

CITY OF SACRAMENTO

Audit Report

ANIMAL ADOPTION PROGRAM

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

*July 1, 2001, through June 30, 2003;
and July 1, 2007, through June 30, 2009*



JOHN CHIANG
California State Controller

August 2014



JOHN CHIANG
California State Controller

August 15, 2014

The Honorable Kevin Johnson
Mayor of the City of Sacramento
915 I Street, 5th Floor
Sacramento, CA 95814

Dear Mayor Johnson:

The State Controller's Office audited the costs claimed by the City of Sacramento 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, 2003; and July 1, 2007, through June 30, 2009. We did not include July 1, 2003, through June 30, 2004, in the audit period because the Animal Adoption Program was suspended. In addition, we did not include the costs claimed for July 1, 2004, through June 30, 2007, in the audit period because the statute of limitations to initiate the audit had expired.

The city claimed \$1,700,874 for the mandated program. Our audit found that \$1,018,736 is allowable and \$682,138 is unallowable. The costs are unallowable primarily because the city claimed unsupported and ineligible costs; under-claimed indirect costs; and miscalculated the animal census figures. The State made no payments to the city. The State will pay \$1,018,736, contingent upon available appropriations.

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

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/sk

cc: Leyne Milstein, Finance Director
City of Sacramento
Gina Knepp, Animal Care Services Manager
City of Sacramento
Peter Jensen, Supervising Financial Analyst
City of Sacramento
Michael Byrne, Principal Program Budget Analyst
Mandates Unit, Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials.....	2
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Schedule 2—Summary of Care and Maintenance Costs.....	7
Findings and Recommendations.....	11

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City of Sacramento 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, 2003; and July 1, 2007, through June 30, 2009. We did not include July 1, 2003, through June 30, 2004, in the audit period because the Animal Adoption Program was suspended. In addition, we did not include the costs claimed for July 1, 2004, through June 30, 2007, in the audit period because the statute of limitations to initiate the audit had expired.

The city claimed \$1,700,874 for the mandated program. Our audit found that \$1,018,736 is allowable and \$682,138 is unallowable. The costs are unallowable primarily because the city claimed unsupported and ineligible costs; under-claimed indirect costs; and miscalculated the animal census figures. The State made no payments to the city. The State will pay \$1,018,736, 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. It expressly identifies the State policy that "no adoptable animal should be euthanized if it can be adopted into a suitable home" and that "no treatable animal should be euthanized." The legislation increased the holding period for stray and abandoned dogs, cats, and other specified animals. It also required 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, 2001, 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 the 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), Summary of Care and Maintenance Costs (Schedule 2), and in the Findings and Recommendations section of this report.

For the audit period, the City of Sacramento claimed \$1,700,874 for costs of the Animal Adoption Program. Our audit found that \$1,018,736 is allowable. The State made no payments to the city. The State will pay that amount, contingent upon available appropriations.

Views of Responsible Officials

We discussed our audit results with the city's representatives during an exit conference conducted on July 31, 2014. Gina Knepp, Animal Care Services Manager, agreed with Findings 1, 2, 4, and 6 through 11. In addition, Ms. Knepp agreed that we could issue the audit report as final. However, she also requested an additional ninety days to both review the documentation supporting the adjustments for Findings 3 and 5, and to provide a formal response. We informed Ms. Knepp that we would

revise the final report in November of 2014 if the city provides documentation supporting additional allowable costs.

Restricted Use

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

August 15, 2014

**Schedule 1—
Summary of Program Costs
July 1, 2001, through June 30, 2003;
and July 1, 2007, through June 30, 2009**

Reimbursable Components	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Training	\$ 9,638	\$ 6,747	\$ (2,891)	Finding 1
Computer software	11,501	—	(11,501)	Finding 2
Renovating existing facilities	—	11,427	11,427	Finding 3
Care and maintenance of dogs and cats ²	125,968	75,408	(50,560)	Finding 4
Care and maintenance of other animals ²	11,210	1,154	(10,056)	Finding 4
Increased holding period	68,008	31,986	(36,022)	Finding 5
Feral cats	5,563	—	(5,563)	Finding 6
Lost-and-found lists	35,136	—	(35,136)	Finding 7
Maintaining non-medical records	129,600	33,229	(96,371)	Finding 8
Necessary and prompt veterinary care	66,389	10,187	(56,202)	Finding 9
Procuring equipment	8,549	8,549	—	
Total direct costs	471,562	178,687	(292,875)	
Indirect costs	16,205	41,666	25,461	Finding 11
Total program costs	<u>\$ 487,767</u>	220,353	<u>\$ (267,414)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 220,353</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Training	\$ 4,192	\$ 2,934	\$ (1,258)	Finding 1
Computer software	40,873	—	(40,873)	Finding 2
Renovating existing facilities	147,178	60,330	(86,848)	Finding 3
Care and maintenance of dogs and cats ²	86,965	73,486	(13,479)	Finding 4
Care and maintenance of other animals ²	23,066	578	(22,488)	Finding 4
Increased holding period	84,234	38,992	(45,242)	Finding 5
Feral cats	7,071	—	(7,071)	Finding 6
Lost-and-found lists	53,760	—	(53,760)	Finding 7
Maintaining non-medical records	138,648	36,058	(102,590)	Finding 8
Necessary and prompt veterinary care	57,755	10,341	(47,414)	Finding 9
Procuring equipment	6,098	—	(6,098)	Finding 10
Total direct costs	649,840	222,719	(427,121)	
Indirect costs	18,085	40,112	22,027	Finding 11
Total program costs	<u>\$ 667,925</u>	262,831	<u>\$ (405,094)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 262,831</u>		

Schedule 1 (continued)

