

CITY OF CHULA VISTA

Audit Report

ANIMAL ADOPTION PROGRAM

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

*July 1, 2001, through June 30, 2002;
and July 1, 2007, through June 30, 2009*



BETTY T. YEE
California State Controller

March 2015



BETTY T. YEE
California State Controller

March 25, 2015

The Honorable Mary Casillas Salas
Mayor of the City of Chula Vista
276 Fourth Avenue
Chula Vista, CA 91910

Dear Mayor Salas:

The State Controller's Office audited the costs claimed by the City of Chula Vista 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, 2002; and July 1, 2007, through June 30, 2009.

The city claimed \$573,751 for the mandated program. Our audit found that \$309,878 is allowable and \$263,873 is unallowable. The costs are unallowable because the city overstated and understated allowable costs; claimed unallowable costs and unsupported costs; claimed misclassified costs, ineligible employees, and ineligible animals; misstated animal census data and indirect costs; and understated productive hourly rates and benefit rates. The State paid the city \$14,800. The State will pay allowable costs claimed that exceed the amount paid, totaling \$295,078, contingent upon available appropriations.

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, CPA
Chief, Division of Audits

JVB/sa

cc: Maria Kachadoorian, Director of Finance
City of Chula Vista
Mariya G. Anton, MPA, Animal Care Facility Manager
City of Chula Vista
Phillip A. Davis, Assistant Director of Finance
City of Chula Vista
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City of Chula Vista 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, 2002; and July 1, 2007, through June 30, 2009.

The city claimed \$573,751 for the mandated program. Our audit found that \$309,878 is allowable and \$263,873 is unallowable. The costs are unallowable because the city overstated and understated allowable costs; claimed unallowable costs and unsupported costs; claimed misclassified costs, ineligible employees, and ineligible animals; misstated animal census data and indirect costs; and understated productive hourly rates and benefit rates. The State paid the city \$14,800. The State will pay allowable costs claimed that exceed the amount paid, totaling \$295,078, contingent upon available appropriations.

Background

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

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

On January 25, 1981, the Commission on State Mandates (Commission) 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 Commission 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.

Objectives, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Animal Adoption Program for the period of July 1, 2001, through June 30, 2003; and July 1, 2007, through June 30, 2009.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the city's financial statements. We conducted this performance 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. Our audit scope did not assess the efficiency or effectiveness of program operations.

To achieve our audit objectives, we performed the following audit procedures:

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.

Conclusion

Our audit found 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 Chula Vista claimed \$573,751 for costs of the Animal Adoption Program. Our audit found that \$309,878 is allowable and \$263,873 is unallowable.

For the fiscal year (FY) 2001-02 claim, the State paid the city \$14,800. Our audit found that \$62,840 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$48,040, contingent upon available appropriations.

For the FY 2007-08 claim, the State made no payments to the city. Our audit found that \$119,843 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$119,843, contingent upon available appropriations.

For the FY 2008-09 claim, the State made no payments to the city. Our audit found that \$127,195 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$127,195, contingent upon available appropriations.

**Views of
Responsible
Officials**

We issued a draft audit report on March 6, 2015. Maria Kachadoorian, Deputy City Manager, responded by letter dated March 13, 2015 (Attachment), agreeing with the audit results. This final audit report includes the city's response.

Restricted Use

This report is solely for the information and use of the City of Chula Vista, 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

March 25, 2015

**Schedule 1—
Summary of Program Costs
July 1, 2001, through June 30, 2002;
and July 1, 2007, through June 30, 2009**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Training	\$ 618	\$ 618	\$ —	
Acquiring space/facilities	65,258	—	(65,258)	Finding 2
Care and maintenance of dogs, cats, and other animals ²	28,827	11,730	(17,097)	Finding 4
Increased holding period	1,144	20,415	19,271	Finding 5
Feral cats	—	1,814	1,814	Finding 6
Lost and found lists	15,967	3,070	(12,897)	Finding 7
Maintaining non-medical records	1,153	11,519	10,366	Finding 8
Necessary and prompt veterinary care	624	8,789	8,165	Finding 9
Procuring equipment	1,371	1,371	—	
Total direct costs	114,962	59,326	(55,636)	
Indirect costs	2,500	3,514	1,014	Finding 10
Total direct and indirect costs	117,462	62,840	(54,622)	
Less offsetting revenues	—	—	—	
Total program costs	<u>\$ 117,462</u>	62,840	<u>\$ (54,622)</u>	
Less amount paid by the State		(14,800)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 48,040</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Direct costs:				
Computer software	\$ 192	\$ —	\$ (192)	Finding 1
Remodeling/renovating facilities	15,613	—	(15,613)	Finding 3
Care and maintenance of dogs, cats, and other animals ²	28,849	12,508	(16,341)	Finding 4
Increased holding period	54,652	39,288	(15,364)	Finding 5
Feral cats	1,284	3,458	2,174	Finding 6
Lost and found lists	28,805	6,512	(22,293)	Finding 7
Maintaining non-medical records	45,240	36,910	(8,330)	Finding 8
Necessary and prompt veterinary care	43,713	15,021	(28,692)	Finding 9
Total direct costs	218,348	113,697	(104,651)	
Indirect costs	15,230	6,146	(9,084)	Finding 10
Total direct and indirect costs	233,578	119,843	(113,735)	
Less offsetting revenues	—	—	—	
Total program costs	<u>\$ 233,578</u>	119,843	<u>\$ (113,735)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 119,843</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs:				
Care and maintenance of dogs, cats, and other animals ²	\$ 25,984	\$ 14,988	\$ (10,996)	Finding 4
Increased holding period	68,345	39,428	(28,917)	Finding 5
Feral cats	2,032	2,827	795	Finding 6
Lost and found lists	29,975	6,192	(23,783)	Finding 7
Maintaining non-medical records	46,632	33,524	(13,108)	Finding 8
Necessary and prompt veterinary care	37,936	24,349	(13,587)	Finding 9
Total direct costs	210,904	121,308	(89,596)	
Indirect costs	11,807	5,887	(5,920)	Finding 10
Total direct and indirect costs	222,711	127,195	(95,516)	
Less offsetting revenues	—	—	—	
Total program costs	<u>\$ 222,711</u>	127,195	<u>\$ (95,516)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 127,195</u>		
<u>Summary: July 1, 2001, through June 30, 2002; and July 1, 2007, through June 30, 2009</u>				
Direct costs:				
Training	\$ 618	\$ 618	\$ —	
Computer software	192	—	(192)	
Acquiring space/facilities	65,258	—	(65,258)	
Remodeling/renovating facilities	15,613	—	(15,613)	
Care and maintenance of dogs, cats, and other animals ²	83,660	39,226	(44,434)	
Increased holding period	124,141	99,131	(25,010)	
Feral cats	3,316	8,099	4,783	
Lost and found lists	74,747	15,774	(58,973)	
Maintaining non-medical records	93,025	81,953	(11,072)	
Necessary and prompt veterinary care	82,273	48,159	(34,114)	
Procuring equipment	1,371	1,371	—	
Total direct costs	544,214	294,331	(249,883)	
Indirect costs	29,537	15,547	(13,990)	
Total direct and indirect costs	573,751	309,878	(263,873)	
Less offsetting revenues	—	—	—	
Total program costs	<u>\$ 573,751</u>	309,878	<u>\$ (263,873)</u>	
Less amount paid by the State		(14,800)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 295,078</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>Summary by Object Account: July 1, 2001, through June 30, 2002; and July 1, 2007, through June 30, 2009</u>				
Direct costs:				
Salaries and benefits	\$ 409,425	\$ 237,078	\$ (172,347)	
Materials and supplies	27,010	29,592	2,582	
Contract services	107,161	27,043	(80,118)	
Travel and training	618	618	—	
Total direct costs	544,214	294,331	(249,883)	
Indirect costs	29,537	15,547	(13,990)	
Total direct and indirect costs	573,751	309,878	(263,873)	
Less offsetting revenues	—	—	—	
Total program costs	<u>\$ 573,751</u>	309,878	<u>\$ (263,873)</u>	
Less amount paid by the State		(14,800)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 295,078</u>		

¹ See the Findings and Recommendations section.

² See Schedule 2 – Summary of Care and Maintenance Costs.

**Schedule 2—
Summary of Care and Maintenance Costs
July 1, 2001, through June 30, 2002;
and July 1, 2007, through June 30, 2009**

Category	Total Costs Claimed	Allowable per Audit				Total Costs Allowable	Audit Adjustment
		Salaries	Benefits	Materials & Supplies	Contract Services		
<u>July 1, 2001, through June 30, 2002</u>							
Total care and maintenance costs	\$ 28,827	\$ 102,172	\$ 31,603	\$ 12,220	\$ 23,947		
Total animal census		÷ 51,903	÷ 51,903	÷ 51,903	÷ 51,903		
Cost per day		\$ 1.97	\$ 0.61	\$ 0.24	\$ 0.46		
Care and Maintenance of Dogs and Cats:							
Cost per day		\$ 1.97	\$ 0.61	\$ 0.24	\$ 0.46		
Number of eligible dogs and cats	×	1,180	×	1,180	×	1,180	
Reimbursable days	×	3	×	3	×	3	
Total care and maintenance costs for dogs and cats	\$ 28,827	\$ 6,974	\$ 2,159	\$ 850	\$ 1,628	\$ 11,611	\$ (17,216)
Care and Maintenance of Other "Eligible" Animals:							
Cost per day		\$ 1.97	\$ 0.61	\$ 0.24	\$ 0.46		
Number of eligible other animals	×	6	×	6	×	6	
Reimbursable days	×	6	×	6	×	6	
Total care and maintenance costs for other animals	\$ —	\$ 71	\$ 22	\$ 9	\$ 17	\$ 119	\$ 119
Total care and maintenance costs	\$ 28,827	\$ 7,045	\$ 2,181	\$ 859	\$ 1,645	\$ 11,730	\$ (17,097)
<u>July 1, 2007, through June 30, 2008</u>							
Total care and maintenance costs	\$ 1,831,049	\$ 198,070	\$ 129,602	\$ 20,742	\$ 48,107		
Total animal census	÷ 137,970	÷ 139,353	÷ 139,353	÷ 139,353	÷ 139,353		
Cost per day	\$ 13.27	\$ 1.42	\$ 0.93	\$ 0.15	\$ 0.35		
Care and Maintenance of Dogs and Cats:							
Cost per day	\$ 13.27	\$ 1.42	\$ 0.93	\$ 0.15	\$ 0.35		
Number of eligible dogs and cats	×	1,080	×	1,421	×	1,421	
Reimbursable days	×	2	×	3	×	3	
Total care and maintenance costs for dogs and cats	\$ 28,663	\$ 6,053	\$ 3,965	\$ 639	\$ 1,492	\$ 12,149	\$ (16,514)
Care and Maintenance of Other "Eligible" Animals:							
Cost per day	\$ 13.27	\$ 1.42	\$ 0.93	\$ 0.15	\$ 0.35		
Number of eligible other animals	×	14	×	21	×	21	
Reimbursable days	×	1	×	6	×	6	
Total care and maintenance costs for other animals	\$ 186	\$ 179	\$ 117	\$ 19	\$ 44	\$ 359	\$ 173
Total care and maintenance costs	\$ 28,849	\$ 6,232	\$ 4,082	\$ 658	\$ 1,536	\$ 12,508	\$ (16,341)

