaries and benefits	\$ 298,023	\$ 12,672	\$ (285,351)	Finding 1
Materials and supplies	48,457	11,520	(36,937)	Finding 2
Contract services	28,039	172	(27,867)	Finding 3
Total direct costs	374,519	24,364	(350,155)	
Indirect costs	157,319	6,683	(150,636)	Finding 1
Total program costs	<u>\$ 531,838</u>	31,047	<u>\$ (500,791)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 31,047</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Salaries and benefits	\$ 346,838	\$ —	\$ (346,838)	Finding 1
Materials and supplies	36,937	—	(36,937)	Finding 2
Contract services	172	172	—	
Total direct costs	383,947	172	(383,775)	
Indirect costs	164,953	—	(164,953)	Finding 1
Total program costs	<u>\$ 548,900</u>	172	<u>\$ (548,728)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 172</u>		
<u>July 1, 2003, through June 30, 2004</u> <sup>2</sup>				
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Salaries and benefits	\$ 54,363	\$ 4,271	\$ (50,092)	Finding 1
Materials and supplies	79,835	29,098	(50,737)	Findings 2, 4
Contract services	34,389	11,520	(22,869)	Finding 3
Total direct costs	168,587	44,889	(123,698)	
Indirect costs	9,562	751	(8,811)	Finding 1
Total program costs	<u>\$ 178,149</u>	45,640	<u>\$ (132,509)</u>	
Less amount paid by the State		(177,149)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (131,509)</u>		

## 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:				
Salaries and benefits	\$ 97,466	\$ 1,128	\$ (96,338)	Finding 1
Materials and supplies	38,279	11,274	(27,005)	Finding 2
Contract services	25,421	13,440	(11,981)	Finding 3
Total direct costs	161,166	25,842	(135,324)	
Indirect costs	23,304	270	(23,034)	Finding 1
Total program costs	<u>\$ 184,470</u>	26,112	<u>\$ (158,358)</u>	
Less amount paid by the State		(184,470)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (158,358)</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Salaries and benefits	\$ 122,938	\$ 1,633	\$ (121,305)	Finding 1
Materials and supplies	83,217	4,530	(78,687)	Findings 2, 3
Contract services	13,416	13,416	—	
Total direct costs	219,571	19,579	(199,992)	
Indirect costs	29,222	388	(28,834)	Finding 1
Total program costs	<u>\$ 248,793</u>	19,967	<u>\$ (228,826)</u>	
Less amount paid by the State		(248,793)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (228,826)</u>		
<u>Summary: July 1, 2001, through June 30, 2007</u>				
Direct costs:				
Salaries and benefits	\$ 919,628	\$ 19,704	\$ (899,924)	
Materials and supplies	286,725	56,422	(230,303)	
Contract services	101,437	38,720	(62,717)	
Total direct costs	1,307,790	114,846	(1,192,944)	
Indirect costs	384,360	8,092	(376,268)	
Total program costs	<u>\$ 1,692,150</u>	122,938	<u>\$(1,569,212)</u>	
Less amount paid by the State		(610,412)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (487,474)</u>		

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

<sup>2</sup> The Animal Adoption Program was suspended for FY 2003-04.

# Findings and Recommendations

**FINDING 1—  
Unallowable salaries  
and benefits**

The city claimed \$888,527 in unsupported salaries and benefits, and \$11,397 in duplicated one-time costs for the audit period. The related indirect costs totaled \$376,268.

The salaries and benefits costs are unsupported because the city provided only unsigned and undated forms, prepared after the end of each fiscal year, which estimated the time spent annually on reimbursable activities. The city’s mandate consultant provided the city with the forms that were completed with estimated annual time. In addition, the city claimed \$11,397 for fiscal year (FY) 2004-05 that was previously claimed for FY 2001-02.

During the audit, we discussed the inadequate documentation with the city and its option of performing a time study to substantiate unsupported salaries and benefits. We provided the city a copy of the SCO time-study guidelines to assist them in developing the time study.

The following table summarizes the unallowable salaries and benefits:

	Fiscal Year					Total
	2001-02	2002-03	2004-05	2005-06	2006-07	
<u>Salaries and Benefits</u>						
One-time costs:						
Policies and procedures	\$ —	\$ —	\$ (3,296)	\$ —	\$ —	\$ (3,296)
Training	—	—	(8,101)	—	—	(8,101)
Subtotal	—	—	(11,397)	—	—	(11,397)
Ongoing costs:						
Holding period	(2,087)	(2,231)	(34,244)	(37,092)	(63,065)	(138,719)
Feral cats	(13,281)	(15,970)	(2,404)	(5,723)	(6,358)	(43,736)
Lost-and-found list	(61,686)	(82,595)	(2,047)	(2,041)	(2,039)	(150,408)
Non-medical records	(167,903)	(202,851)	—	(51,482)	(49,843)	(472,079)
Necessary and prompt veterinary care	(40,394)	(43,191)	—	—	—	(83,585)
Subtotal	(285,351)	(346,838)	(38,695)	(96,338)	(121,305)	(888,527)
Total salaries and benefits	(285,351)	(346,838)	(50,092)	(96,338)	(121,305)	(899,924)
Indirect costs	(150,636)	(164,953)	(8,811)	(23,034)	(28,834)	(376,268)
Audit adjustment	\$ (435,987)	\$ (511,791)	\$ (58,903)	\$ (119,372)	\$ (150,139)	\$ (1,276,192)

The program’s parameters and guidelines require the claimant to trace claimed costs to source documents that show evidence of, and the validity of, such costs.