Reimbursable Components	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2007, through June 30, 2008</u>				
Direct costs:				
Construction of new facilities	\$ 27,362	\$ 27,362	\$ —	
Care and maintenance of dogs and cats ²	29,057	90,265	61,208	Finding 4
Care and maintenance of other animals ²	4,303	910	(3,393)	Finding 4
Increased holding period	83,612	50,236	(33,376)	Finding 5
Feral cats	5,851	—	(5,851)	Finding 6
Lost-and-found lists	8,370	—	(8,370)	Finding 7
Maintaining non-medical records	65,039	42,076	(22,963)	Finding 8
Necessary and prompt veterinary care	37,810	11,991	(25,819)	Finding 9
Total direct costs	261,404	222,840	(38,564)	
Indirect costs	12,138	51,981	39,843	Finding 11
Total direct and indirect costs	273,542	274,821	1,279	
Less allowable costs that exceed costs claimed ³	—	(1,279)	(1,279)	
Total program costs	<u>\$ 273,542</u>	273,542	<u>\$ —</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 273,542</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs:				
Care and maintenance of dogs and cats ²	\$ 44,895	\$ 93,811	\$ 48,916	Finding 4
Care and maintenance of other animals ²	6,649	804	(5,845)	Finding 4
Increased holding period	87,338	53,483	(33,855)	Finding 5
Feral cats	6,111	—	(6,111)	Finding 6
Lost-and-found lists	9,433	—	(9,433)	Finding 7
Maintaining non-medical records	67,266	45,534	(21,732)	Finding 8
Necessary and prompt veterinary care	37,810	12,548	(25,262)	Finding 9
Total direct costs	259,502	206,180	(53,322)	
Indirect costs	12,138	55,830	43,692	Finding 11
Total program costs	<u>\$ 271,640</u>	262,010	<u>\$ (9,630)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 262,010</u>		

Schedule 1 (continued)

Reimbursable Components	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>Summary: July 1, 2001, through June 30, 2003; and July 1, 2007, through June 30, 2009</u>				
Direct costs:				
Training	\$ 13,830	\$ 9,681	\$ (4,149)	
Computer software	52,374	—	(52,374)	
Construction of new facilities	27,362	27,362	—	
Renovating existing facilities	147,178	71,757	(75,421)	
Care and maintenance of dogs and cats	286,885	332,970	46,085	
Care and maintenance of other animals	45,228	3,446	(41,782)	
Increased holding period	323,192	174,697	(148,495)	
Feral cats	24,596	—	(24,596)	
Lost-and-found lists	106,699	—	(106,699)	
Maintaining non-medical records	400,553	156,897	(243,656)	
Necessary and prompt veterinary care	199,764	45,067	(154,697)	
Procuring equipment	14,647	8,549	(6,098)	
Total direct costs	1,642,308	830,426	(811,882)	
Indirect costs	58,566	189,589	131,023	
Total direct and indirect costs	1,700,874	1,020,015	(680,859)	
Less allowable costs that exceed costs claimed	—	(1,279)	(1,279)	
Total program costs	<u>\$ 1,700,874</u>	1,018,736	<u>\$ (682,138)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,018,736</u>		
<u>Recap: by Object Account</u>				
Direct costs:				
Salaries and benefits	\$ 812,950	\$ 637,325	\$ (175,625)	
Materials and supplies	492,203	29,980	(462,223)	
Contract services	157,278	60,266	(97,012)	
Travel and training	5,337	3,736	(1,601)	
Fixed assets	174,540	99,119	(75,421)	
Total direct costs	1,642,308	830,426	(811,882)	
Indirect costs	58,566	189,589	131,023	
Total direct and indirect costs	1,700,874	1,020,015	(680,859)	
Less allowable costs that exceed costs claimed	—	(1,279)	(1,279)	
Total program costs	<u>\$ 1,700,874</u>	<u>\$ 1,018,736</u>	<u>\$ (682,138)</u>	

¹ See the Findings and Recommendations section.

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

³ Government Code section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2007-08.

**Schedule 2—
Summary of Care and Maintenance Costs
July 1, 2001, through June 30, 2003;
and July 1, 2007, through June 30, 2009**

Category	Amount Claimed	Amount Allowable		Total	Audit Adjustment
	Materials and Supplies ²	Salaries and Benefits	Materials and Supplies		
<u>July 1, 2001, through June 30, 2002</u>					
Care and maintenance of dogs and cats:					
Total care and maintenance costs	\$ 2,047,820	\$ 644,416	\$ 61,187		
Percentage of dogs and cats to total animals	× 100.00%	× 96.15%	× 96.15%		
Annual care and maintenance costs for dogs and cats	2,047,820	619,606	58,831		
Total dog and cat yearly census	÷ 187,245	÷ 119,974	÷ 119,974		
Cost per dog and cat per day	10.9366	5.1645	0.4904		
Number of eligible dogs and cats	× 5,759	× 4,445	× 4,445		
Number or reimbursable days	× 2	× 3	× 3		
Total care and maintenance costs for dogs and cats	\$ 125,968	\$ 68,869	\$ 6,539	\$ 75,408	\$ (50,560)
Care and maintenance of other “eligible” animals:					
Total care and maintenance costs	\$ 2,047,820	\$ 644,416	\$ 61,187		
Percentage of other “eligible” animals to total animals	× 100.00%	× 3.85%	× 3.85%		
Annual care and maintenance costs for other “eligible” animals	2,047,820	24,810	2,356		
Total other “eligible” animal yearly census	÷ 187,245	÷ 4,802	÷ 4,802		
Cost per other “eligible” animal per day	10.9366	5.1666	0.4906		
Number of eligible other “eligible” animals	× 205	× 34	× 34		
Number or reimbursable days	× 5	× 6	× 6		
Total care and maintenance costs for other “eligible” animals	\$ 11,210	\$ 1,054	\$ 100	\$ 1,154	\$ (10,056)
Care and maintenance costs, FY 2001-02	\$ 137,178	\$ 69,923	\$ 6,639	\$ 76,562	\$ (60,616)

Schedule 2 (continued)