Schedule 2 (continued)

Category	Total Costs Claimed	Allowable per Audit				Total Costs Allowable	Audit Adjustment
		Salaries	Benefits	Materials & Supplies	Contract Services		
<u>July 1, 2008, through June 30, 2009</u>							
Total care and maintenance costs	\$ 1,910,718	\$ 202,034	\$ 141,000	\$ 56,171	\$ 41,301		
Total animal census	÷ 145,270	÷ 135,461	÷ 135,461	÷ 135,461	÷ 135,461		
Cost per day	\$ 13.15	\$ 1.49	\$ 1.04	\$ 0.41	\$ 0.30		
Care and Maintenance of Dogs and Cats:							
Cost per day	\$ 13.15	\$ 1.49	\$ 1.04	\$ 0.41	\$ 0.30		
Number of eligible dogs and cats	× 980	× 1,516	× 1,516	× 1,516	× 1,516		
Reimbursable days	× 2	× 3	× 3	× 3	× 3		
Total care and maintenance costs for dogs and cats	\$ 25,774	\$ 6,777	\$ 4,730	\$ 1,865	\$ 1,364	\$ 14,736	\$ (11,038)
Care and Maintenance of Other "Eligible" Animals:							
Cost per day	\$ 13.15	\$ 1.49	\$ 1.04	\$ 0.41	\$ 0.30		
Number of eligible other animals	× 16	× 13	× 13	× 13	× 13		
Reimbursable days	× 1	× 6	× 6	× 6	× 6		
Total care and maintenance costs for other animals	\$ 210	\$ 116	\$ 81	\$ 32	\$ 23	\$ 252	\$ 42
Total care and maintenance costs	\$ 25,984	\$ 6,893	\$ 4,811	\$ 1,897	\$ 1,387	\$ 14,988	\$ (10,996)
<u>Summary: July 1, 2001, through June 30, 2002; and July 1, 2007, through June 30, 2009</u>							
Care and maintenance:							
Dogs and cats	\$ 83,264	\$ 19,804	\$ 10,854	\$ 3,354	\$ 4,484	\$ 38,496	\$ (44,768)
Other "eligible" animals	396	366	220	60	84	730	334
Total care and maintenance costs	\$ 83,660	\$ 20,170	\$ 11,074	\$ 3,414	\$ 4,568	\$ 39,226	\$ (44,434)

Findings and Recommendations

**FINDING 1—
Misclassified and
unallowable one-time
cost of developing or
procuring computer
software for the
maintenance of
animal records**

The city claimed materials and supplies costs totaling \$192 for FY 2007-08 for Chameleon software license renewal fees (\$960 pro-rated at 20%). Claimed costs are unallowable, as reimbursement under this component is for the one-time costs incurred to develop or procure software. The city also claimed Chameleon software license renewal fees under the Maintaining Non-Medical Records cost component.

The following table summarizes the claimed, allowable, and audit adjustment amounts for FY 2007-08:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Materials and supplies:			
2007-08	192	-	(192)
Total, materials and supplies	\$ 192	\$ -	\$ (192)

The program’s parameters and guidelines (Section IV.A.3–One Time Activities) identify the following one-time reimbursable activity:

Develop or procure computer software for the maintenance of records on animals specified in Section IV (B) (8) of these parameters and guidelines to the extent that these costs were not claimed as indirect costs under Section V (B) of these parameters and guidelines.

The parameters and guidelines (Section VI – Supporting Data) state that:

For auditing purposes, all costs claimed shall be traceable to source documents (e.g., employee time records, cost allocation reports, invoices, receipts, purchase orders, contracts, worksheets, calendars, declarations, time studies, etc.) that show evidence of the validity of such costs and their relationship to this mandate.

Recommendation

The Animal Adoption Program was suspended in the FY 2010-11 through FY 2013-14 Budget Acts. If the program becomes active, we recommend that the county 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 and recommendation.

**FINDING 2—
Unallowable
acquisition of
additional space
and/or construction of
new facilities costs**

The city claimed contract services costs totaling \$65,258 for FY 2001-02 under the Acquisition of Additional Space and/or Construction of New Facilities cost component. We found that the entire amount is unallowable because the city did not properly support, through a governing board (City Council) agenda or other similar documentation, that the construction was a direct result of the increased holding period requirements of this mandated program.

City Council Resolution No. 2000-077, dated March 3, 2000, stated that the existing animal shelter was “outdated and under capacity to serve the City’s projected population growth.” However, the City Council did not make a determination that acquiring additional space and constructing new facilities is necessary for the increased holding period requirement because existing facilities do not reasonably accommodate impounded animals that are ultimately euthanized. Moreover, the agenda states that the construction of the new facility would begin on March 27, 2000 (FY 1999-2000) and be completed on December 11, 2000 (FY 2000-01). These costs were incurred before FY 2001-02 and thus, are not within the audit period.

During the course of the audit, the city also submitted Resolution No. 2000-311, dated August 22, 2000, approving a change order in the amount of \$295,800. The change order called for a fourth bank of kennels to be constructed at the new facility. The resolution indicated that \$170,563 would come from the city’s General Fund and the remaining balance would be provided by unanticipated revenue from two of the shelter’s contracting cities. The resolution explains that the extra fourth bank of kennels was needed due to “continuous city growth, legislative mandates, existing service contracts, holding patterns, and potential changes to existing procedures such as a ‘no-kill’ policy.”

The approval of the change order took place in FY 2000-01, and the city provided a “Project Expenditures” report showing that for FY 2001-02, the city incurred expenses in the amount of \$153,610 for Project No. 2109158100 “Animal Shelter Exp/Relocation” for an extra bank of kennels. However, the resolution does not meet the mandated requirements. The resolution addresses several things:

- There is only a cursory reference to the mandated program in which the resolution mentions “legislative mandates” as one of three items warranting construction of new facilities. The other two items relate to continuous city growth and existing service contracts (with other cities). The primary reason for construction mentioned in the resolution appears to relate to constructing an additional bank of animal kennels “before it becomes cost prohibitive.”
- The resolution mentions that the change order for the fourth bank of kennels is for anticipated growth by 2012, not that existing facilities are insufficient due to the increased holding period requirements of the mandated program. The resolution includes a comment that “beyond 2012, in order to serve our projected population, it would be necessary to eliminate contractual agreements with other agencies.” The resolution notes the city’s preference to continue providing contract services to other agencies “to help offset our operational cost.”
- The resolution states that contract revenues received from the cities of Imperial Beach and Lemon Grove are expected to fund the construction costs by reimbursing the city’s General Fund for the costs incurred.

- The required analysis of the animal census for FY 2001-02 versus the animal census for 1998 is not included.

For the costs to be reimbursable, the parameters and guidelines require a numerical analysis in order to determine an applicable pro rata percentage. The formula, as prescribed in the parameters and guidelines, requires dividing the number of eligible animals in any given year by the total population of animals housed for the same given year. Eligible animals include dogs and cats that die on days 4, 5, and 6 plus those euthanized on day 7 and later; and other animals that die on days 2, 3, 4, 5, or 6 plus those euthanized on day 7 or later. Even if the construction costs in FY 2001-02 were determined to be completely allowable, this formula would yield at an applicable pro rata percentage of approximately 26% (1,186 eligible animals / 4,546 total population). Based on the city's expenditure report, the maximum allowable amount could not exceed \$39,939 ($\$153,610 \times 26\%$).

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

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

Eligible claimants are entitled to reimbursement for the proportionate share of actual costs required to plan, design, acquire, and/or build facilities in a given fiscal year based on the pro rata representation of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that are held during the increased holding period specified in Sections IV (B) (3) and (4) of these parameters and guidelines and die during the increased holding period or are ultimately euthanized, to the total population of animals housed in the facility. The population of animals housed in the facilities includes those animals that are excluded from reimbursement, as specified in Sections IV (B)(3) and (4) of these parameters and guidelines during the entire holding period required by Food and Agriculture Code sections 31108, 31752, and 31753.

Supporting Documentation Submitted with the Initial and Subsequent Reimbursement Claims

Acquiring additional space and/or construction of new facilities is reimbursable only to the extent that an eligible claimant submits, with the initial and/or subsequent reimbursement claim, documentation reflecting the following:

A determination by the governing board that acquiring additional space and/or constructing new facilities is necessary for the increased holding period required by Statutes of 1998, Chapter 752 because the existing facilities do not reasonably accommodate impounded stray or abandoned dogs, cats, and other specified animals that are ultimately euthanized. The determination by the

governing board shall include all of the following findings:

- The average daily census of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that were impounded in 1998. For purposes of claiming reimbursement under section IV.B.1, average Daily Census is defined as the average number of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 housed on any given day, in a 365-day period;
- The average daily census of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that were impounded in a given year under the holding periods required by Food and Agriculture Code sections 31108, 31752, and 31753, as added or amended by Statutes of 1998, Chapter 752;
- Existing facilities are not appropriately configured and/or equipped to comply with the increased holding period required by Statutes of 1998, Chapter 752;
- Remodeling existing facilities is not feasible or is more expensive than acquiring additional space and/or constructing new facilities to comply with the increased holding period required by Statutes 1998, chapter 752; and
- Contracting with existing private or public shelters in the area to house the increase of impounded stray or abandoned dogs, cats, or other animals specified in Statutes 1998, chapter 752 is not feasible or is more expensive than acquiring additional space and/or contracting new facilities to comply with the increased holding period required by Statutes 1998, chapter 752. This finding should include the cost to contract with existing shelters.

Documentation requirements may be satisfied in whole or in part by staff agenda items, staff reports, minutes of governing board meetings, transcripts of governing board meetings, certification by the governing board describing the finding and determination and/or a resolution adopted by the governing board pursuant to Food and Agriculture Code section 31755, as added by Statutes of 1999, Chapter 81 (Assembly Bill 1482).

The parameters and guidelines (Section VI – Supporting Data) state that:

For auditing purposes, all costs claimed shall be traceable to source documents (e.g., employee time records, cost allocation reports, invoices, receipts, purchase orders, contracts, worksheets, calendars, declarations, time studies, etc.) that show evidence of the validity of such costs and their relationship to this mandate.

Recommendation

The Animal Adoption Program was suspended in the FY 2010-11 through FY 2013-14 Budget Acts. If the program becomes active, 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 and recommendation.

**FINDING 3—
Unallowable
remodeling/renovating
existing facilities costs**

The city claimed salaries and benefit costs totaling \$15,613 for FY 2007-08 under the Remodeling/Renovating Existing Facilities cost component. We found that the entire amount is unallowable because the city did not properly support, through a governing board (City Council) agenda or other similar documentation, that improvements made to the animal shelter during FY 2007-08 were the direct result of the increased holding period requirements of this mandated program. Instead, the costs incurred by the city were for a critical care medical facility at the city's animal shelter. In addition, the city did not properly pro-rate the costs incurred to complete the renovation project.

Per the city's claim, City Council Resolution No. 2008-051, dated February 12, 2008, states that renovations were needed to the city's animal shelter "to design and build an area for animals that are sick or injured that will require immediate treatment and/or observation by medical staff (Critical ISO, Upper Respiratory ISO, Treatment)." The city's claim notes that \$10,000 of the costs incurred for "hard construction materials and costs" was donated (from an organization named "H.E.A.R.T"). The costs claimed were incurred for renovation work completed by city staff. However, these costs were not pro-rated in the city's claim, as required by the parameters and guidelines.

