



**JOHN CHIANG**  
California State Controller

March 18, 2013

Brad Wilkie  
Management Services Director  
City of Lompoc  
P.O. Box 8001  
Lompoc, CA 93438-8001

Dear Mr. Wilkie:

The State Controller's Office reviewed the costs claimed by the City of Lompoc for the legislatively mandated Animal Adoption Program (Chapter 752, Statutes of 1998, and Chapter 313, Statutes of 2004) for the period of July 1, 2007, through June 30, 2009. We performed our review to determine whether claimed costs represented increased costs resulting from the Animal Adoption Program. We limited our review to gaining an understanding of the animal service contract that the City of Lompoc had with its service provider, Santa Barbara County. We determined reimbursable costs based on information provided in our audit of costs claimed by Santa Barbara County under the Animal Adoption Program during the same period. Our final report for that audit was issued on November 15, 2012.

The city claimed \$76,639 for the mandated program. Our review found that \$29,040 is allowable and \$47,599 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 made no payments to the city. The State will pay allowable costs claimed, totaling \$29,040, contingent upon available appropriations, as described in the attached Summary of Program Costs and Finding and Recommendation.

For the fiscal year (FY) 2007-08 claim, the State made no payment to the city. Our review found that \$12,676 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 \$16,364 is allowable. The State will pay that amount, contingent upon available appropriations.

If you disagree with the review finding, 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](http://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, CPA  
Chief, Division of Audits

JVB/vb

Attachments

RE: S13-MCC-934

cc: Laurel Barcelona, City Administrator  
City of Lompoc  
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, 2007, through June 30, 2009**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Review</u>	<u>Review Adjustment <sup>1</sup></u>
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Care and maintenance of dogs, cats, and other animals	\$ 34,616	\$ 12,676	\$ (21,940)
Total program costs	<u>\$ 34,616</u>	<u>12,676</u>	<u>\$ (21,940)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 12,676</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Care and maintenance of dogs, cats, and other animals	\$ 42,023	\$ 16,364	\$ (25,659)
Total program costs	<u>\$ 42,023</u>	<u>16,364</u>	<u>\$ (25,659)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 16,364</u>	
<u>Summary: July 1, 2007, through June 30, 2009</u>			
Direct costs:			
Care and maintenance of dogs, cats, and other animals	\$ 76,639	\$ 29,040	\$ (47,599)
Total program costs	<u>\$ 76,639</u>	<u>29,040</u>	<u>\$ (47,599)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 29,040</u>	

<sup>1</sup> See Attachment 2, Finding and Recommendation.

## Attachment 2— Finding and Recommendation July 1, 2007, through June 30, 2009

**FINDING—  
Unallowable program  
costs**

The city claimed \$76,639 under the Animal Adoption Program during the audit period. We determined that \$29,040 is allowable and \$47,599 is unallowable. The costs are unallowable because of the corresponding audit adjustments made during our mandated cost audit of Santa Barbara County's Animal Adoption Claims.

On January 25, 1981, the Commission on State Mandates (CSM) adopted the statement of decision for the Animal Adoption Program. The CSM determined that Chapter 752, Statutes of 1998, imposed a state mandate reimbursable upon local agencies 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 in claiming mandated program reimbursable costs.

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

Fiscal Year	Amount Claimed	Amount Allowable	Review Adjustment
2007-08	\$ 34,616	\$ 12,676	\$ (21,940)
2008-09	42,023	16,364	(25,659)
Total	\$ 76,639	\$ 29,040	\$ (47,599)

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](http://www.sco.ca.gov)) under the "State Mandate Information" quick link. The audit report identifies the criteria used in determining reimbursable costs.

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 prepare or assist the contracting cities in filing their Animal Adoption claims. 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 Lompoc filed Animal Adoption claims with the State totaling \$76,639. The City of Lompoc 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 on 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, \$29,040 represented the offset applicable to the City of Lompoc. Because the county incurs all the costs for the animal services provided, we used the county's methodology to arrive at the offset per city per year.

The county determined that 36.62% of the contract reimbursements received from the city for FY 2007-08, and 38.94% received from the city for 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 Lompoc is entitled to \$29,040 (\$12,676 for FY 2007-08 and \$16,364 for FY 2008-09) in total reimbursement, 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.