Category	Amount Claimed	Amount Allowable		Total	Audit Adjustment
	Materials and Supplies ²	Salaries and Benefits	Materials and Supplies		
<u>July 1, 2002, through June 30, 2003</u>					
Care and maintenance of dogs and cats:					
Total care and maintenance costs	\$ 1,341,319	\$ 703,547	\$ 105,450		
Percentage of dogs and cats to total animals	× 100.00%	× 95.34%	× 95.34%		
Annual care and maintenance costs for dogs and cats	1,341,319	670,762	100,536		
Total dog and cat yearly census	÷ 134,894	÷ 120,061	÷ 120,061		
Cost per dog and cat per day	9.9435	5.5868	0.8374		
Number of eligible dogs and cats	× 4,404	× 3,813	× 3,813		
Number or reimbursable days	× 1.9859	× 3	× 3		
Total care and maintenance costs for dogs and cats	\$ 86,965	\$ 63,907	\$ 9,579	\$ 73,486	\$ (13,479)
Care and maintenance of other “eligible” animals:					
Total care and maintenance costs	\$ 1,341,319	\$ 703,547	\$ 105,450		
Percentage of other “eligible” animals to total animals	× 100.00%	× 4.66%	× 4.66%		
Annual care and maintenance costs for other “eligible” animals	1,341,319	32,785	4,914		
Total other “eligible” animal yearly census	÷ 134,894	÷ 5,862	÷ 5,862		
Cost per other “eligible” animal per day	9.94	5.5928	0.8383		
Number of eligible other “eligible” animals	× 464.1	× 15	× 15		
Number or reimbursable days	× 5	× 6	× 6		
Total care and maintenance costs for other “eligible” animals	\$ 23,066	\$ 503	\$ 75	\$ 578	\$ (22,488)
Care and maintenance costs, FY 2002-03	<u>\$ 110,031</u>	<u>\$ 64,410</u>	<u>\$ 9,654</u>	<u>\$ 74,064</u>	<u>\$ (35,967)</u>
<u>July 1, 2007, through June 30, 2008</u>					
Care and maintenance of dogs and cats:					
Total care and maintenance costs	\$ 1,872,057	\$ 1,135,918	\$ 40,762		
Percentage of dogs and cats to total animals	× 100.00%	× 95.52%	× 95.52%		
Annual care and maintenance costs for dogs and cats	1,872,057	1,085,029	38,936		
Total dog and cat yearly census	÷ 119,630	÷ 133,545	÷ 133,545		
Cost per dog and cat per day	15.6487	8.1248	0.2916		
Number of eligible dogs and cats	× 4,642	× 3,575	× 3,575		
Number or reimbursable days	× 0.400	× 3	× 3		
Total care and maintenance costs for dogs and cats	\$ 29,057	\$ 87,138	\$ 3,127	\$ 90,265	\$ 61,208

Schedule 2 (continued)

Category	Amount Claimed	Amount Allowable		Total	Audit Adjustment
	Materials and Supplies ²	Salaries and Benefits	Materials and Supplies		
<u>July 1, 2007, through June 30, 2008 (continued)</u>					
Care and maintenance of other "eligible" animals:					
Total care and maintenance costs	\$ 1,872,057	\$ 1,135,918	\$ 40,762		
Percentage of other "eligible" animals to total animals	× 100.00%	× 4.48%	× 4.48%		
Annual care and maintenance costs for other "eligible" animals	1,872,057	50,889	1,826		
Total other "eligible" animal yearly census	÷ 119,630	÷ 6,260	÷ 6,260		
Cost per other "eligible" animal per day	15.6487	8.1292	0.2917		
Number of eligible other "eligible" animals	× 55	× 18	× 18		
Number or reimbursable days	× 5	× 6	× 6		
Total care and maintenance costs for other "eligible" animals	\$ 4,303	\$ 878	\$ 32	\$ 910	\$ (3,393)
Care and maintenance costs, FY 2007-08	<u>\$ 33,360</u>	<u>\$ 88,016</u>	<u>\$ 3,159</u>	<u>\$ 91,175</u>	<u>\$ 57,815</u>
<u>July 1, 2008, through June 30, 2009</u>					
Care and maintenance of dogs and cats:					
Total care and maintenance costs	\$ 2,892,505	\$ 1,176,103	\$ 25,120		
Percentage of dogs and cats to total animals	× 100.00%	× 96.62%	× 96.62%		
Annual care and maintenance costs for dogs and cats	2,892,505	1,136,351	24,271		
Total dog and cat yearly census	÷ 119,630	÷ 138,517	÷ 138,517		
Cost per dog and cat per day	24.179	8.2037	0.1752		
Number of eligible dogs and cats	× 4,642	× 3,732	× 3,732		
Number or reimbursable days	0.400	× 3	× 3		
Total care and maintenance costs for dogs and cats	\$ 44,895	\$ 91,849	\$ 1,962	\$ 93,811	\$ 48,916
Care and maintenance of other "eligible" animals:					
Total care and maintenance costs	\$ 2,892,505	\$ 1,176,103	\$ 25,120		
Percentage of other "eligible" animals to total animals	× 100.00%	× 3.38%	× 3.38%		
Annual care and maintenance costs for other "eligible" animals	2,892,505	39,752	849		
Total other "eligible" animal yearly census	÷ 119,630	÷ 4,847	÷ 4,847		

Schedule 2 (continued)

Category	Amount Claimed	Amount Allowable			Audit Adjustment
	Materials and Supplies ²	Salaries and Benefits	Materials and Supplies	Total	
<u>July 1, 2008, through June 30, 2009 (continued)</u>					
Cost per other "eligible" animal per day	24.1788	8.2014	0.1752		
Number of eligible other "eligible" animals	× 55	× 16	× 16		
Number of reimbursable days	× 5	× 6	× 6		
Total care and maintenance costs for other "eligible" animals	\$ 6,649	\$ 787	\$ 17	\$ 804	\$ (5,845)
Care and maintenance costs, FY 2008-09	<u>\$ 51,544</u>	<u>\$ 92,636</u>	<u>\$ 1,979</u>	<u>\$ 94,615</u>	<u>\$ 43,071</u>
<u>Summary: July 1, 2001, through June 30, 2003; and July 1, 2007, through June 30, 2009</u>					
Care and maintenance of dogs and cats:	\$ 286,885	\$ 311,763	\$ 21,207	\$ 332,970	\$ 46,085
Care and maintenance of other "eligible" animals:	45,228	3,222	224	3,446	(41,782)
Total care and maintenance costs	<u>\$ 332,113</u>	<u>\$ 314,985</u>	<u>\$ 21,431</u>	<u>\$ 336,416</u>	<u>\$ 4,303</u>

¹ See Finding 4 – Unallowable care and maintenance costs.

² The costs claimed include salaries and benefits, materials and supplies, and indirect costs.

Findings and Recommendations

FINDING 1— Unallowable one-time training costs

The city claimed direct costs totaling \$13,830 during the audit period for the one-time activity of staff training. We found that \$9,681 is allowable and \$4,149 is unallowable. The costs are unallowable because the city claimed reimbursement for ineligible costs.

The following table summarizes the claimed, allowable, and unallowable costs 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	\$ 5,784	\$ 4,049	\$ (1,735)
2002-03	<u>2,709</u>	<u>1,896</u>	<u>(813)</u>
Total, salaries and benefits	<u>8,493</u>	<u>5,945</u>	<u>(2,548)</u>
Travel and training:			
2001-02	3,854	2,698	(1,156)
2002-03	<u>1,483</u>	<u>1,038</u>	<u>(445)</u>
Total, travel and training	<u>5,337</u>	<u>3,736</u>	<u>(1,601)</u>
Total	<u>\$ 13,830</u>	<u>\$ 9,681</u>	<u>\$ (4,149)</u>

Ineligible Chameleon Training

For FY 2001-02, the city claimed 100% of the travel and training costs (e.g., meals, lodging, transportation, and incidentals) that it incurred for three city employees to attend a Chameleon software conference in San Diego, California. For FY 2002-03, the city claimed 100% of the travel and training costs for one city employee to attend a Chameleon conference in Key West, Florida.