In order for the costs to be reimbursable, the parameters and guidelines require a numerical analysis of the average daily census of dogs, cats, and other animals impounded in the city's animal shelter during FY 2007-08 relative to 1998, supporting the city's governing board conclusion that "existing facilities are not appropriately configured and/or equipped to comply with the increased holding period required by Statutes of 1998, Chapter 752" (the Hayden Bill). In addition to this documentation requirement, eligible claimants are entitled only to reimbursement for a proportionate share of actual costs incurred based on a pro rata representation of impounded dogs, cats, and other animals held during the increased holding period that died or were subsequently euthanized.

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

Beginning January 1, 1999, for remodeling/renovating existing facilities to provide appropriate or adequate shelter necessary to comply with the mandated activities during the increase holding period for impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that die during the increase holding period or are ultimately euthanized.

Eligible claimants are entitled to reimbursement for the proportionate share of actual costs required to plan, design, remodel, and/or renovate existing facilities in a given fiscal year based on the pro rata representation of impounded stray or abandoned dogs, cats, and other

animals specified in Statutes of 1998, Chapter 752 that are held during the increased holding period specified in Sections IV (B) (3) and (4) of these parameters and guidelines and die during the increased holding period or are ultimately euthanized, to the total population of animals housed in the facility. The population of animals housed in the facilities includes those animals that are excluded from reimbursement, as specified in Sections IV (B)(3) and (4) of these parameters and guidelines during the entire holding period required by Food and Agriculture Code sections 31108, 31752, and 31753.

Supporting Documentation Submitted with the Initial and Subsequent Reimbursement Claims

Remodeling/renovating existing facilities is reimbursable only to the extent that an eligible claimant submits, with the initial and/or subsequent reimbursement claim, documentation reflecting the following:

A determination by the governing board that remodeling/renovating existing facilities is necessary because the existing facilities do not reasonably accommodate impounded stray or abandoned dogs, cats, and other specified animals that are ultimately euthanized for the increased holding period required by Statutes of 1998, Chapter 752. The determination by the governing board shall include all of the following findings:

- The average daily census of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that were impounded in 1998. For purposes of claiming reimbursement under section IV.B.2, average Daily Census is defined as the average number of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 housed on any given day, in a 365-day period;
- The average daily census of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that were impounded in a given year under the holding periods required by Food and Agriculture Code sections 31108, 31752, and 31753, as added or amended by Statutes of 1998, Chapter 752;
- Existing facilities are not appropriately configured and/or equipped to comply with the increased holding period required by Statutes of 1998, chapter 752; and
- Contracting with existing private or public shelters in the area to house the increase of impounded stray or abandoned dogs, cats or other animals specified in Statutes 1998, chapter 752 is not feasible or is more expensive than remodeling/renovating existing facilities to comply with the increased holding period required by Statutes 1998, chapter 752.

Documentation requirements may be satisfied in whole or in part by staff agenda items, staff reports, minutes of governing board meetings, transcripts of governing board meeting, certification by the governing board describing the finding and determination and/or a resolution adopted by the governing board pursuant to Food and Agriculture Code section 31755, as added by Statutes of 1999, Chapter 81 (Assembly Bill 1482).

The parameters and guidelines (Section VI – Supporting Data) state that:

For auditing purposes, all costs claimed shall be traceable to source documents (e.g., employee time records, cost allocation reports, invoices, receipts, purchase orders, contracts, worksheets, calendars, declarations, time studies, etc.) that show evidence of the validity of such costs and their relationship to this mandate.

Recommendation

The Animal Adoption Program was suspended in the FY 2010-11 through FY 2013-14 Budget Acts. If the program becomes active, we recommend that the county 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 and recommendation.

FINDING 4— Overstated care and maintenance costs

The city claimed direct costs totaling \$83,660 (\$83,264 for dogs and cats and \$396 for other animals) during the audit period for the care and maintenance of dogs and cats. We found that \$39,226 is allowable and \$44,434 is unallowable. The costs are unallowable because the city understated and misclassified materials and supplies costs, understated contract services costs, did not correctly calculate the annual animal census and the eligible number of dogs, cats and other animals, included employee classifications that do not perform care and maintenance activities, and did not correctly apply the care and maintenance formula.

The following table summarizes the claimed, allowable, and audit adjustment amounts for care and maintenance costs for the audit period separately for dogs and cats and other animals by fiscal year. Refer to Schedule 2 (Summary of Care and Maintenance Costs) for further details.

Fiscal Year	Amount Claimed			Amount Allowable			Audit Adjustment
	Dogs/Cats	Other Animals	Total Claimed	Dogs/Cats	Other Animals	Total Allowable	
2001-02	\$ 28,827	\$ -	\$ 28,827	\$ 11,611	\$ 119	\$ 11,730	\$ (17,097)
2007-08	28,663	186	28,849	12,149	359	12,508	(16,341)
2008-09	25,774	210	25,984	14,736	252	14,988	(10,996)
Total	<u>\$ 83,264</u>	<u>396</u>	<u>\$ 83,660</u>	<u>\$ 38,496</u>	<u>\$ 730</u>	<u>\$ 39,226</u>	<u>\$ (44,434)</u>

The parameters and guidelines (section IV.B.3–Care and Maintenance for Impounded Stray or Abandoned Dogs and Cats that Die During the Increased Holding Period or Are Ultimately Euthanized) identify the following reimbursable activities:

Beginning July 1, 1999 – Providing care and maintenance during the increased holding period for impounded stray or abandoned dogs and cats that die during the increased holding period or are ultimately euthanized. The increased holding period shall be measured by calculating the difference between three days from the day of capture and four or six business days from the day after impoundment.

The parameters and guidelines (section IV.B.4 - Care and Maintenance for Impounded Stray or Abandoned Animals specified in Food and Agriculture Code Section 31753 that Die During the Increased Holding Period or Are Ultimately Euthanized) also state:

Beginning January 1, 1999 – For providing care and maintenance for . . . stray or abandoned rabbits, guinea pigs, hamsters, pot-bellied pigs, birds, lizards, snakes, turtles, and tortoises legally allowed as personal property that die during the increased holding period or are ultimately euthanized.

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

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

The parameters and guidelines state that claimants may elect to use either the Actual Cost Method or the Time Study Method to claim costs for the care and maintenance of impounded stray or abandoned dogs, cats, and other animals that die during the increased holding period or are ultimately euthanized. The city elected to use the Actual Cost Method to claim these costs.

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

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, as follows:

- a) Determine the total annual cost of care and maintenance for all dogs, cats and other animals impounded at a facility. Total cost of care and maintenance includes labor, materials, supplies, indirect costs, and contract services.
- b) Determine the average daily census of all dogs, cats and other animals. For purposes of claiming reimbursement under IV.B.3, average daily census is defined as the average number of all dogs and cats at a facility housed on any given day, in 365-day period and the average number of all other animals at a facility housed on any given day, in a 365-day period.
- c) Multiply the average daily census of dogs, cats and other animals by 365 = the yearly census of dogs and cats and the yearly census of other animals.

- d) Divide the total annual cost of care by the yearly census of dogs and cats to calculate the cost per dog and cat per day and by the yearly census of other animals to calculate the cost per other animal per day.
- e) Multiply the cost per animal per day by the number of impounded stay or abandoned dogs, cats and other animals that die during the increased holding period or are ultimately euthanized by each reimbursable day.

Reimbursable days for cats and dogs is the difference between three days from the day of capture, and four or six business days from the day after impoundment. The reimbursable days for other animals are four or six days from the day after impoundment.

Care and Maintenance Formula

The city elected to use the Actual Cost Method to claim costs. The parameters and guidelines provide for a formula-driven methodology to determine allowable mandated costs for the care and maintenance of dogs and cats and other animals. The use of this method requires claimants to first calculate the total amount of eligible costs incurred to provide care and maintenance for the animals housed in its shelter(s). The eligible costs are then divided by the annual census of animals housed in the shelter(s) to determine a cost per animal per day.

The next step in the actual cost formula is to apply the cost per animal per day to the number of eligible animals. The number of eligible animals is determined by adding the number of stray and abandoned animals that died of natural causes during the holding period to the number of stray and abandoned animals that were euthanized after the required holding period. This total number of animals is then multiplied by the cost per animal per day. The resulting amount represents allowable costs for providing care and maintenance. Our calculation took into consideration that the required holding period does not include Saturday as a business day, consistent with an Appellate Court decision dated March 26, 2010.

The mandate reimburses claimants for costs associated with animals that were not relinquished, redeemed, adopted, or released to a nonprofit agency and animals for which the local agency was unable to assess fees to recover such costs. Costs incurred by the city for care and maintenance consisted of salaries and benefits, materials and supplies, contract services, and related indirect costs (related indirect costs are addressed separately in Finding 10).

The city used an inconsistent and incorrect methodology to claim costs for care and maintenance during the audit period. To calculate the annual cost of care and maintenance for FY 2001-02, the city first totaled salaries and benefits for two employee classifications and then added materials and supplies and contract services costs. In calculating the annual cost of care and maintenance for FY 2007-08 and FY 2008-09, the city did not separately calculate salaries and benefits for employee classifications that were involved in care and maintenance activities. Instead, the city divided the annual cost of care and maintenance (department expenditure total) by its calculated yearly census to arrive at

a cost per animal per day. The city then multiplied the cost per animal per day by its calculation of the number of reimbursable days. The city then claimed the resulting amounts as salaries only. This is an incorrect application of the Actual Cost Method.

The following table details the employee classifications and the number of staff that the city included in the care and maintenance cost component by fiscal year.

Employee Classification	Fiscal Year		
	2001-02	2007-08	2008-09
Animal Control Manager	1.0	-	-
Kennel Attendant	3.5	-	-
Totals	4.5	-	-

Schedule 2 (Summary of Care and Maintenance Costs) summarizes the adjustments that we made to claimed costs for animal care and maintenance. These adjustments consisted of changes to total annual costs incurred by the city for animal care and maintenance (salaries and benefits, materials and supplies, and contract services) and animal census data used to determine the cost per animal per day. The schedule also shows the changes to the number of eligible animals and the number of reimbursable days that we used to determine reimbursable costs for each year of the audit period.

Salaries and Benefits

During the course of the audit, we requested that the city provide the actual salary amounts paid to those employee classifications directly involved with the care and maintenance function. We also requested the duty statements for such classifications to assist in determining the percentage of the daily workload that was devoted to caring for and maintaining animals. Animal shelter management provided a list of personnel who participate in the care and maintenance functions. Management also provided information relating to the level of involvement of each classification according to the employee's job duty description and staffing requirements during the audit period.

The following table details the percent of animal care and maintenance per employee classification for the city’s animal shelter as determined by shelter management.