Recommendation

We recommend that the city maintain source documents that support the actual time employees spend to perform mandate-related activities.

City's Response

The Animal Services Division understands the Division of Audits will reevaluate the submitted salaries and benefits costs upon completion of the time study currently being conducted by the Animal Services Division. The \$899,924 in unsupported salaries and benefits could be subject to an adjustment based upon the results of the time study.

SCO's Comments

The finding and recommendation remain unchanged.

The SCO will review the time study currently being conducted by the city and will revise the audit finding as appropriate.

**FINDING 2—  
Unsupported costs  
related to care and  
maintenance of dogs,  
cats, and other animals**

The city claimed \$196,716 in unsupported materials and supplies related to the Care and Maintenance of Dogs and Cats cost component, and \$15,709 in materials and supplies related to the Care and Maintenance of Other Animals cost component for the audit period. The entire cost is unallowable.

The formula for care and maintenance of dogs, cats, and other animals divides total costs by the daily animal census to produce a cost per animal per day. The product is multiplied by the number of dogs, cats, and other animals that were euthanized and the number of reimbursable holding days.

For FY 2001-02, FY 2002-03, and FY 2005-06, the city provided worksheets that stated the amount of costs claimed for materials and supplies for care and maintenance of dogs, cats, and other animals. However, the city did not provide a detailed breakdown of the components claimed for care and maintenance and the worksheets provided by the city did not support the costs claimed. In addition, the city claimed the same costs in FY 2002-03 as it did for FY 2001-02 with no support documentation.

For FY 2004-05 and FY 2006-07, the city provided worksheets that stated the amount of costs claimed for materials and supplies for care and maintenance of dogs, cats, and other animals. The city also provided detailed worksheets that identified the care and maintenance cost related to salaries, benefits, indirect costs, and materials and supplies. However, the city did not provide time records or invoices to support costs claimed. Furthermore, the city only claimed materials and supplies costs.

During the audit, we discussed the inadequate documentation with the city and its option of performing a time study consistent with the program's parameters and guidelines to substantiate unsupported salaries and benefits. We agreed to review the results of the time study and revise the final audit report, as appropriate.

The following table summarizes the unallowable costs related to care and maintenance of dogs, cats, and other animals:

	Fiscal Year					Total
	2001-02	2002-03	2004-05	2005-06	2006-07	
<u>Materials and Supplies</u>						
Care and maintenance of dogs and cats	\$(36,937)	\$(36,937)	\$(61,061)	\$(25,082)	\$(36,699)	\$(196,716)
Care and maintenance of other animals	—	—	(5,765)	(1,923)	(8,021)	(15,709)
Audit adjustment	<u>\$(36,937)</u>	<u>\$(36,937)</u>	<u>\$(66,826)</u>	<u>\$(27,005)</u>	<u>\$(44,720)</u>	<u>\$(212,425)</u>

The parameters and guidelines require the claimant to trace claimed costs to source documents that show evidence of, and the validity of, such costs.

The parameters and guidelines state that the increased holding period for dogs and cats is the difference between four or six business days from the day after impoundment and three days from the day of capture. The parameters and guidelines state that the increased holding period for other animals is four or six business days. Four rather than six business days are applicable since the shelter was open on one weekend day. (See Food and Agricultural Code sections 31108, 31752, and 31753.)

The parameters and guidelines exclude reimbursement for the care and maintenance of the following animals:

- Stray or abandoned animals that are irremediably suffering from a serious illness or severe injury;
- Newborn stray or abandoned animals that need maternal care and have been impounded without their mothers;
- Stray or abandoned animals too severely injured to move or where a veterinarian is not available and it would be more humane to dispose of the animal;
- Owner relinquished animals; and
- Stray or abandoned animals that are ultimately redeemed, adopted, or released to a nonprofit animal rescue or adoption organization.

The parameters and guidelines require that a time study used for the care and maintenance of dogs, cats, and other animals be developed using, at a minimum, one represented month each quarter and be supported with actual source documents.

Recommendation

We recommend that the city maintain source documents that support mandate-related costs.

City’s Response

Results of the time study being conducted by the Animal Services Division could result in a revision in the final audit report. The \$212,425 of unsupported costs could as well be subject to an adjustment based upon the results of the time study.

SCO’s Comments

The finding and recommendation remain unchanged.

The SCO will review the time study currently being conducted by the city and will revise the audit finding as appropriate.