Chameleon is a software management system that helps agencies manage and track all animal-related data at an animal care facility. Chameleon is used for both mandated and non-mandated activities (such as recording adoptions, medical records, and animal licenses; and tracking both donor and financial information).

City representatives informed us that 70% of the Chameleon software system is mandate related; therefore we prorated the costs and determined that \$9,681 is allowable ($\$13,830 \times 70\%$).

The parameters and guidelines (Section IV.A.2—One Time Activities) identify the following one-time reimbursable activity:

Train staff on the reimbursable activities listed in Section IV (B) of these parameters and guidelines. (One-time per employee.)

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.

**FINDING 2—
Unallowable one-time
computer software
costs**

The city claimed direct costs totaling \$52,374 during the audit period under the Developing or Procuring Computer Software for the Maintenance of Animal Records cost component. We found that all costs claimed are unallowable because the city did not provide source documents to support the costs claimed.

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

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Materials and supplies:			
2001-02	\$ 11,501	\$ -	\$ (11,501)
2002-03	40,873	-	(40,873)
Total	<u>\$ 52,374</u>	<u>\$ -</u>	<u>\$ (52,374)</u>

Unsupported Materials and Supplies

The city claimed \$11,501 for FY 2001-02, and \$28,919 for FY 2002-03 for computer maintenance. For FY 2002-03, the city claimed \$11,954 for computer hardware and licenses. The mandated cost claim forms specifically state that the computer costs claimed were 100% dedicated to tracking non-medical records.

The city did not provide any documentation to support the costs claimed. Furthermore, without supporting documentation, we were unable to ascertain whether the computer software costs claimed had already been included as an indirect cost in the city’s indirect cost rate proposal.

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

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

The city claimed direct costs totaling \$147,178 during the audit period under the Renovating Existing Facilities cost component. We found that \$71,757 is allowable and \$75,421 is unallowable. The costs are unallowable because the city claimed renovation costs that were incurred in a year when the Animal Adoption Program was suspended, could not support some of the renovation costs incurred, and under-stated the pro-rata percentage of actual costs incurred.

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

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Fixed assets:			
2001-02	\$ -	\$ 11,427	\$ 11,427
2002-03	147,178	60,330	(86,848)
Total	<u>\$ 147,178</u>	<u>\$ 71,757</u>	<u>\$ (75,421)</u>

Renovation Costs

The city claimed \$147,178 incurred during FY 2002-03 for renovating five existing kennel buildings. The renovations were to modify the existing dog kennels to make more room for the animals and to add dog runs and an exercise area.

For FY 2002-03, the city identified \$529,158 that it incurred for renovation costs. Review of the documentation submitted by the city shows that only \$195,053 in costs actually were incurred during FY 2002-03, and were supported by sufficient documentation. The remaining \$334,105 of costs claimed were incurred in either FY 2001-02 (\$35,279), or FY 2003-04 (\$270,095), or were unsupported (\$28,731).

Pro Rata Percentage

Reimbursement is limited to the pro rata representation of impounded stray or abandoned dogs, cats, and other animals that are held during the increased holding period or are ultimately euthanized, to the total population of animals housed at the facility.

For FY 2001-02, the city did not claim reimbursement for any renovation costs. Because we found that \$35,279 in renovation costs was adequately supported, we applied the applicable pro rata percentage of 32.39% of eligible animals to the total population of animals housed at the shelter, and found that \$11,427 is allowable.

For FY 2002-03, the city determined a pro rata percentage of 27.8%. Based on the Chameleon animal data that the city provided during the audit, we calculated a pro rata percentage of 30.93% of eligible animals to total animals housed at the shelter. We multiplied the revised pro rata percentage by the supported renovation costs totaling \$195,053, and found that \$60,330 is allowable.

For FY 2003-04, the Animal Adoption Program was suspended by the Legislature. Therefore, no costs were reimbursable under the mandated program for that year.

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).

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 that are properly supported.

FINDING 4— Understated care and maintenance costs

The city claimed direct costs totaling \$332,113 (\$286,885 for dogs and cats, and \$45,228 for other animals) during the audit period for the Care and Maintenance cost component. We found that \$336,416 (\$332,970 for dogs and cats, and \$3,446 for other animals) is allowable. Allowable costs were understated by \$46,085 for dogs and cats, and were overstated by \$41,782 for other animals. The costs were misstated because the city overstated the annual cost of the care and maintenance, misstated the total number of kennel days, overstated the number of eligible animals, and overstated the number of reimbursable days.

The following table summarizes the claimed, allowable, and unallowable 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	Dogs & Cats	Other Animals	Total	Dogs & Cats	Other Animals	Total
Salaries and benefits:									
2001-02	\$ -	\$ -	\$ -	\$ 68,869	\$ 1,054	\$ 69,923	\$ 68,869	\$ 1,054	\$ 69,923
2002-03	-	-	-	63,907	503	64,410	63,907	503	64,410
2007-08	-	-	-	87,138	878	88,016	87,138	878	88,016
2008-09	-	-	-	91,849	787	92,636	91,849	787	92,636
	-	-	-	311,763	3,222	314,985	311,763	3,222	314,985
Materials and supplies:									
2001-02	125,968	11,210	137,178	6,539	100	6,639	(119,429)	(11,110)	(130,539)
2002-03	86,965	23,066	110,031	9,579	75	9,654	(77,386)	(22,991)	(100,377)
2007-08	29,057	4,303	33,360	3,127	32	3,159	(25,930)	(4,271)	(30,201)
2008-09	44,895	6,649	51,544	1,962	17	1,979	(42,933)	(6,632)	(49,565)
	286,885	45,228	332,113	21,207	224	21,431	(265,678)	(45,004)	(310,682)
	<u>\$ 286,885</u>	<u>\$ 45,228</u>	<u>\$ 332,113</u>	<u>\$ 332,970</u>	<u>\$ 3,446</u>	<u>\$ 336,416</u>	<u>\$ 46,085</u>	<u>\$ (41,782)</u>	<u>\$ 4,303</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 the 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 measure by calculating the difference between the days from the day of capture and the 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 Agricultural 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 forstray 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 more or where 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 to calculate 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 stray or abandoned dogs, cats, and other animals that die during the increased holding period, or are ultimately euthanized, by each reimbursable day. The 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 business days from the day after impoundment.