<u>FY 2001-02</u>	<u>Percentage Involvement</u>
<u>Employee Classification</u>	
Kennel Attendant	90%
Animal Care (Control) Manager	10%
	<u>100%</u>
<u>FY 2007-08</u>	
<u>Employee Classification</u>	
Animal Care Assistant	70%
Animal Care Manager	5%
Registered Veterinary Technician	20%
Veterinarian	5%
	<u>100%</u>
<u>FY 2008-09</u>	
<u>Employee Classification</u>	
Animal Care Assistant	70%
Animal Care Manager	5%
Registered Veterinary Technician	25%
	<u>100%</u>

Kennel Attendant

The Kennel Attendant’s main duty is to provide care and maintenance of the animals. The city claimed time for the Kennel Attendant classification for FY 2001-02 only, as the name was changed to Animal Care Assistant in later years. Based on discussions with shelter management, this classification performed the bulk of the care and maintenance activities in the early years, as there were fewer classifications of employees at that time. Shelter management advised that this classification performed 90% of the care and maintenance activities for FY 2001-02. Based on our inquiries, we concurred with the city’s assessment.

Animal Care Manager

The Animal Care Manager classification (shown as Animal Control Manager on the payroll reports) was applied to all audit years. Based on discussions with shelter management, this classification performs a small portion of the care and maintenance activities as needed. As observed during fieldwork, staff members assist in care and maintenance activities whenever necessary, regardless of classification. The Animal Care Manager works out of the animal care facility, filling in and participating as needed.

Shelter management provided the following assessment of the percentage of time spent by this employee classification performing care and maintenance activities:

- For FY 2001-02 the Animal Care Manager performed 10% of the care and maintenance at the city’s animal shelter.
- For FY 2007-08 and FY 2008-09 the Animal Care Manager performed 5% of the care and maintenance at the city’s animal shelter.

Based on our observations of care and maintenance activities taking place at the city's animal shelter and inquiries with city staff, we concurred with the city's assessment.

Animal Care Assistant

The Animal Care Assistant's main duty is to provide care and maintenance of the animals. The Animal Care Assistant classification was applied to the city's claims for FY 2007-08 and FY 2008-09 only, as the classification was called Kennel Attendant during the earlier years. Based on discussions with shelter management, this classification performed a majority of the care and maintenance activities. Shelter management advised that this classification performed 70% of the care and maintenance activities in both FY 2007-08 and FY 2008-09. Based on our observations of care and maintenance activities taking place at the city's animal shelter and inquiries with city staff, we concurred with the city's assessment.

Registered Veterinary Technician

The Registered Veterinary Technician classification was applied to the city's claims for FY 2007-08 and FY 2008-09. Based on discussions with shelter management, this classification performed some of the care and maintenance activities. Such activities included cleaning, feeding, and grooming. It is important to note that staff members assist with care and maintenance activities whenever necessary, regardless of classification.

Shelter management provided the following assessment of the percentage of time spent by this employee classification performing care and maintenance activities:

- For FY 2007-08 Registered Veterinary Technicians performed 20% of the care and maintenance at the city's animal shelter.
- For FY 2008-09 Registered Veterinary Technicians performed 25% of the care and maintenance at the city's animal shelter.

Based on our observations of care and maintenance activities taking place at the city's animal shelter and inquiries with city staff, we concurred with the city's assessment.

Veterinarian

The Veterinarian classification was applied to the city's claim for FY 2007-08 only, as the city did not have a veterinarian on staff during the other audit years. Based on discussions with shelter management, this classification performed a very small portion of the care and maintenance activities. Such activities included cleaning, feeding, and grooming. It is important to note that staff members assist whenever necessary, regardless of classification. Shelter management advised that this classification performed 5% of the care and maintenance activities in FY 2007-08. Based on our inquiries, we concurred with the city's assessment.

Once we determined the employee classifications involved in the care and maintenance of animals and the extent of their involvement, we calculated allowable costs for labor, which includes the applicable percentages of actual salaries and benefits costs incurred by the city for this cost component.

The following table summarizes the salaries and benefits amounts that we used in the care and maintenance formula by fiscal year:

Fiscal Year	Amount Claimed	Amount Supported	Difference
Salaries and benefits:			
2001-02	\$ 14,802	\$ 133,775	\$ 118,973
2007-08	28,663	327,672	299,009
2008-09	25,774	343,034	317,260
Total, salaries and benefits	<u>\$ 69,239</u>	<u>\$ 804,481</u>	<u>\$ 735,242</u>

Materials and Supplies

The city claimed materials and supplies costs totaling \$5,742 during the audit period (\$5,346 for dogs and cats and \$396 for other animals). The costs claimed for materials and supplies actually consisted of estimated salaries and benefits and materials and supplies that were co-mingled. In order to determine allowable costs, we worked in conjunction with shelter management to identify materials and supplies costs eligible for reimbursement for the care and maintenance cost component. The city provided expenditure reports and line item descriptions of the costs. We identified materials and supplies costs related to the care and maintenance of all animals in the following accounts:

- Account 6882 – Food
- Account 6883 – Other Commodities

We excluded certain expenditures posted to these accounts that were not used for care and maintenance activities.

Dogs and Cats

The city claimed \$5,346 in materials and supplies costs for dogs and cats in its claim for FY 2001-02. The city categorized the costs as materials and supplies, food, and medical and lab supplies. However, costs incurred for medical and lab supplies are not reimbursable under the Care and Maintenance cost component. For FY 2007-08 and FY 2008-09, the city improperly classified all materials and supplies costs incurred for care and maintenance of dogs and cats under salaries and benefits. We worked with city staff to determine the actual amounts of materials and supplies costs incurred for care and maintenance activities for each year of the audit period.

The following table shows the amount of materials and supplies claimed, the amount supported, and the difference by fiscal year:

Fiscal Year	Expenditure Category	Claimed Amount	Amount Supported	Difference
2001-02	- Materials and Supplies	\$ 2,754	\$ -	\$ (2,754)
	6882 - Food	185	11,016	10,831
	6833 - Medical & Lab Supplies	2,407	-	(2,407)
	6883 - Other Commodities	-	1,204	1,204
		<u>\$ 5,346</u>	<u>\$ 12,220</u>	<u>\$ 6,874</u>
2007-08	6882 - Food	\$ -	\$ 13,515	\$ 13,515
	6883 - Other Commodities	-	7,227	7,227
		<u>\$ -</u>	<u>\$ 20,742</u>	<u>\$ 20,742</u>
2008-09	6882 - Food	\$ -	\$ 33,933	\$ 33,933
	6883 - Other Commodities	-	22,238	22,238
		<u>\$ -</u>	<u>\$ 56,171</u>	<u>\$ 56,171</u>
Total, materials and supplies		<u>\$ 5,346</u>	<u>\$ 89,133</u>	<u>\$ 83,787</u>

Other Animals

The city did not claim materials and supplies costs for other animals for FY 2001-02. For FY 2007-08 and FY 2008-09, the city improperly classified all care and maintenance costs for other animals under materials and supplies.

The following table shows the amount of materials and supplies costs claimed, the amount supported, and the difference by fiscal year:

Fiscal Year	Amount Claimed	Amount Supported	Difference
Materials and Supplies			
2007-08	\$ 186	\$ -	\$ (186)
2008-09	210	-	(210)
Total, materials and supplies	<u>\$ 396</u>	<u>\$ -</u>	<u>\$ (396)</u>

The following table summarizes the gross amount of materials and supplies costs claimed, the amount supported, and the difference by fiscal year. We used the totals in the amount supported column in the care and maintenance formula for both dogs and cats and other animals for each fiscal year of the audit period.

Fiscal Year	Gross - Materials & Supplies		
	Amount Claimed	Amount Supported	Difference
2001-02	\$ 5,346	\$ 12,220	\$ 6,874
2007-08	186	20,742	20,556
2008-09	210	56,171	55,961
Total	<u>\$ 5,742</u>	<u>\$ 89,133</u>	<u>\$ 83,391</u>

Contract Services

The city claimed contract services costs totaling \$8,679 for FY 2001-02. Costs consisted of utilities and animal disposal services. However, costs claimed for animal disposal services are not allowable because they do not relate to the care and maintenance of live animals.

For FY 2007-08 and FY 2008-09, the city improperly classified all contract services costs incurred for care and maintenance activities under salaries and benefits. However, during the course of the audit, the city provided expenditure reports and line item descriptions for utilities and other contract services costs incurred during the audit period.

Costs incurred for utilities typically would be recouped by the city through its indirect cost rate. However, for each year of the audit period, the Animal Control Department was within another city department (the Police Department in FY 2001-02, the General Services Department in FY 2007-08, and the Public Works Department in FY 2008-09). All costs associated with animal services were in a separate fund and were directly charged to that fund for each year of the audit period. Therefore, the costs incurred for utilities related to care and maintenance activities are eligible for reimbursement. We held discussions with shelter management, who determined that the following pro rata percentages should be applied to utility costs as they relate to the care and maintenance of animals:

- Gas and Electric at 85% — the city reasoned that most of the gas and electricity used by the shelter is for the care and maintenance of the animals;
- Phone at 30% — the city reasoned that phone service is needed for activities (e.g., ordering food and supplies for the animals, arranging for services, etc.);
- Trash at 70% — the city reasoned that most of the trash accumulated by the shelter is directly related to the care and maintenance of the animals; and
- Water at 90% — the city reasoned that almost all of the water consumed by the shelter is a direct result of care and maintenance of

the animals (e.g., providing water, washing down and sanitizing the kennels and stalls, washing bedding, etc.)

We reviewed the city's assessment of utility costs incurred for care and maintenance activities and found that the city's determination of the pro rata percentages is reasonable.

We also identified additional contract services costs incurred during the audit period. For FY 2001-02, we noted \$120 of allowable costs within the Specialized Services account for costs incurred to repair the shelter's washer and dryer. For FY 2007-08 and FY 2008-09, we identified allowable costs for laundry and cleaning services.

The following table summarizes the costs claimed, the supported costs, the allowable pro rata percentage, the allowable costs, and audit adjustment amounts for contract services by fiscal year:

Fiscal Year	Expenditure	Actual Cost	Amount Claimed	Pro Rata Percentage Allowable	Amount Allowable	Audit Adjustment
2001-02	Gas & Electric	\$ 24,371	\$ 4,265	85%	\$ 20,715	\$ 16,450
	Phone Service	2,501	438	30%	750	312
	Trash Service	1,293	162	70%	905	743
	Water	1,619	304	90%	1,457	1,153
	Animal Disposal	14,040	3,510	0%	-	(3,510)
	Specialized Services	120	-	100%	120	120
		<u>\$ 43,944</u>	<u>\$ 8,679</u>		<u>\$ 23,947</u>	<u>\$ 15,268</u>
2007-08	Gas & Electric	\$ 32,928	\$ -	85%	\$ 27,989	\$ 27,989
	Phone Service	8,889	-	30%	2,667	2,667
	Trash	-	-	70%	-	-
	Water	8,942	-	90%	8,048	8,048
	Laundry and Cleaning	9,403	-	100%	9,403	9,403
		<u>\$ 60,162</u>	<u>\$ -</u>		<u>\$ 48,107</u>	<u>\$ 48,107</u>
2008-09	Gas & Electric	\$ 32,938	\$ -	85%	\$ 27,997	\$ 27,997
	Phone Service	7,782	-	30%	2,335	2,335
	Trash	-	-	70%	-	-
	Water	-	-	90%	-	-
	Laundry and Cleaning	10,969	-	100%	10,969	10,969
		<u>\$ 51,689</u>	<u>\$ -</u>		<u>\$ 41,301</u>	<u>\$ 41,301</u>
Total, contract services		<u>\$ 155,795</u>	<u>\$ 8,679</u>		<u>\$ 113,355</u>	<u>\$ 104,676</u>

Animal Census Data

The yearly census refers to the total number of days that all animals were housed in the city's shelter. The actual cost formula requires the eligible cost of care to be divided by the yearly census to determine an average cost per animal per day. The cost per animal per day is then multiplied

by the number of eligible animals and the number of increased days.