**FINDING 3—  
Unsupported  
necessary and prompt  
veterinary care**

The city claimed \$33,967 in unsupported materials and supplies for FY 2006-07; \$62,717 in unsupported contract services for FY 2001-02, FY 2004-05, and FY 2005-06; and \$83,585 in unsupported salaries and benefits for FY 2001-02 and FY 2002-03 related to the Necessary and Prompt Veterinary Care cost component. The adjustments for unsupported salaries and benefits and related indirect costs are reported in Finding 1.

The city claimed costs for necessary and prompt veterinary care for stray and abandoned animals during the holding period. The holding period for dogs, cats, and other animals is four business days (see Finding 2). The parameters and guidelines identify veterinary procedures that are and are not reimbursable and the population of animals that is not reimbursable. The city provided only invoices that identified contractor hours and rates; the contractor invoices did not provide detail as to services provided. Consequently, we were unable to determine the reimbursable portion.

The following table summarizes the unallowable materials and supplies and contract services:

	Fiscal Year				Total
	2001-02	2004-05	2005-06	2006-07	
<u>Necessary and Prompt Veterinary Care</u>					
Materials and supplies	\$ —	\$ —	\$ —	\$(33,967)	\$ (33,967)
Audit adjustment	\$ —	\$ —	\$ —	\$(33,967)	\$ (33,967)
Contract services	\$(27,867)	\$(22,869)	\$(11,981)	\$ —	\$ (62,717)
Audit adjustment	\$(27,867)	\$(22,869)	\$(11,981)	\$ —	\$ (62,717)

The parameters and guidelines also state that claimant must trace claimed costs to source documents that show evidence of, and the validity of, such costs.

The parameters and guidelines state that reimbursable costs exclude injured cats and dogs that are given emergency treatment and that die during the holding period or are ultimately euthanized.

The parameters and guidelines specified the following veterinary procedures that are reimbursable:

- 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."

The parameters and guidelines state that the following veterinary procedures are not reimbursable:

- Emergency treatment given to injured cats and dogs;
- Administration of rabies vaccination to dogs;
- Implantation of microchip identification; and
- Euthanasia.

The parameters and guidelines identify the following population of animals that is not reimbursable:

- Animals that are irremediably suffering from a serious illness or severe injury;
- Newborn animals that need maternal care and have been impounded without their mothers;
- Animals too severely injured to move or where a veterinarian is not available and it would be more humane to dispose of the animal; and
- Stray or abandoned animals that are ultimately redeemed, adopted, or released to a non-profit animal rescue or adoption organization.

### Recommendation

We recommend that the city ensure that all claimed costs are supported by appropriate documentation and at the level required by the parameters and guidelines.

### City's Response

The city did not respond to this finding.

**FINDING 4—  
Understated  
procuring equipment**

The city understated materials and supplies by \$16,089 for FY 2004-05 related to procuring equipment cost component. The city provided the auditor with documentation supporting this amount. However, it inadvertently omitted the amount when preparing the filed claim.

The parameters and guidelines state that procuring medical, kennel, and computer equipment necessary to comply with the reimbursable activities listed in section IV(B), to the extent the costs are not claimed as an indirect cost shall be reimbursed.

The following table summarizes the understated equipment:

	<u>Fiscal Year 2004-05</u>
<u>Materials and Supplies</u>	
Allowable equipment	\$ 29,098
Less claimed equipment	<u>(13,009)</u>
Audit adjustment	<u>\$ 16,089</u>

Recommendation

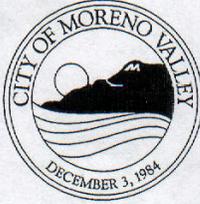
We recommend that the city ensure that all eligible costs are claimed.

City's Response

The city did not respond to this finding.

**Attachment—  
City's Response to  
Draft Audit Report**

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**Financial & Administrative Services Department**

Animal Services Division  
14041 Elsworth Street  
P. O. Box 88005  
Moreno Valley CA 92552-0805  
Telephone: 951.413.3790  
FAX: 951.656.2662

May 29, 2009

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

Subject: City of Moreno Valley Audit Report – Animal Adoption Program;  
July 1, 2001 to June 30, 2007

Dear Mr. Spano:

A review of the draft audit report for the Animal Adoption Program from the period of July 1, 2001 to June 30, 2007 was performed by the Animal Services Division.

In regards to Finding 1, the Animal Services Division understands the Division of Audits will reevaluate the submitted salaries and benefits costs upon completion of the time study currently being conducted by the Animal Services Division. The \$899,924 in unsupported salaries and benefits could be subject to an adjustment based upon the results of the time study.

Likewise with regards to Finding 2, results of the time study being conducted by the Animal Services Division could result in a revision in the final audit report. The \$212,425 of unsupported costs could as well be subject to an adjustment based upon the results of the time study.

Denise Raymond, Animal Services Office Supervisor will remain in contact with Curt Chiesa, Auditor, regarding Animal Services Division's progress with the time study.

Sincerely,

Steve Fries  
Animal Services Division Manager

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

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