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 calculate the total amount of eligible costs incurred to provide care and maintenance for the animals housed in its shelter. This total is divided by the annual census of animals housed in the shelter to determine a cost per animal per day.

The next element of the formula is adding the number of stray and abandoned animals that died of natural causes during the holding period plus those 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 calculations took into consideration that the required holding period does not include Saturday as a business day. This is consistent with an appellate court decision dated March 26, 2010.

The mandate reimburses claimants for costs associated with animals that were not relinquished, redeemed, adopted, or released to a nonprofit agency. These are 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, and related indirect costs (related indirect costs are addressed separately in Finding 11). We made adjustments to the costs incurred by the agency and to the animal data that was used to claim costs. As a result, we adjusted the costs per animal per day.

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, and materials and supplies) and animal census data used to determine the cost per animal per day. The table also shows changes to the number of eligible animals and the number of reimbursable days that were used to determine reimbursable costs for each year of the audit period.

Annual Care and Maintenance Costs

Salaries and Benefits

For each fiscal year in the audit period, the city determined the total annual cost of care and maintenance based on a percentage of total costs incurred by three divisions within the Animal Care Services Department (Animal Care Shelter, Animal Care Administration, and Animal Enforcement). The methodology used by the city to determine the total annual costs of care and maintenance is unallowable for the following reasons:

- For FY 2001-02, the city claimed 100% of salaries and benefits costs incurred for all three departments even though not all of the employees in these departments performed care and maintenance activities. In addition, some of the employees performed reimbursable activities that already were included within other reimbursable cost components of the mandated program (e.g., Increased Holding Period, Maintaining Non-Medical Records, and Necessary and Prompt Veterinary Care).
- For FY 2002-03, FY 2007-08, and FY 2008-09, the city claimed 50% of the salaries and benefits for the Animal Care Administration Department and Animal Enforcement Department. The primary responsibility of staff in the Animal Care Administration Department is to perform a variety of general clerical work, such as record keeping, transaction processing, and public contracts. In addition, the primary responsibility of staff in the Animal Enforcement Department is to perform animal control activities, such as patrolling assigned areas, issuing citations and warnings, monitoring and enforcing animal control regulations, and responding to animal control inquiries and complaints. Therefore, we found that 50% is an over-estimation of the time that staff within these two departments spent on care and maintenance activities.

Based on our review of the job duty statements for staff within both departments, and discussions with shelter staff, we found that 90% of salaries and benefits for the Animal Care Shelter Department and 20% of the salaries and benefits for both the Animal Care Administration Department and Animal Enforcement Department were reimbursable under the care and maintenance cost component.

Materials and supplies

As noted above, the city determined the total annual costs of care and maintenance based on a percentage of total costs incurred by three divisions within the Animal Care Services Department (Animal Care Shelter, Animal Care Administration, and Animal Enforcement) for each year of the audit period. The methodology used by the city to determine the total annual costs of care and maintenance is unallowable for the following reasons:

- For FY 2001-02, the city claimed 100% of the services and supplies costs incurred by all three departments, even though most of these costs are unrelated to the care and maintenance of animals.
- For FY 2002-03, FY 2007-08, and FY 2008-09, the city claimed 50% of the services and supplies costs incurred by the Animal Care Administration Department and the Animal Enforcement Department, even though most of these costs are unrelated to the care and maintenance of animals.
- For FY 2001-02, FY 2007-08, and FY 2008-09, the city included costs incurred for euthanasia procedures, which is not a reimbursable activity under the mandated program.

Based on our review of the city's expenditures documented within its general ledger, we found that \$232,519 (\$61,187 for FY 2001-02, \$105,450 for FY 2002-03, \$40,762 for FY 2007-08, and \$25,120 for FY 2008-09) in materials and supplies costs are directly related to the care and maintenance of animals. Examples of allowable costs include animal food (feed and forage), safety equipment and protection, clothing and uniforms, and laundry services.

Indirect Costs

For each fiscal year in the audit period, the city included citywide cost allocation plan charges in its calculations of the cost of care and maintenance activities. As noted in Finding 11 (Understated Indirect Costs), the city subsequently prepared Indirect Cost Rate Proposals for each year of the audit period which included all of the citywide cost allocation plan charges as an indirect cost. Therefore, we excluded the citywide cost allocation plan charges from our calculations of allowable care and maintenance costs.

The following table summarizes the claimed and allowable salary and benefit, and material and supply costs used in the care and maintenance formula for the audit period by fiscal year:

Fiscal Year	Annual Care and Maintenance Costs Claimed	Amount Allowable			Difference
		Salaries and Benefits	Materials and Supplies	Total	
2001-02	\$ 2,047,820	\$ 644,416	\$ 61,187	\$ 705,603	\$ (1,342,217)
2002-03	1,341,319	703,547	105,450	808,997	(532,322)
2007-08	1,872,057	1,135,918	40,762	1,176,680	(695,377)
2008-09	2,892,505	1,176,103	25,120	1,201,223	(1,691,282)
Total	\$ 8,153,701	\$ 3,659,984	\$ 232,519	\$ 3,892,503	\$ (4,261,198)

Animal Census Data

Yearly Census

The yearly census of animals 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 arrive at an average cost per animal per day. The cost per animal per day is then multiplied by the number of eligible animals and number of increased days.

To calculate the yearly census, we used data from the city's Chameleon software system and added the number of days that every animal impounded was housed in the city's animal shelter. Our review of the Chameleon database revealed that the city misstated the yearly census for each fiscal year of the audit period. In addition, the city incorrectly combined the yearly census for dogs and cats with that of and other animals.