The city provided the actual animal census information from its Chameleon database system for the audit period. We worked in conjunction with shelter management to determine the allowable animal census per fiscal year. Management verified the validity of the raw data and corrected any data entry errors. For example, staff corrected animal data showing negative days impounded, zeroes shown for the number of animals impounded, and other obvious inconsistencies in the raw data. We consistently applied the exclusions per the parameters and guidelines to the raw data provided by the city.

The following table summarizes the claimed and allowable animal census information by fiscal year:

Fiscal Year	Animal Census		
	Census Claimed	Census Allowable	Difference
2001-02	-	51,903	51,903
2007-08	137,970	139,353	1,383
2008-09	145,270	135,461	(9,809)
Total	283,240	326,717	43,477

Eligible Dogs, Cats, and “Other” Animals

The city did not claim costs for “other” animals. The city also understated the number of eligible dogs and cats for each year of the audit period. In order to determine the correct number of eligible animals for each fiscal year of the audit period, we requested animal data from the city. We then applied the number of eligible animals to the actual cost formula for all years of the audit period. We consistently applied the exclusions per the parameters and guidelines to the raw data provided by the city.

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

Dogs and Cats:

- Died (of natural causes) during the increased holding period: died days 4, 5, and 6
- Ultimately euthanized: euthanized on day 7 of the holding period and beyond

Eligible “Other” Animals:

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

The following table summarizes the claimed and allowable number of eligible animals used in the care and maintenance formula for the audit period by fiscal year:

Fiscal Year	Eligible Animals Claimed			Eligible Animals Allowable		
	Dogs/Cats	Other Animals	Total Claimed	Dogs/Cats	Other Animals	Total Allowable
2001-02	-	-	-	1,180	6	1,186
2007-08	1,080	-	1,080	1,421	21	1,442
2008-09	980	-	980	1,516	13	1,529
Total	2,060	-	2,060	4,117	40	4,157

Reimbursable Days

For FY 2001-02, the city did not consider the increased holding period and the number of reimbursable days when claiming costs under this cost component. For FY 2007-08 and FY 2008-09, the city claimed two reimbursable days for dogs and cats and no reimbursable days for other animals.

An Appellate Court decision in *Purifoy v. Howell* dated March 26, 2010, determined that Saturday is not considered a business day for the purposes of this mandated program. Therefore, for the audit period, we determined that the increased holding period for dogs and cats is three days and the increased holding period for other animals is six days.

Assembly Bill 222

Assembly Bill 222 (Chapter 97, Statutes of 2011) was enacted on July 25, 2011, and took effect January 1, 2012. This bill states that a “business day” includes any day that a public or private animal shelter is open to the public for at least four hours, excluding state holidays. This bill is applicable beginning January 1, 2012, and does affect not the audit period covered in this audit.

Recommendation

The Animal Adoption Program was suspended in the FY 2010-11 through FY 2013-14 Budget Acts. If the program becomes active, we recommend that the county 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 and recommendation.

**FINDING 5—
Misstated increased
holding period costs**

The city claimed direct costs totaling \$124,141 (\$123,899 in salaries and benefits and \$242 in materials and supplies) under the Increased Holding Period cost component. We found that \$99,131 is allowable and the net amount of \$25,010 is unallowable (understated by \$19,271 and overstated by \$44,281).

The following table summarizes the combined claimed, allowable, and adjusted direct costs for the Increased Holding Period cost component by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Total direct costs:			
2001-02	\$ 1,144	\$ 20,415	\$ 19,271
2007-08	54,652	39,288	(15,364)
2008-09	68,345	39,428	(28,917)
Total	\$ 124,141	\$ 99,131	\$ (25,010)

Salaries and Benefits

The city claimed \$123,899 in salaries and benefits during the audit period. We found that \$99,131 is allowable and \$24,768 is unallowable. The city understated salary and benefit costs for FY 2001-02. Costs were understated because the city claimed an estimated amount for salaries and benefits that was not based on the number of hours that its animal shelter was open to the public or the number of employees on duty to make animals available for owner redemption. The city overstated salary and benefit costs for FY 2007-08 and FY 2008-09 because it overstated the number of hours that its animal shelter was open to the public to make animals available for owner redemption. The city also understated the number of employees on duty to perform the reimbursable activities and claimed costs for an employee classification that did not perform reimbursable activities for this cost component.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
2001-02	\$ 902	\$ 20,415	\$ 19,513
2007-08	54,652	39,288	(15,364)
2008-09	68,345	39,428	(28,917)
Total, salaries and benefits	\$123,899	\$ 99,131	\$ (24,768)

Hours of Operation

For each year of the audit period, the city provided documentation that its animal shelter was open to the public on Saturdays from 10:00 a.m. to 4:00 p.m., for a total of six hours per employee performing the reimbursable activities. The shelter met the requirements of the mandate by making animals available for owner redemption on the weekend day.

The shelter's hours of operation are essential in determining the allowable hours to comply with the Increased Holding Period cost component. For FY 2001-02, the city did not claim costs based on the

number of hours that its shelter was open to the public. For FY 2007-08 and FY 2008-09, the city incorrectly claimed eight hours per employee working on Saturdays. While shelter staff may come in to work prior to 10:00 a.m., they are able to make animals available for owner redemption for six hours only.

Staffing Requirements

We held discussions with shelter management concerning the staffing requirements to make animals available for owner redemption on Saturdays when the shelter was open to the public in comparison to Sundays when the shelter was closed. We also obtained staffing schedules for the city’s shelter to determine the number of increased positions necessary to perform the reimbursable activities.

- For FY 2001-02, the city claimed a flat amount for salaries and benefits. The current staffing schedule provided by the city shows that on Sundays, when the shelter is closed to the public, the shelter is staffed with five Animal Care Assistants. However, when the shelter is open to the public on Saturdays, the shelter is staffed with five Animal Care Assistants as well as four Office Specialists and one Animal Adoption Counselor. Therefore, based on the current staffing schedule provided, the increased staff positions on Saturdays needed to perform the reimbursable activities consists of four Office Specialists. We determined that the Animal Adoption Counselor was on duty to facilitate animal adoptions, which is not a reimbursable activity. In addition, there were only three Office Specialists on the city’s payroll during FY 2001-02. Allowable costs are based on three Office Specialists for that year rather than four.
- For FY 2007-08, the city claimed two Office Specialist positions and three Animal Care Assistant positions. As noted above, we determined that the costs incurred for four Office Specialist positions are allowable.
- For FY 2008-09, the city claimed two Office Specialist positions and four Animal Care Assistant positions. As noted above, we determined that the costs incurred for four Office Specialist positions are allowable.

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

	Fiscal Year			Totals
	2001-02	2007-08	2008-09	
Claimed:				
Office Specialists	-	2	2	
Animal Care Assistants	-	3	4	
Total employee positions	-	5	6	
x Hours claimed per position	-	8	8	
x Weeks per year	-	52	52	
Total hours claimed	-	2,080	2,496	4,576

	Fiscal Year			Totals
	2001-02	2007-08	2008-09	
Allowable:				
Office Specialists	3	4	4	
Animal Care Assistants	-	-	-	
Total employee positions	3	4	4	
x Hours claimed per position	6	6	6	
x Weeks per year	52	52	52	
Total hours allowable	936	1,248	1,248	3,432

Materials and Supplies

The city claimed \$242 in materials and supplies for FY 2001-02. The city did not provide supporting documentation for the costs incurred. Therefore, the costs are unallowable.

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

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

Recommendation

The Animal Adoption Program was suspended in the FY 2010-11 through FY 2013-14 Budget Acts. If the program becomes active, 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 and recommendation.

**FINDING 6—
Understated feral cat
testing costs**

The city claimed salaries and benefits totaling \$3,316 for the feral cat testing cost component during the audit period. All costs were originally unallowable as claimed because they were based on estimates. However, the city conducted a time study during the course of the audit to determine the time required to verify whether a cat is feral or tame by using a standardized protocol. Based on the results of the city’s time study, we found that \$8,099 is allowable, resulting in \$4,783 in understated costs. Costs were understated because the city estimated the time it took to conduct a feral cat test, understated the number of feral cat tests conducted, and did not claim costs for FY 2001-02.

The following tables summarize the claimed, allowable, and unallowable costs for the feral cat testing cost component for the audit period by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
2001-02	\$ -	\$ 1,814	\$ 1,814
2007-08	1,284	3,458	2,174
2008-09	<u>2,032</u>	<u>2,827</u>	<u>795</u>
Total, salaries and benefits	<u>\$ 3,316</u>	<u>\$ 8,099</u>	<u>\$ 4,783</u>

Time Study

The city conducted a two-week time study during the course of the audit to determine the average amount of time staff spent performing feral cat testing. We confirmed that the city has a protocol for assessing feral cats. Only Animal Care Assistants conduct feral cat tests; therefore, this is the only classification that participated in the time study and the only classification to which the results were applied. The city conducted its time study from January 24, 2014, through February 6, 2014. The city calculated an average number of “minutes per cat”; however, we calculated an average number of “minutes per test” due to the city's methodology of testing cats. The time study found that it took shelter employees an average of 2.26 minutes to conduct each test.

Number of Feral Cat Tests

Shelter management confirmed that the city does not test every incoming cat. Rather, the city only tests cats brought into the shelter in traps, as these cats are most likely feral. Cats brought into the shelter in cat carriers or in the arms of their owners and/or citizens are not tested, as they are more than likely tame.

The city's animal database includes a field for an outcome type of “Feral.” Therefore, we were able to rely upon the city's Chameleon data to determine the maximum number of feral cat tests that were administered during the audit period. For feral cats that were housed at the shelter for one day, it is reasonable to assume that shelter staff administered one test. For feral cats that were housed at the shelter for two days, it is reasonable to assume that shelter staff administered two tests. For feral cats that were housed at the shelter for three or more days, it is reasonable to assume that shelter staff administered three tests. Most of the feral cats were housed three or more days.

We filtered the data first by animal type, excluding all animals except for cats. We then filtered out all cats except for those marked as feral. Next, we deleted intake types of “Euth Req” (euthanasia required) on day 1, as these cats were more than likely irremediably suffering and therefore not administered a test. Lastly, we deleted outcome types of “RTO” (returned to owner) as the only exclusion type for this component is cats that are returned to owners.

The following table summarizes the number of feral cats tests claimed and the allowable maximum number of feral cat tests conducted by fiscal year:

	Fiscal Year			Totals
	2001-02	2007-08	2008-09	
Claimed tests:				
Animal Care Assistant	-	194	295	489
Allowable tests:				
Animal Care Assistant	2,126	2,862	2,331	7,319
Difference - feral cat tests	2,126	2,668	2,036	6,830

Hours

We determined the allowable hours for the Animal Care Assistant classification based on the city's time study. The following table summarizes the hours claimed and the allowable hours as a result of the time study conducted during the course of the audit:

	Fiscal Year			Totals
	2001-02	2007-08	2008-09	
Claimed hours:				
Animal Care Assistant	-	48.50	73.75	122.25
Allowable hours:				
Animal Care Assistant	80.08	107.80	87.80	275.68
Difference - hours	80.08	59.30	14.05	153.43

To determine allowable costs for salaries and benefits, we first multiplied the results of the city's time study (2.26 minutes per test) by the maximum number of feral cat tests conducted each year to determine total hours allowable. We then applied the allowable hours to the average hourly rate for the Animal Care Assistant classification for each fiscal year of the audit period.

