



JOHN CHIANG
California State Controller

February 8, 2013

Tina Rivera
Director of Finance
City of Goleta
130 Cremona Drive, Suite B
Goleta, CA 93117

Dear Ms. Rivera:

The State Controller's Office reviewed the costs claimed by the City of Goleta for the legislatively mandated Animal Adoption Program (Chapter 752, Statutes of 1998, and Chapter 313, Statutes of 2004) for the period of July 1, 2006, through June 30, 2009. Our review was performed to determine whether claimed costs represented increased costs resulting from the Animal Adoption Program. Our review was limited to gaining an understanding of the animal service contract the City of Goleta had with the service provider, Santa Barbara County. We determined reimbursable costs based on information provided in our audit of costs claimed by Santa Barbara County for the Animal Adoption Program during the same period.

The city claimed \$80,058 (\$85,950 less a \$5,892 penalty for filing late claims) for the mandated program. Our review found that \$45,005 (\$48,906 less a \$3,901 penalty for filing late claims) is allowable and \$35,053 is unallowable. The costs are unallowable because the contracting county that provides animal services to the city overstated its allowable Animal Adoption program costs; therefore, the proportionate amount of Animal Adoption costs claimed by the city is also overstated. The State paid the city \$23,692. The State will pay allowable costs claimed that exceed the amount paid, totaling \$21,313, contingent upon available appropriations, as described in the attached Summary of Program Costs and Finding and Recommendation.

For the fiscal year (FY) 2006-07 claim, the State paid the city \$23,692. Our review found that \$23,692 is allowable.

For the FY 2007-08 claim, the State made no payment to the city. Our review found that \$9,897 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2008-09 claim, the State made no payment to the city. Our review found that \$11,416 is allowable. The State will pay that amount, contingent upon available appropriations.

If you disagree with the review findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at www.csm.ca.gov/docs/IRCForm.pdf.

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

Attachments

RE: S13-MCC-932

cc: Daniel Singer, City Manager
City of Goleta
Randall Ward, Principal Program Budget Analyst
Mandates Unit, Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

**Attachment 1—
Summary of Program Costs
July 1, 2006, through June 30, 2009**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Review</u>	<u>Review Adjustment ¹</u>
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Training staff	\$ 3,120	\$ 3,120	\$ —
Care and maintenance of dogs, cats, and other animals	1,522	1,522	—
Increased holding period	4,451	4,451	—
Feral cat testing	345	345	—
Lost-and-found lists costs	11,924	11,924	—
Maintaining non-medical records	4,772	4,772	—
Necessary and prompt veterinary care	100	100	—
Miscellaneous	90	90	—
Total direct costs	26,324	26,324	—
Less late filing penalty ²	(2,632)	(2,632)	—
Total program costs	<u>\$ 23,692</u>	<u>23,692</u>	<u>\$ —</u>
Less amount paid by the State		(23,692)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Training staff	\$ 1,396	\$ 512	\$ (884)
Care and maintenance of dogs, cats, and other animals	1,738	636	(1,102)
Increased holding period	4,796	1,756	(3,040)
Feral cat testing	410	150	(260)
Lost-and-found lists costs	13,820	5,061	(8,759)
Maintaining non-medical records	4,815	1,763	(3,052)
Necessary and prompt veterinary care	52	19	(33)
Total program costs	<u>\$ 27,027</u>	<u>9,897</u>	<u>\$ (17,130)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 9,897</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Policies and procedures	\$ 1,457	\$ 559	\$ (898)
Care and maintenance of dogs, cats, and other animals	1,488	579	(909)
Increased holding period	5,158	2,009	(3,149)
Feral cat testing	371	144	(227)
Lost-and-found lists costs	16,147	6,288	(9,859)
Maintaining non-medical records	7,941	3,092	(4,849)
Necessary and prompt veterinary care	37	14	(23)

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2008, through June 30, 2009 (continued)</u>			
Total direct costs	32,599	12,685	(19,914)
Less late filing penalty ²	(3,260)	(1,269)	1,991
Total program costs	<u>\$ 29,339</u>	11,416	<u>\$ (17,923)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 11,416</u>	
<u>Summary: July 1, 2007, through June 30, 2009</u>			
Direct costs:			
Training staff	\$ 4,516	\$ 3,632	\$ (884)
Policies and procedures	1,457	559	(898)
Care and maintenance of dogs, cats, and other animals	4,748	2,737	(2,011)
Increased holding period	14,405	8,216	(6,189)
Feral cat testing	1,126	639	(487)
Lost-and-found lists costs	41,891	23,273	(18,618)
Maintaining non-medical records	17,528	9,627	(7,901)
Necessary and prompt veterinary care	189	133	(56)
Miscellaneous	90	90	—
Total direct costs	85,950	48,906	(37,044)
Less late filing penalty ²	(5,892)	(3,901)	1,991
Total program costs	<u>\$ 80,058</u>	45,005	<u>\$ (35,053)</u>
Less amount paid by the State		(23,692)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 21,313</u>	

¹ See Attachment 2, Finding and Recommendation.