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

Fiscal Year	Yearly Census Claimed			Yearly Census Allowable			Difference
	Dogs and Cats	Other Animals	Total	Dogs and Cats	Other Animals	Total	
2001-02	187,245	187,245	374,490	119,974	4,802	124,776	(249,714)
2002-03	134,894	134,894	269,788	120,061	5,862	125,923	(143,865)
2007-08	119,630	119,630	239,260	133,545	6,260	139,805	(99,455)
2008-09	119,630	119,630	239,260	138,517	4,847	143,364	(95,896)
Total	561,399	561,399	1,122,798	512,097	21,771	533,868	(588,930)

Dogs, Cats, and Other “Eligible” Animals

The city claimed eligible animals based on the total number of increased days held for dogs, cats, and other animals that were euthanized. To verify that the city used the correct animal population, we used data from the city’s Chameleon software system and 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 on days 4, 5, and 6
- Ultimately euthanized: euthanized on day 7 of the holding period and beyond

Other “Eligible” Animals:

- Died (of natural causes) during the increased holding period: died on days 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, allowable, and unallowable eligible animals used in the care and maintenance formula for the audit period by fiscal year:

Fiscal Year	Eligible Animals Claimed			Eligible Animals Allowable			Difference
	Dogs and Cats	Other Animals	Total	Dogs and Cats	Other Animals	Total	
2001-02	5,759	205	5,964	4,445	34	4,479	(1,485)
2002-03	4,404	464	4,868	3,813	15	3,828	(1,040)
2007-08	4,642	55	4,697	3,575	18	3,593	(1,104)
2008-09	4,642	55	4,697	3,732	16	3,748	(949)
Total	19,447	779	20,226	15,565	83	15,648	(4,578)

Reimbursable Days

The parameters and guidelines identify the number of reimbursable days for dogs and cats to be the difference between three days from the day of capture, and four or six days from the day after impoundment. For other animals, the parameters and guidelines identify the number of reimbursable days to be four or six days from the day after impoundment.

Every animal that enters the shelter will have a different holding period requirement that depends on the impoundment day and the type of animal; therefore, an exact number of reimbursable days cannot be readily determined. In order to determine the number of allowable days, we prepared an analysis to determine what the average increased holding period would be based on the shelter's operating hours during the audit period. This calculation takes into consideration that the required holding period does not include Saturday as a business day. This determination is consistent with a recent 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. Therefore, for the audit period, we determined that the increased holding period for dogs and cats is three reimbursable days and the average increased holding period for other animal 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 law 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 city ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

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

The city claimed direct costs totaling \$323,192 for the Increased Holding Period cost component during the audit period. We found that \$174,697 is allowable and \$148,495 is unallowable. The costs are unallowable because the city overstated the hours the shelter was open to the public and overstated the number of employees needed to keep the shelter open to the public to make animals available for owner redemption.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
2001-02	\$ 68,008	\$ 31,986	\$ (36,022)
2002-03	84,234	38,992	(45,242)
2007-08	83,612	50,236	(33,376)
2008-09	87,338	53,483	(33,855)
Total	<u>\$ 323,192</u>	<u>\$ 174,697</u>	<u>\$ (148,495)</u>

Hours of Operation

The city claimed eight hours for each Saturday the facility was open to make the animals available to the public for owner redemption. The city did not provide any documentation to support that it was open for eight hours each Saturday during the audit period.

In March 2001, the Humane Society of the United States (HSUS), Animal Services Consultation program conducted a comprehensive review of the city's Animal Care and Control Division. The report states that in the fall of 2000, the shelter was open on Saturdays from 11:00 a.m. to 5:00 p.m., for a total of six hours. In addition, a New Year's Pet Safety Tip article dated December 2006 states that the shelter was open on Saturdays from 10:00 a.m. to 4:00 p.m., for a total of six hours.

The shelter meets the requirements of the mandate by making the animals available for owner redemption on one weekend day. However, based on this information, the city overstated the number of hours the shelter was open to the public each Saturday by two hours.

Staffing Requirements

For FY 2001-02 and FY 2002-03, the city claimed reimbursement for two Typist Clerk IIs and six Animal Care Technicians to make the animals available for owner redemption each Saturday. For FY 2007-08 and FY 2008-09, the city claimed reimbursement for six Animal Care Technicians to make the animals available for owner redemption each Saturday. However, the city did not account for the difference between the regular staffing needed when the shelter was closed and the increased staffing needed to comply with this cost component when the shelter was open.

We held discussions with city representatives concerning the staffing requirements to make animals available for owner redemption on Saturdays when the shelter was open in comparison to Sundays when the shelter was closed. City staff informed us that while the Animal Care Technicians do not typically sit behind the front counter and greet customers each Saturday, their responsibilities to perform the mandated activities are critical to the success of the shelter. For example, the city stated that on a recent weekend day, the shelter had approximately 120 customers come through their front doors, which resulted in 64 adoptions. The Animal Care Technicians were responsible for walking each and every customer through the shelter to view the animals.

Based on our discussions, we determined that two administrative staff members (Typist Clerk IIs for FY 2001-02 and FY 2002-03 and Customer Service Representatives for FY 2007-08 and FY 2008-09) are needed at the front desk to greet the public and answer questions, and three Animal Care Technicians are needed to provide the public with access to the animals. We acknowledge that additional animal shelter employees were on duty when the shelter was open on Saturdays; however, these additional employees performed reimbursable activities that already are included in other cost components of the city's claim (e.g., Care and Maintenance, Maintaining Non-Medical Records, and Necessary and Prompt Veterinary Care).

As a result, the city overstated the number of employees claimed. To determine allowable costs, we multiplied the productive hourly rate and benefit rate for each employee on duty for six hours each Saturday during the audit period to make animals available for owner redemption, and found that \$174,697 is allowable.

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.

**FINDING 6—
Unallowable feral
cat costs**

The city claimed direct costs totaling \$24,596 for the Feral Cats cost component during the audit period. We found that all of the costs claimed are unallowable because the city claimed reimbursement for costs that were unsupported.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
2001-02	\$ 5,563	\$ -	\$ (5,563)
2002-03	7,071	-	(7,071)
2007-08	5,851	-	(5,851)
2008-09	6,111	-	(6,111)
Total	<u>\$ 24,596</u>	<u>\$ -</u>	<u>\$ (24,596)</u>

Unsupported Salaries and Benefits

For FY 2001-02 and FY 2002-03, the city claimed 45 minutes per day to perform feral cat testing. For FY 2007-08 and FY 2008-09, the city claimed 21 minutes per cat to perform feral cat testing. The city did not provide any actual cost documentation or other corroborating evidence supporting the time spent on the reimbursable activity.

We provided the city with an opportunity to perform a time study to substantiate the time spent performing feral cat testing. The city declined the opportunity to perform a time study because the current feral cat process is not the same as it was during the fiscal years of the audit period. In addition, the city stated that it does not treat feral cats the same way that it used to.

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.

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.

**FINDING 7—
Unallowable lost-
and-found lists
costs**

The city claimed direct costs totaling \$106,699 for the Lost-and-Found Lists cost component during the audit period. We found that all of the costs claimed are unallowable because the city claimed reimbursement for ineligible and unsupported costs.