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

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

Recommendation

The Animal Adoption Program was suspended in the FY 2010-11 through FY 2013-14 Budget Acts. If the program becomes active, 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 and recommendation.

**FINDING 7—
Overstated lost and
found lists costs**

The city claimed direct costs totaling \$74,747 (\$73,717 in salaries and benefits, \$280 in materials and supplies, and \$750 in contract services) under the Lost and Found Lists cost component. We found that \$15,774 is allowable and \$58,973 is unallowable. The costs are unallowable because the city estimated the costs to comply with the five reimbursable activities outlined for this cost component.

The following table summarizes the combined claimed, allowable, and adjusted direct costs for the Lost and Found Lists cost component by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Total direct costs:			
2001-02	\$ 15,967	\$ 3,070	\$ (12,897)
2007-08	28,805	6,512	(22,293)
2008-09	29,975	6,192	(23,783)
Total	<u>\$ 74,747</u>	<u>\$ 15,774</u>	<u>\$ (58,973)</u>

Salaries and Benefits

The city claimed \$73,717 in salaries and benefits during the audit period. We found that \$9,742 is allowable and \$63,975 is unallowable. The costs are unallowable because the city estimated the costs to comply with the five reimbursable activities outlined for this cost component. Allowable costs are based on a time study that the city conducted for the activities of providing lost and found information to the public. The following table summarizes the claimed, allowable, and audit adjustment amounts for salaries and benefits for the Lost and Found Lists cost component by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
2001-02	\$ 15,177	\$ 2,280	\$ (12,897)
2007-08	28,684	3,724	(24,960)
2008-09	29,856	3,738	(26,118)
Total, salaries and benefits	<u>\$ 73,717</u>	<u>\$ 9,742</u>	<u>\$ (63,975)</u>

Time Study

During the course of the audit, the city conducted a two-week time study from January 24, 2014, through February 3, 2014, to determine the time required to comply with the mandated activities. The city's time study results are based on time captured during a typical two-week period and coincide with the beginning of a new pay period.

The employee classifications of Animal Adoption Counselor, Animal Care Aide, Animal Care Assistant (named Kennel Attendant in FY 2001-02), and Office Specialist participated in the time study. However, two of the classifications that participated in the time study were not applicable during all years of the audit period. Specifically, the Animal Adoption Counselor classification was created after 2002, and therefore can only be applied to FY 2007-08 and FY 2008-09. The Animal Care Aide classification was not created until FY 2009-10, and therefore cannot be applied to any of the fiscal years. Taking into consideration the classifications applicable during the audit period, we applied the Animal Care Assistant and the Office Specialist classifications to FY 2001-02; and the Animal Adoption Counselor, Animal Care Assistant, and Office Specialist classifications to FY 2007-08 and FY 2008-09. We determined that the total time required to comply with the mandated activities was adequately established by the city’s time study and should not be revised. Therefore, for FY 2001-02 we allocated the number of hours spent by the Animal Adoption Counselor and the Animal Care Aide classifications in the city’s time study to the two classifications that existed in FY 2001-02. Similarly, for FY 2007-08 and FY 2008-09 we allocated the number of hours spent by the Animal Care Aide to the three classifications that existed in FY 2007-08 and FY 2008-09.

The time study determined that shelter employees spent a total of 104 hours complying with all five requirements of the Lost and Found Lists cost component, as noted in the following table. These hours were applied to the employee classifications that performed the reimbursable activities based on the extent of their involvement identified in the time study. We used this method to determine allowable costs.

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

	Fiscal Year			Totals
	2001-02	2007-08	2008-09	
Hours Claimed:				
Administrative Office Assistance	752	-	-	752
Animal Adoption Counselor	-	520	520	1,040
Office Specialist	-	312	312	624
Animal Care Assistant	-	312	312	624
Total hours claimed	752	1,144	1,144	3,040
Hours Allowable:				
Administrative Office Assistance	-	-	-	-
Animal Adoption Counselor	-	66	66	132
Office Specialist	90	33	33	156
Animal Care Assistance	14	5	5	24
Total hours allowable	104	104	104	312
Hours adjustments	(648)	(1,040)	(1,040)	(2,728)

Materials and Supplies

The city claimed a total of \$280 in materials and supplies during the audit period. The materials and supplies claimed consisted of paper used to print flyers and handouts. We found that the entire amount is allowable. The following table summarizes the claimed, allowable, and audit adjustment amounts for materials and supplies for the Lost and Found Lists cost component by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Materials and supplies:			
2001-02	\$ 40	\$ 40	\$ -
2007-08	121	121	-
2008-09	119	119	-
Total, materials and supplies	<u>\$ 280</u>	<u>\$ 280</u>	<u>\$ -</u>

Contract Services

The city claimed \$750 in contract services costs during FY 2001-02. Costs claimed were for 30% of the shelter's phone bill for that fiscal year. Since approximately 50% of the mode of contact with the public for this cost component is via telephone, we found it reasonable to claim 30% of the shelter's overall phone bill for complying with this component. The city did not claim similar costs for FY 2007-08 and FY 2008-09; however, using amounts supported by the city's expenditure reports, we allowed costs by applying 30% to the shelter's overall phone bill for these two fiscal years. We ultimately determined that \$5,752 is allowable in contract services costs. The following table summarizes the claimed, allowable, and audit adjustment amounts for contract services for the Lost and Found Lists cost component by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Contract services:			
2001-02	\$ 750	\$ 750	\$ -
2007-08	-	2,667	2,667
2008-09	-	2,335	2,335
Total, contract services	<u>\$ 750</u>	<u>\$ 5,752</u>	<u>\$ 5,002</u>

The parameters and guidelines allow reimbursement, beginning January 1, 1999, for providing owners of lost animals and those who find lost animals with all of the following:

1. Ability to list the animals they have lost or found on —lost-and-found lists maintained by the local agency;
2. Referrals to animals listed that may be the animals the owner or finders have lost or found;
3. The telephone numbers and addresses of other pounds and shelters in the same vicinity;
4. Advice as to means of publishing and disseminating information regarding lost animals; and

5. The telephone numbers and addresses of volunteer groups that may be of assistance in locating lost animals.

Recommendation

The Animal Adoption Program was suspended in the FY 2010-11 through FY 2013-14 Budget Acts. If the program becomes active, 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 and recommendation.

**FINDING 8—
Misstated and
unallowable
maintaining non-
medical records costs**

The city claimed direct costs totaling \$93,025 (\$83,546 in salaries and benefits and \$9,479 in materials and supplies) for the Maintaining Non-Medical Records cost component during the audit period. We found that \$81,953 is allowable and the net amount of \$11,072 is unallowable (understated by \$10,366 and overstated by \$21,438). The costs are unallowable because the city estimated the time that it took animal shelter staff to process non-medical animal records. In addition, the city claimed materials and supplies costs that were unsupported and misclassified.

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

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Total direct costs:			
2001-02	\$ 1,153	\$ 11,519	\$ 10,366
2007-08	45,240	36,910	(8,330)
2008-09	46,632	33,524	(13,108)
Total	<u>\$ 93,025</u>	<u>\$ 81,953</u>	<u>\$ (11,072)</u>

Salaries and Benefits

The city claimed \$83,546 in salaries and benefits during the audit period. We found that \$74,720 is allowable and the net amount of \$8,826 is unallowable (understated by \$10,366 and overstated by \$19,192). Costs were misstated because the city under-claimed the eligible number of non-medical records processed in FY 2001-02, over-claimed the number processed in FY 2007-08 and FY 2008-09, and estimated the total time spent maintaining the non-medical records for all fiscal years of the audit period. The city conducted a time study during the course of the audit to determine the actual average amount of time spent by various employee classifications processing non-medical animal records.

The following table summarizes the claimed, allowable, and audit adjustment amounts for salaries and benefits for the Non-Medical Records cost component by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
2001-02	\$ 1,153	\$ 11,519	\$ 10,366
2007-08	41,420	33,401	(8,019)
2008-09	40,973	29,800	(11,173)
Total, salaries and benefits	\$ 83,546	\$ 74,720	\$ (8,826)

Time Study

During the course of the audit, the city conducted a two-week time-study from February 21, 2014, through March 6, 2014, for this cost component. The city studied the time required to process records for incoming animals and the final disposition of animals. The employee classifications of Animal Care Assistant, Senior Animal Care Assistant, Animal Control Officer, Animal Care Aide, Office Specialist, and Animal Adoption Counselor participated in the time study. However, two of the classifications that participated in the time study were not applicable during all years of the audit period. Specifically, the Animal Adoption Counselor classification was created after 2002, and therefore can only be applied to FY 2007-08 and FY 2008-09. The Animal Care Aide classification was not created until FY 2009-10, and therefore cannot be applied to any of the fiscal years.

Taking into consideration the classifications applicable during the audit period, we applied the following classifications to each fiscal year:

FY 2001-02

- Animal Care Assistant (named Kennel Attendant this fiscal year)
- Senior Animal Care Assistant (named Kennel Attendant this fiscal year)
- Animal Control Officer
- Office Specialist

FY 2007-08 and FY 2008-09

- Animal Care Assistant
- Senior Animal Care Assistant
- Animal Control Officer
- Office Specialist
- Animal Adoption Counselor

The time study determined that it takes an average of 3.0 minutes to process an incoming animal record and an average of 3.4 minutes to process a record for the final disposition of an animal. However, two of the employee classifications that participated in the time study did not exist during all years of the audit period, as noted above. Regardless, we

determined that the total amount of time required to process animal records was adequately established by the city’s time study and should not be revised. Therefore, we allocated the number of minutes spent by these two classifications in the city’s time study to the four classifications that existed in FY 2001-02 and allocated time spent by the Animal Care Aide to the five classifications that existed in FY 2007-08 and FY 2008-09.

Number of Animal Records Processed

During the course of the audit, we obtained the city’s raw data for FY 2001-02, FY 2007-08, and FY 2008-09 from its Chameleon software system database. We applied the time study results to the number of animal records processed based on this data. For purposes of the maintaining non-medical records cost component, the allowable number of animal records is the total number processed by the facility during the fiscal year, with no exclusions.