² Government Code section 17568 assesses a 10% penalty on allowable costs of annual reimbursement claims submitted more than one year after the filing deadline specified in section 17560, to a maximum of \$10,000.

Attachment 2— Finding and Recommendation July 1, 2006, through June 30, 2009

FINDING— Unallowable program costs

The city claimed \$80,058 (\$85,950 less a \$5,892 penalty for filing late claims) under the Animal Adoption Program during the audit period. We determined that \$45,005 (\$48,906 less a \$3,901 penalty for filing late claims) is allowable and \$35,053 is unallowable. The costs are unallowable because of the corresponding audit adjustments made during our mandated cost Animal Adoption audit at Santa Barbara County.

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

Fiscal Year	Amount Claimed	Amount Allowable	Review Adjustment
2006-07	\$ 23,692	\$ 23,692	\$ —
2007-08	27,027	9,897	(17,130)
2008-09	29,339	11,416	(17,923)
	<u>\$ 80,058</u>	<u>\$ 45,005</u>	<u>\$ (35,053)</u>

On November 15, 2012, the State Controller’s Office (SCO) issued a final report for our audit of Santa Barbara County’s claims for July 1, 2001 through June 30, 2009, excluding July 1, 2003, through June 30, 2005. A copy of the audit report is on the SCO’s website (www.sco.ca.gov) under the “State Mandate Information” quick link.

Santa Barbara County incurs all of the costs (both mandated and non-mandated) to operate its three animal shelters located in Santa Barbara, Lompoc, and Santa Maria. In addition, the county provides animal control services pursuant to contracts with various cities within the county. The county filed mandated cost claims under the Animal Adoption Program during each year of the audit period. On each claim, the county recorded offset amounts which represented revenues received from its contracting cities that funded mandated activities at the county’s shelters. The county provided each of the contracting entities an individual total that the cities could claim under the Animal Adoption Program. County staff did not help prepare the contracting cities’ Animal Adoption claims, encourage the contracting cities to file claims, or advise the contracting cities on how to file a claim. The county provided only the amounts the contracting entities could claim; these are the amounts the county offset against its Animal Adoption claims for the audit period.

For the audit period, the City of Goleta filed Animal Adoption claims with the State totaling \$80,058 (\$85,950 less a \$5,892 penalty for filing late claims). The City of Goleta does not own or operate an animal shelter. Instead, the city contracted with Santa Barbara County for animal services. In turn, the county billed the city for these services.

Calculation of Offsetting Reimbursement

We requested that the county determine the extent to which contract reimbursements received by the county for animal control services were used for mandated activities. The county used a consistent methodology to calculate offsetting reimbursement amounts at the conclusion of the audit. The county determined the amounts to be offset on its claims each year based upon the total population of each contracting city to the total population of all contracting entities serviced. In addition, the county based its offset calculations on the total of the cost components the county determined the contracting entities were entitled to claim.

The county provided us with specific dollar amounts to be offset against its claims for the audit period, totaling \$217,486. The total offset amount represented the extent to which contract reimbursements received by the county were used for mandated activities for the six cities that contract with the county for animal control services. Of this amount, \$48,906 represented the offset applicable to the City of Goleta. Because the county incurs all the costs for the animal services provided, we did not audit the methodology used by the county to arrive at the offset per city per year.

The county determined that 100% of the contract reimbursements received from the city for fiscal year (FY) 2006-07, 36.62% received from the city for FY 2007-08, and 38.94% received from the city FY 2008-09 relate to reimbursable mandated costs. Consequently, we applied these percentages to costs claimed by the city in determining allowable costs.

Reimbursement from the State for mandated costs incurred by a local agency cannot be more than the total mandated costs incurred. Either the agency is entitled to reimbursement for 100% of its mandated costs incurred or it shares a portion of the reimbursement with one or more of its contracting partners. Our audit of the Animal Adoption costs claimed by Santa Barbara County determined that the City of Goleta is entitled to \$45,005 (\$23,692 for FY 2006-07, \$9,897 for FY 2007-08, and \$11,416 for FY 2008-09) in total reimbursement, which is based on costs that Santa Barbara County incurred for the mandated program. Accordingly, this amount was offset against the county's allowable costs in our audit report.

Recommendation

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