The following table summarizes the claimed, allowable, and unallowable costs 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	\$ 16,955	\$ -	\$ (16,955)
2002-03	19,760	-	(19,760)
2007-08	8,370	-	(8,370)
2008-09	9,433	-	(9,433)
Total, salaries and benefits	<u>54,518</u>	<u>-</u>	<u>(54,518)</u>
Materials and supplies:			
2002-03	34,000	-	(34,000)
Total, materials and supplies	<u>34,000</u>	<u>-</u>	<u>(34,000)</u>
Contract services:			
2001-02	18,181	-	(18,181)
Total, contract services	<u>18,181</u>	<u>-</u>	<u>(18,181)</u>
Total	<u>\$ 106,699</u>	<u>\$ -</u>	<u>\$ (106,699)</u>

Unsupported Salaries and Benefits

For FY 2001-02 and FY 2002-03, the district claimed roughly 832 hours for two Typist Clerk IIs to perform the reimbursable activities. For FY 2007-08 and FY 2008-09, the city claimed 212 hours for various shelter staff to perform the reimbursable activities. However, the city did not provide any actual cost documentation or other corroborating evidence supporting the time spent on the reimbursable activities.

We provided the city with an opportunity to perform a time study to substantiate the time spent performing Lost-and-Found Lists activities. The city declined the opportunity to perform a time study because the current process is not the same as it was during the fiscal years of the audit period.

Ineligible Materials and Supplies

For FY 2002-03, the city claimed \$34,000 for two Volunteer Coordinators to perform Lost-and-Found Lists activities. The contract for one of the Volunteer Coordinators states that the Volunteer Coordinator managed the volunteer program and coordinated off-site events. None of these activities specifically relate to the reimbursable activities identified in the parameters and guidelines for this cost component.

In addition, the city did not provide sufficient documentation supporting the costs claimed. For example, instead of invoices, the city provided handwritten purchase orders that do not specify what activities were performed. As a result, we found that none of the costs claimed are allowable.

Ineligible Contract Services

For FY 2001-02, the city claimed \$18,181 for one Volunteer Coordinator to perform Lost-and-Found Lists activities. The amount claimed represents 50% of the total contract costs incurred for one Volunteer Coordinator ($\$36,363 \times 50\%$).

Our review of the contract revealed that the Volunteer Coordinator was hired specifically to develop a volunteer program. Furthermore, the invoices submitted to the city show that the Volunteer Coordinator's activities included preparing for and conducting off-site animal adoption events, open houses at the animal shelter, and school presentations. Neither the employee's contract nor the invoices specify that any Lost-and-Found Lists activities were performed. As a result, we found that none of the costs claimed are allowable.

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.

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.

**FINDING 8—
Unallowable
maintaining non-
medical records costs**

The city claimed direct costs totaling \$400,553 for the Maintaining Non-Medical Records cost component during the audit period. We found that \$156,897 is allowable and \$243,656 is unallowable. The costs are unallowable because the costs claimed are ineligible and unsupported.

The following table summarizes the claimed, allowable, and unallowable direct costs for the 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	\$ 113,040	\$ 21,637	\$ (91,403)
2002-03	118,248	21,778	(96,470)
2007-08	43,839	25,784	(18,055)
2008-09	46,066	27,432	(18,634)
Total, salaries and benefits	<u>321,193</u>	<u>96,631</u>	<u>(224,562)</u>
Contract services:			
2001-02	16,560	11,592	(4,968)
2002-03	20,400	14,280	(6,120)
2007-08	21,200	16,292	(4,908)
2008-09	21,200	18,102	(3,098)
Total, contract services	<u>79,360</u>	<u>60,266</u>	<u>(19,094)</u>
Total	<u>\$ 400,553</u>	<u>\$ 156,897</u>	<u>\$ (243,656)</u>

Salaries and Benefits

For each fiscal year of the audit period, the city claimed approximately 17 minutes per animal based on a time study performed by one employee on one day (August 17, 2002). This time study is insufficient because the time period (one day) is not an adequate representation of the entire fiscal year, nor is it an adequate representation of the employee classifications involved in this mandated activity at the city's animal shelter.

We provided the city with an opportunity to perform a time study to substantiate the time spent maintaining non-medical records. The city performed a two-week time study in June of 2013. The reimbursable activities were performed by the employee classifications of Animal Care Technician, Animal Control Officer, Senior Animal Care Technician, and Customer Service Representative (Customer Service Representatives were Typist Clerk IIs during FY 2001-02 and FY

2002-03). The city maintained time study logs which tracked shelter employees' time for entering information into its Chameleon database system. During the two-week time period, the city spent 1,694 minutes maintaining 437 non-medical records, for an average of 3.876 minutes per record. We determined each employee classification's involvement in the reimbursable activities as a percentage and multiplied it by 3.876 minutes per animal record to the total number of dogs, cats, and other animals housed at the shelter for each fiscal year to determine allowable salaries and benefits, totaling \$96,631, during the audit period.

Materials and Supplies

The city claimed \$79,360 for Chameleon software costs during the audit period. As stated in Finding 1, Chameleon is a software management system that helps agencies manage and track all animal-related data at an animal care facility. Chameleon is used for both mandated and non-mandated activities (such as recording adoptions, medical records, animal licenses, and tracking both donor and financial information). City representatives informed us that 70% of the software system is mandate related.

The city provided invoices totaling \$86,094 from HLP, Inc., the vendor that provides Chameleon software products. We applied the mandate-related percentage to the supported costs and found that \$60,266 is allowable (\$86,094 x 70%).

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.

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

The city claimed direct costs totaling \$199,764 for the Necessary and Prompt Veterinary Care cost component during the audit period. We found that \$45,067 is allowable and \$154,697 is unallowable. The costs are unallowable because the city claimed reimbursement for ineligible costs.

The following table summarizes the claimed, allowable, and audit adjustment amounts 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	\$ 6,652	\$ 10,187	\$ 3,535
2002-03	6,954	10,341	3,387
2007-08	33,676	11,991	(21,685)
2008-09	<u>33,676</u>	<u>12,548</u>	<u>(21,128)</u>
Total, salaries and benefits	<u>80,958</u>	<u>45,067</u>	<u>(35,891)</u>
Materials and supplies:			
2002-03	50,801	-	(50,801)
2007-08	4,134	-	(4,134)
2008-09	<u>4,134</u>	<u>-</u>	<u>(4,134)</u>
Total, materials and supplies	<u>59,069</u>	<u>-</u>	<u>(59,069)</u>
Contract services:			
2001-02	<u>59,737</u>	<u>-</u>	<u>(59,737)</u>
Total, contract services	<u>59,737</u>	<u>-</u>	<u>(59,737)</u>
Total	<u>\$ 199,764</u>	<u>\$ 45,067</u>	<u>\$ (154,697)</u>

Salaries and Benefits*Time Study*

For FY 2001-02 and FY 2002-03, the city claimed approximately one minute per animal for performing an initial physical exam on all animals entering the shelter. For FY 2007-08 and FY 2008-09, the city claimed 3.6 minutes for performing a wellness checks on all animals. The 3.6 minutes claimed was based on a four-day time study performed by a Typist Clerk II in November of 2005. The time study documentation showed a log for phone calls regarding the Hayden Study but did not indicate any time spent in relation to a wellness exam.