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

	Fiscal Year			Total
	2001-02	2007-08	2008-09	
Intake	4,597	9,064	8,059	21,720
Final Disposition	4,597	9,064	8,059	21,720

The following tables identify the involvement level of employee classifications that process non-medical records based on the time study that the city conducted:

FY 2001-02	
Employee Classification	Percentage Involvement
Incoming Animal Records:	
Animal Care Assistant	60%
Senior Animal Care Assistant	3%
Animal Control Officers	26%
Office Specialist	11%
	<u>100%</u>
Final Disposition Of Animal Records:	
Animal Care Assistant	48%
Senior Animal Care Assistant	15%
Animal Control Officers	4%
Office Specialist	33%
	<u>100%</u>

FY 2007-08 and FY 2008-09	
Employee Classification	Percentage Involvement
Incoming Animal Records:	
Animal Care Assistant	59%
Senior Animal Care Assistant	3%
Animal Control Officers	26%
Office Specialist	11%
Animal Adoption Counselor	1%
	<u>100%</u>
Final Disposition Of Animal Records:	
Animal Care Assistant	31%
Senior Animal Care Assistant	10%
Animal Control Officers	3%
Office Specialist	22%
Animal Adoption Counselor	34%
	<u>100%</u>

To determine allowable salaries and benefits, we applied the results of the city's time study to the employee classifications that performed the activities. We determined that costs totaling \$74,720 were allowable for salaries and benefits.

Materials and Supplies

The city claimed \$9,479 in materials and supplies costs for FY 2007-08 and FY 2008-09 (\$7,482 for Chameleon software license renewal fees, and \$1,997 for paper). We found that the entire amount is unallowable. Costs are unallowable because the city misclassified costs incurred for Chameleon software license renewal fees and claimed unsupported costs for boxes of paper. We reclassified the Chameleon software license renewal fees under contract services. The city did not provide supporting documentation for the boxes of paper or any explanation of how the costs incurred relate to this cost component.

Contract Services

The city did not claim contract services under this component. However, we reclassified the costs the city claimed for Chameleon license renewal fees under contract services. Under materials and supplies, the city claimed 20% of costs incurred for the annual license renewal for its Chameleon software system, totaling \$7,482 for FY 2007-08 and FY 2008-09. The city properly supported the 20% allocation percentage. However, the invoice the city used to support costs incurred for FY 2007-08 was actually for costs incurred during FY 2008-09. Similarly, the invoice the city used for FY 2008-09 was actually for costs incurred during FY 2009-10. Once we obtained the correct invoices and applied them to the correct fiscal years, we applied the applicable pro rata percentage of 20% and found allowable contract services costs to be \$7,233.

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

<u>Fiscal Year</u>	<u>Supported Costs</u>	<u>Pro Rata Percentage Claimed</u>	<u>Amount Claimed</u>	<u>Pro Rata Percentage Allowable</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Contract services:						
2007-08	\$ 17,544	0%	-	20%	\$ 3,509	\$ 3,509
2008-09	18,619	0%	-	20%	3,724	3,724
Total	<u>\$ 36,163</u>		<u>\$ -</u>		<u>\$ 7,233</u>	<u>\$ 7,233</u>

The parameters and guidelines (section IV.B.8–Maintaining Non-Medical Records) identify the following reimbursable activities:

Beginning January 1, 1999 – Maintaining non-medical records on animals that are either taken up, euthanized after the holding period, or impounded. Such records shall include the following:

- The date the animal was taken up, euthanized, or impounded;
- The circumstances under which the animal is taken up, euthanized, or impounded;
- The names of the personnel who took up, euthanized, or impounded the animal; and
- The final disposition of the animal, including the name of the person who euthanized the animal or the name and address of the adopting party.

The parameters and guidelines (section IV.B.8–Maintaining Non-Medical Records) identify the following reimbursable activity:

The cost of Software license renewal contracts, to the extent these costs are not claimed as an indirect cost under these parameters and guidelines, is eligible for reimbursement under Section V (A) (2) of the parameters and guidelines. If the computer software is utilized in some way that is not directly related to the maintenance of records specified in this section, only the pro rata portion of the software license renewal contract that is used for compliance with this section is reimbursable.

Recommendation

The Animal Adoption Program was suspended in the FY 2010-11 through FY 2013-14 Budget Acts. If the program becomes active, 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 and recommendation.

**FINDING 9—
Misstated necessary
and prompt
veterinary care costs**

The city claimed direct costs totaling \$82,273 (\$40,095 in salaries and benefits, \$9,704 in materials and supplies, and \$32,474 in contract services) for the Necessary and Prompt Veterinary Care cost component during the audit period. We found that \$48,159 is allowable and the net amount of \$34,114 is unallowable (understated by \$8,165 and overstated by \$42,279). The costs were misstated because the city claimed estimated costs and contract services costs that were not adequately supported, and understated allowable costs for materials and supplies.

Allowable salaries and benefits totaling \$14,142 are based on two time studies that the city conducted for the activities of providing an initial physical exam and administering wellness vaccines. Allowable materials and supplies costs totaling \$24,527 are based on support that the city provided for administering wellness vaccines. Allowable contract services costs totaling \$9,490 are based on supporting documentation provided by the city for contract services performed by a licensed veterinarian during FY 2008-09.

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

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Total direct costs:			
2001-02	\$ 624	\$ 8,789	\$ 8,165
2007-08	43,713	15,021	(28,692)
2008-09	37,936	24,349	(13,587)
Total	<u>\$ 82,273</u>	<u>\$ 48,159</u>	<u>\$ (34,114)</u>

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

The city claimed \$40,095 in salaries and benefits for performing initial physical exams during the audit period. The city did not claim any costs for administering wellness vaccines. The salary and benefit costs claimed were for FY 2007-08 only, and represented time spent by the city’s veterinarian performing physical exams on strays with medical conditions. The city did not claim time for initial physical exams performed on the remaining animals (those without medical conditions). All salary and benefit costs claimed were initially unallowable because the city claimed estimated costs for this cost component. However, the city conducted two time studies during the course of the audit to support the average time it takes staff to conduct an initial physical examination of an animal and to administer a wellness vaccine. Based on the results of the city’s time studies, we found that salary and benefit costs totaling \$14,142 are allowable.

The following table summarizes the claimed, allowable, and audit adjustment amount for salaries and benefit costs by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
2001-02	\$ -	\$ 2,465	\$ 2,465
2007-08	40,095	6,158	(33,937)
2008-09	-	5,519	5,519
Total, salaries and benefits	\$ 40,095	\$ 14,142	\$ (25,953)

Time Study – Initial Physical Examination

During the course of the audit, the city performed a time study for conducting an initial physical exam of an animal to determine its baseline health. The time study was conducted for a two-week period from March 7, 2014, through March 20, 2014. The following classifications participated in the time study: Animal Care Assistant, Animal Control Officer, Registered Veterinary Technician, and Veterinarian. These classifications are qualified to make a determination whether an animal is “adoptable,” “treatable,” or “non-rehabilitatable” and to perform limited medical services. However, because the Veterinarian classification was not on the city's payroll report for FY 2001-02 and FY 2008-09, we did not apply this classification to the time study results for these two years.

The time study determined that it takes shelter staff an average of 2.58 minutes to conduct an initial physical exam. As mentioned above, the Veterinarian classification was not applicable for FY 2001-02 and FY 2008-09; therefore we applied the time study results to the employee classifications that were part of shelter staff for these two fiscal years. This adjusted the percentage involvement of each classification for these two fiscal years, while the average minutes per exam remained the same. To determine allowable costs for salaries and benefits, we first multiplied the results of the city's time study (2.58 minutes) by the number of eligible animals each year to determine total hours allowable. We then applied the allowable hours to the average productive hourly rate for each employee classification for each fiscal year of the audit period.

The following table summarizes the claimed, allowable, and audit adjustment amounts for salaries and benefits as a result of the Initial Physical Examination time study:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits - Initial Physical Exam:			
2001-02	\$ -	\$ 728	\$ 728
2007-08	40,095	3,183	(36,912)
2008-09	-	2,363	2,363
Total, salaries and benefits	\$ 40,095	\$ 6,274	\$ (33,821)

Time Study – Administration of Wellness Vaccines

During the course of the audit, the city also performed a time study for administering wellness vaccines to “adoptable” or “treatable” animals. The time study was conducted for a two-week period from March 21, 2014 through April 3, 2014. The following classifications participated in the time study: Animal Care Assistant, Sr. Animal Care Assistant, and Animal Control Officer. Because the Animal Care Assistant classification was named Kennel Attendant in FY 2001-02, we applied the time study results for the Animal Care Assistant to the Kennel Attendant classification for that year.

The time study determined that it takes shelter staff an average of 3.73 minutes to administer a wellness vaccine to an animal. To determine allowable costs for salaries and benefits, we first multiplied the results of the city’s time study (3.73 minutes) by the number of eligible animals each year to determine total hours allowable. We then applied the allowable hours to the average productive hourly rate for each employee classification noted above for each fiscal year of the audit period.

The following table summarizes the claimed, allowable, and audit adjustment amounts for salaries and benefits as a result of the Administration of Wellness Vaccines time study:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits - Administration of Wellness Vaccines:			
2001-02	\$ -	\$ 1,737	\$ 1,737
2007-08	-	2,975	2,975
2008-09	-	3,156	3,156
Total, salaries and benefits	<u>\$ -</u>	<u>\$ 7,868</u>	<u>\$ 7,868</u>

Number of Eligible Animals

During the course of the audit, we obtained the city’s raw data from its Chameleon database. We determined the number of eligible dogs and cats that receive initial physical examinations and wellness vaccines based on this data.

The parameters and guidelines specifically state that reimbursement is limited to “stray and abandoned animals... that die during the holding period or are ultimately euthanized.” As noted in Finding 4, we determined the average holding period to be six days; therefore, reimbursement is limited to the following population of animals:

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

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 provided by the city using this criterion and determined the number of animals that are eligible for reimbursement.

The following table summarizes the eligible number of animals that received an initial physical exam during the audit period.

	Fiscal Year			Totals
	2001-02	2007-08	2008-09	
Eligible cats	732	888	1,133	2,753
Eligible dogs	463	550	386	1,399
Total cats and dogs	1,195	1,438	1,519	4,152
Other animals	6	21	13	40
Total all animals	1,201	1,459	1,532	4,192

The following table summarizes the eligible number of animals that received wellness vaccines during the audit period:

	Fiscal Year			Totals
	2001-02	2007-08	2008-09	
Eligible cats	732	888	1,133	2,753
Eligible dogs	463	550	386	1,399
Total cats and dogs	1,195	1,438	1,519	4,152
Other animals	-	-	-	-
Total all animals	1,195	1,438	1,519	4,152

Materials and Supplies

The city claimed \$9,704 in materials and supplies costs for FY 2007-08 and FY 2008-09. The entire amount was originally unallowable because the city claimed costs incurred for spay and neuter procedures and emergency medicine, which are not reimbursable under this cost component, and claimed unsupported costs for rabies vaccinations (rabies vaccinations administered to dogs also are not reimbursable). During the course of the audit, the city provided supporting documentation of costs incurred for the purchase of wellness vaccines. We found that allowable costs for the audit period totaled \$24,527 (\$10,491 for wellness vaccines administered to dogs and \$14,036 for wellness vaccines administered to cats) based on the cost of the wellness vaccines and the number of eligible animals treated during each fiscal year.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Materials and supplies:			
2001-02	\$ -	\$ 6,324	\$ 6,324
2007-08	3,618	8,863	5,245
2008-09	6,086	9,340	3,254
Total, materials and supplies	\$ 9,704	\$ 24,527	\$ 14,823

The table below details the calculation of allowable costs for the wellness vaccines:

	Fiscal Year			Totals
	2001-02	2007-08	2008-09	
Cost of dog wellness vaccines:				
Bordatella, DAPPV, Subcutaneous Bordatella, 2 needles, 3 syringes	\$ 6.64	\$ 7.75	\$ 8.17	
Number of eligible dogs	x 463	x 550	x 386	
Total costs for dog vaccines	\$ 3,074	\$ 4,263	\$ 3,154	\$ 10,491
Cost of cat wellness vaccines:				
Feline HCP, FVRC, 1 needle, 2 syringes	\$ 4.44	\$ 5.18	\$ 5.46	
Number of eligible cats	x 732	x 888	x 1,133	
Total costs for cat vaccines	\$ 3,250	\$ 4,600	\$ 6,186	\$ 14,036
Total allowable costs	\$ 6,324	\$ 8,863	\$ 9,340	\$ 24,527

Contract Services

The city claimed a total of \$32,474 in contract services costs for FY 2001-02 and FY 2008-09. The entire amount was originally unallowable because the city did not provide supporting documentation for contract services costs incurred. However, during the course of the audit, the city provided supporting documentation for costs incurred during FY 2008-09.