The November 2005 time study is insufficient because the time period (four days) is not an adequate representation of the entire fiscal year, was not spent performing reimbursable activities, nor is it an adequate representation of the employee classifications involved in performing the reimbursable activities.

We provided the city with an opportunity to perform a time study to substantiate the time spent on Necessary and Prompt Veterinary Care activities. The city performed a two-week time study in June of 2013. The time study results show that city staff spent the following amount of time performing the reimbursable activities under this cost component:

Reimbursable Activity	Number of Records Time-Studied	Total Minutes	Minutes per Record
D1 - Initial physical exam - dog	142	410	2.887
D2 - Initial physical exam - cat	99	214	2.162
D3 - Wellness Vaccination - dog	131	506	3.863
D4 - Wellness Vaccination - cat	53	165	3.113

We applied the time study rate (minutes per record) to the number of dogs and cats that died during the holding period or were ultimately euthanized during each year of the audit period, and found that \$45,067 is allowable.

Unsupported Veterinarian Salaries and Benefits

For FY 2007-08 and FY 2008-09, the city claimed \$47,974 in salaries and benefits for its on-site veterinarian to perform Necessary and Prompt Veterinary Care to ensure that the animals are healthy and adoptable. The city only claimed 50% of the veterinarian's cost because 50% of the veterinarian's time was spent performing ineligible spaying and neutering activities.

However, the city did not provide any documentation to support the costs claimed. Furthermore, the veterinarian did not participate in the June 2013 time study. As a result, the costs claimed are unallowable.

Materials and Supplies and Contract Services

The city claimed \$118,806 (\$59,069 in materials and supplies, and \$59,737 in contract services) for wellness assessments of stray animals performed by a veterinarian. The percentage of veterinary care costs claimed for each fiscal year varied greatly. For FY 2001-02, the city claimed 100% of veterinary care costs. For FY 2002-03, the city claimed between 50% and 75% of the veterinary care costs. For FY 2007-08 and FY 2008-09, the city claimed a percentage of the veterinary care costs based on a pro rata representation of animals euthanized during the increased holding period.

For FY 2001-02, the city provided invoices to support the costs claimed. Each invoice identifies an animal ID number and the cost for the service, but does not provide a description of the type of treatment provided to the animal. For FY 2002-03, the city provided a general ledger summary report that identified only the total paid to the veterinarian. The general ledger summary report does not identify an animal ID number nor provide a description of the type of treatment provided to the animal. The parameters and guidelines only identify that reimbursement is applicable for a limited number of reimbursable activities provided to a specific population of animals during a specified period of time.

For FY 2007-08 and FY 2008-09, the city did not provide any documentation to support the costs claimed. We provided the city with several options to validate the costs identified on the FY 2001-02 invoices. The city did not provide any documentation to support that the costs claimed were spent on the reimbursable activities of this cost component. Therefore, none of the costs claimed are allowable.

The parameters and guidelines (section IV.B.9 – Necessary and Prompt Veterinary Care) 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 periods specified in Statutes of 1998, Chapter 752.

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

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

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.

**FINDING 10—
Unallowable procuring
equipment costs**

The city claimed direct costs totaling \$14,647 for the Procuring Equipment cost component during the audit period. We found that \$8,549 is allowable and \$6,098 is unallowable. The costs are unallowable because the city claimed reimbursement for costs incurred when the Animal Adoption Program was suspended.

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

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Materials and supplies:			
2001-02	\$ 8,549	\$ 8,549	\$ -
2002-03	6,098	-	(6,098)
Total	<u>\$ 14,647</u>	<u>\$ 8,549</u>	<u>\$ (6,098)</u>

Ineligible High-Pressure Power Washer

For FY 2002-03, the city claimed \$6,098 for a high-pressure power washer to clean the shelter. The power washer was needed to address the sanitary issues observed at the shelter due to animal overcrowding. However, the city incurred costs for the purchase of the power washer in FY 2003-04. Because the Animal Adoption Program was suspended in FY 2003-04, the costs claimed are unallowable.

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.

**FINDING 11—
Understated indirect costs**

The city claimed \$58,566 for indirect costs during the audit period. We found that \$189,589 is allowable. The city understated indirect costs by \$131,023 because it did not prepare Indirect Cost Rate Proposals (ICRPs). Instead, the city used the 10% of direct labor, excluding fringe benefits option provided in the parameters and guidelines as its indirect cost rate for all years of the audit period.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Indirect costs:			
2001-02	\$ 16,205	\$ 41,666	\$ 25,461
2002-03	18,085	40,112	22,027
2007-08	12,138	51,981	39,843
2008-09	12,138	55,830	43,692
Total	<u>\$ 58,566</u>	<u>\$ 189,589</u>	<u>\$ 131,023</u>

Indirect Cost Rate Proposal

For each fiscal year in the audit period, the city claimed indirect costs using 10% of direct labor, excluding fringe benefits. The city justified this methodology because it included the citywide cost allocation plan, which is an indirect cost, in its Care and Maintenance formula (see Finding 4).

During audit fieldwork, the city prepared ICRPs for each year of the audit period and provided documentation to support the following indirect cost rates:

Fiscal Year	Indirect Cost Rate
2001-02	30.24%
2002-03	29.19%
2007-08	29.53%
2008-09	30.00%

We reviewed the documentation supporting the ICRPs and confirmed that the rates were properly calculated. We applied the applicable indirect cost rate to allowable salaries and benefits for each year of the audit period and found that indirect costs totaling \$189,589 are allowable. The citywide cost allocation plan charges were included as an indirect cost within each ICRP and were excluded from the Care and Maintenance formula (see Finding 4).

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.

Indirect costs include (a) the indirect costs originating in each department or agency of the governmental unit carrying out state mandated programs and (b) the costs of central government services distributed through the central service cost allocation plan and not otherwise treated as direct costs.

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 claimed costs include only eligible costs, are based on actual costs, and are properly supported.

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

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