The following table summarizes the claimed, allowable, and audit adjustment amounts for contract services costs incurred for necessary and prompt veterinary care fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Contract services:			
2001-02	\$ 624	\$ -	\$ (624)
2007-08	-	-	-
2008-09	31,850	9,490	(22,360)
Total, contract services	\$ 32,474	\$ 9,490	\$ (22,984)

For FY 2001-02, the city claimed \$624 for veterinary care provided by three different pet hospitals. We advised the city that costs were unallowable as claimed, as reimbursement for these activities is limited to the population of stray and abandoned animals that were treated

during the required holding period and then either died during the holding period or were ultimately euthanized. Therefore, to determine eligible costs, the city would need to provide itemized invoices from the veterinary practices detailing the animal ID, intake date, discharge date, the date the service was performed, and a description of the service performed.

For FY 2008-09, the city claimed \$31,850 for the time spent by a contract veterinarian “performing physical exams on strays with medical conditions.” The city estimated the time required to examine each animal and multiplied this by their determination of the number of eligible animals. We advised the city that for costs to be reimbursable, the city would need to provide a contract detailing the individual services performed by the veterinarian so that we could allocate the allowable contract costs incurred based on the level of mandated activities performed. During the course of the audit, the city provided a detailed contract for its veterinarian applicable to FY 2008-09. The contract provided a detailed scope of work, which lists the ongoing services that the veterinarian performed throughout the year. There are a total of six services listed, three of which are mandate-related, which equates to 50 percent. The city also provided a report showing the contract payments made to the veterinarian during the fiscal year, which totaled \$99,895.

The portion of the contract eligible for reimbursement is limited to 50% (\$49,948), as noted above. The costs are further limited by the number of animals determined to be eligible under this cost component. Eligible animals include those that died of natural causes during the holding period (days 2-6) and those that were ultimately euthanized (day 7 and greater). For FY 2008-09, the number of eligible animals was 1,532. We determined that 1,532 animals represented 19% of the 8,059 animals impounded at the city’s animal shelter during FY 2008-09. We then applied this pro-rata percentage of animals (19%) to the eligible portion of contract services costs incurred (\$49,948), resulting in \$9,490 in allowable contract services costs.

The parameters and guidelines allow reimbursement, beginning January 1, 1999, for providing necessary and prompt veterinary care for stray and abandoned animals, other than injured cats and dogs given emergency treatment that die during the holding period or are ultimately euthanized during the holding period, as specified in Statutes of 1998, Chapter 752.

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

- An initial physical examination of the animal to determine the animal’s baseline health status and classification as —adoptable, —treatable, or —non-rehabilitatable.
- A wellness vaccine administered to —treatable or —adoptable animals.

- Veterinary care to stabilize and or relieve the suffering of a —treatable animal.
- Veterinary care intended to remedy any applicable disease, injury, or congenital or hereditary condition that adversely affects the health of a —treatable animal or that is likely to adversely affect the animal’s health in the future, until the animal becomes —adoptable.

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

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

Recommendation

The Animal Adoption Program was suspended in the FY 2010-11 through FY 2013-14 Budget Acts. If the program becomes active, 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 and recommendation.

FINDING 10— Misstated indirect costs

The city claimed indirect costs totaling \$29,537 during the audit period. We found that \$15,547 is allowable and the net amount of \$13,990 is unallowable (understated by \$1,014 and overstated by \$15,004). The costs were misstated because the city understated allowable costs for direct salaries in FY 2001-02 and overstated allowable costs for direct salaries in FY 2007-08 and FY 2008-09.

The following table summarizes the claimed, allowable, and audit adjustment amounts for indirect costs by fiscal year.

Fiscal Year	Claimed Indirect Costs	Allowable Indirect Costs	Audit Adjustment
2001-02	2,500	3,514	1,014
2007-08	15,230	6,146	(9,084)
2008-09	11,807	5,887	(5,920)
Total	\$ 29,537	\$ 15,547	\$ (13,990)

Indirect cost rate

The city elected to use the option, identified in the parameters and guidelines, of using 10% of direct labor, excluding fringe benefits, to claim indirect costs for the audit period. The city correctly applied the indirect cost rate of 10% to direct labor only.

Misstated Salaries

As noted above, the city elected to use the 10% of direct labor option to claim indirect costs. Accordingly, allowable indirect costs for the audit period are based solely on allowable salaries. Salaries were misstated by \$139,903 (understated by \$10,141 and overstated by \$150,044) during the audit period.

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

Fiscal Year	Total Claimed Salaries	Total Allowable Salaries	Total Adjustment to Salaries
2001-02	25,002	35,143	10,141
2007-08	152,301	61,455	(90,846)
2008-09	118,066	58,868	(59,198)
Total	\$ 295,369	\$ 155,466	\$ (139,903)

Allowable indirect costs for the audit period were computed by applying the 10% indirect cost rate to total allowable salaries shown in the table above.

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

Indirect costs are those that have been incurred for common or joint purposes. These costs benefit more than one cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved. After direct costs have been determined and assigned to other activities, as appropriate, indirect costs are those remaining to be allocated to benefited cost objectives. A cost may not be allocated as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been claimed as a direct cost.

Claimants have the option of using 10% of direct labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) pursuant to the Office of Management and Budget (OMB) Circular A-87.

Recommendation

The Animal Adoption Program was suspended in the FY 2010-11 through FY 2013-14 Budget Acts. If the program becomes active, we recommend that the city ensure that its indirect cost rates are properly calculated and are applied to the same direct cost base that was used to calculate the rate.

City's Response

The city concurs with the audit finding and recommendation.

FINDING 11— Understated productive hourly rates and benefit rates

The city claimed productive hourly rates, excluding benefits, based on salary ranges of employee classifications rather than the actual salary amounts paid to each employee performing the reimbursable activities during the audit period. Our analysis of productive hourly rates, excluding benefits, showed that the city understated these rates for each fiscal year of the audit period.

Productive Hourly Rates Claimed

For each fiscal year of the audit period, the city used hourly rates that were reported on the city's "Salary Table by Title" report. The report includes the position/title (classification), the bargaining unit, and salary ranges from Range A (minimum) to Range E (maximum), for a total of five salary ranges. Within each range is listed the hourly rate, the bi-weekly salary amount, the monthly salary amount, and the annual salary amount.

For FY 2001-02, the city used hourly rates at the maximum salary range (Range E) for each employee classification claimed. For FY 2007-08 and FY 2008-09, the city used hourly rates at the middle of the salary range (Range C) for each employee classification claimed. The only exception to this was in FY 2007-08, in which the city used salary range D for the hourly Veterinarian classification.

Also, when computing the productive hourly rate for a particular employee classification within each salary range, the city divided the annual salary for that classification by 2,080 annual productive hours.

Allowable Productive Hourly Rates

For each year of the audit period, we recalculated the productive hourly rate for each employee classification claimed. As noted above, the city used 2,080 annual productive hours in its calculations. We recalculated the productive hourly rates using 1,800 productive hours based on guidance contained within the SCO's claiming instructions, which states:

1,800 annual productive hours excludes the following employee time:

- Paid holidays
- Vacation earned
- Sick leave taken
- Informal time off
- Jury duty
- Military leave taken

We also made an adjustment to the salary range claimed in FY 2001-02. For this fiscal year, the city used hourly rates at the maximum salary range (Range E) for each employee classification.

As the city claimed costs based on salary ranges for employee classifications instead of salaries and benefits paid to individual employees, we determined that it is reasonable to use the middle of the city's salary range (C) for each fiscal year unless the city can support that most or all of its animal shelter employees performing mandated activities were within higher salary ranges. Therefore, we made adjustments to the salary range claimed for FY 2001-02 and adjusted the salary range claimed for the hourly Veterinarian classification from range D to range C for FY 2007-08.

We noted that the city used 2,080 productive hours in its calculations rather than 1,800 productive hours, resulting in understated productive hourly rates for each fiscal year of the audit period. We used the recalculated productive hourly rates per employee classification when we applied the results of the various time studies the city conducted during the course of the audit to determine allowable salary and benefit costs.

Benefit Rates

The city claimed benefits specifically for employee classifications involved in reimbursable activities during the audit period. We noted that for FY 2001-02, the city claimed various employee benefit rates. We recalculated the benefit rates for each fiscal year of the audit period.

Allowable Benefit Rates

We recalculated the benefit rates using the city's year-to-date expenditure reports for the Animal Control/Animal Care Services unit. We calculated total salaries and total benefits separately for each fiscal year of the audit period and then divided total benefits paid by total salaries paid to arrive at an average benefit rate. For each fiscal year of the audit period, we found that claimed benefit rates were understated using this methodology.

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

	Fiscal Year		
	2001-02	2007-08	2008-09
Claimed	28.13% *	38.15%	41.43%
Allowable	31.15%	54.17%	54.71%
Adjustment	3.02%	16.02%	13.28%

* Note: Various rates were claimed. 28.13% represents the average rate claimed for FY 2001-02.

We applied the recalculated benefit rates to the audited productive hourly rates to arrive at allowable salary and benefit costs for the audit period. The exception is the care and maintenance component, wherein the recalculated benefit rates were applied to actual salaries.

The parameters and guidelines (section V–Claim Preparation and Submission–Direct Cost Reporting–Salaries and Benefits) state that, for salaries and benefits, claimants are required to:

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the reimbursable activities performed and the hours devoted to each reimbursable activity performed.

The SCO's claiming instructions state that one of three options may be used to compute productive hourly rates:

- Actual annual productive hours for each employee,
- The weighted-average annual productive hours for each job title, or
- 1,800 annual productive hours for all employees. (The 1,800 annual productive hours excludes time for paid holidays, vacation earned, sick leave taken, informal time off, jury duty, and military leave taken.)

Recommendation

The Animal Adoption Program was suspended in the FY 2010-11 through 2013-14 Budget Acts. If the program becomes active, we recommend that the city ensure that productive hourly rates and benefit rates are calculated in accordance with the guidance provided in the SCO's claiming instructions.

City's Response

The city concurs with the audit finding and recommendation.

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



Finance Department

March 13, 2015

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

Dear Mr., Spano,

I have reviewed Findings 1 through 11 with Mariya Anton, Animal Care Facility Manager, and we concur with the audit findings and the recommendations. In addition, we offer no further comments or edits to the report.

Sincerely,



Maria Kachadoorian
Deputy City Manager

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

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