

PLACER COUNTY

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

November 2014



JOHN CHIANG
California State Controller

November 17, 2014

Jack Duran, Chair
Board of Supervisors
Placer County
175 Fulweiler Avenue
Auburn, CA 95603

Dear Mr. Duran:

The State Controller's Office audited the costs claimed by Placer County 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 county claimed \$862,075 for the mandated program. Our audit found that \$475,911 is allowable and \$386,164 is unallowable. The costs are unallowable because the county 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 cost rates; and overstated offsetting revenues. The State made no payments to the county. The State will pay \$475,911, 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: The Honorable Andrew Sisk, Auditor-Controller
Placer County
Stan Hapak, Administrative and Fiscal Operations Manager
Placer County, Health and Human Services
Wesley G. Nicks, Director of Environmental Health, Public Health, and Animal Services
Placer County, Health and Human Services
Rebecca Mellott, Director, Administrative Services
Placer County, Health and Human Services
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Placer County 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 county claimed \$862,075 for the mandated program. Our audit found that \$475,911 is allowable and \$386,164 is unallowable. The costs are unallowable because the county 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 cost rates; and overstated offsetting revenues. The State made no payments to the county. The State will \$475,911, 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 county'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 county'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, Placer County claimed \$862,075 for costs of the Animal Adoption Program. Our audit found that \$475,911 is allowable and \$386,164 is unallowable. The State made no payments to the county. The State will pay \$475,911, contingent upon available appropriations.

Views of Responsible Officials

We issued a draft audit report on October 24, 2014. Nicole C. Howard, CPA, Assistant Auditor-Controller, responded by letter dated November 5, 2014 (Attachment), agreeing with the audit results except for Findings 1, 2, and 3. This final audit report includes the county's response.

Restricted Use

This report is solely for the information and use of Placer County, 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

November 17, 2014

**Schedule 1—
Summary of Program Costs
July 1, 2001, through June 30, 2003;
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:				
Policies and procedures	\$ 11,612	\$ —	\$ (11,612)	Finding 1
Computer software	6,508	—	(6,508)	Finding 2
Remodeling/renovating facilities	52,057	—	(52,057)	Finding 3
Care and maintenance of dogs, cats, and other animals ²	65,848	7,717	(58,131)	Finding 4
Increased holding period	4,772	21,463	16,691	Finding 5
Feral cats	20,080	2,223	(17,857)	Finding 6
Lost and found lists	14,162	5,383	(8,779)	Finding 7
Maintaining non-medical records	31,847	6,492	(25,355)	Finding 8
Necessary and prompt veterinary care	20,759	1,679	(19,080)	Finding 9
Procuring equipment	—	21,475	21,475	Finding 10
Total direct costs	227,645	66,432	(161,213)	
Indirect costs	33,551	23,330	(10,221)	Finding 11
Total direct and indirect costs	261,196	89,762	(171,434)	
Less offsetting revenues	(28,800)	—	28,800	Finding 12
Total program costs	<u>\$ 232,396</u>	89,762	<u>\$ (142,634)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 89,762</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Computer software	\$ 6,908	\$ —	\$ (6,908)	Finding 2
Remodeling/renovating facilities	147,080	—	(147,080)	Finding 3
Care and maintenance of dogs, cats, and other animals ²	31,170	8,247	(22,923)	Finding 4
Increased holding period	38,137	26,024	(12,113)	Finding 5
Feral cats	—	3,122	3,122	Finding 6
Lost and found lists	15,773	6,195	(9,578)	Finding 7
Maintaining non-medical records	14,548	7,890	(6,658)	Finding 8
Necessary and prompt veterinary care	35,101	2,029	(33,072)	Finding 9
Procuring equipment	—	791	791	Finding 10
Total direct costs	288,717	54,298	(234,419)	
Indirect costs	47,844	23,557	(24,287)	Finding 11
Total direct and indirect costs	336,561	77,855	(258,706)	
Less offsetting revenues	(34,273)	—	34,273	Finding 12
Total program costs	<u>\$ 302,288</u>	77,855	<u>\$ (224,433)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 77,855</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2007, through June 30, 2008</u>				
Direct costs:				
Care and maintenance of dogs, cats, and other animals ²	\$ 18,124	\$ 13,788	\$ (4,336)	Finding 4
Increased holding period	47,581	32,821	(14,760)	Finding 5
Feral cats	—	7,495	7,495	Finding 6
Lost and found lists	25,463	9,485	(15,978)	Finding 7
Maintaining non-medical records	46,415	24,780	(21,635)	Finding 8
Necessary and prompt veterinary care	19,727	4,239	(15,488)	Finding 9
Procuring equipment	—	4,147	4,147	Finding 10
Total direct costs	157,310	96,755	(60,555)	
Indirect costs	58,257	57,454	(803)	Finding 11
Total direct and indirect costs	215,567	154,209	(61,358)	
Less offsetting revenues	(64,181)	—	64,181	Finding 12
Subtotal	151,386	154,209	2,823	
Less allowable costs that exceed costs claimed ³		(2,823)	(2,823)	
Total program costs	<u>\$ 151,386</u>	151,386	<u>\$ —</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 151,386</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs:				
Care and maintenance of dogs, cats, and other animals ²	\$ 23,782	\$ 11,267	\$ (12,515)	Finding 4
Increased holding period	55,476	32,734	(22,742)	Finding 5
Feral cats	—	6,747	6,747	Finding 6
Lost and found lists	25,992	9,685	(16,307)	Finding 7
Maintaining non-medical records	41,473	24,687	(16,786)	Finding 8
Necessary and prompt veterinary care	29,434	4,276	(25,158)	Finding 9
Procuring equipment	—	3,368	3,368	Finding 10
Total direct costs	176,157	92,764	(83,393)	
Indirect costs	68,203	64,144	(4,059)	Finding 11
Total direct and indirect costs	244,360	156,908	(87,452)	
Less offsetting revenues	(68,355)	—	68,355	Finding 12
Total program costs	<u>\$ 176,005</u>	156,908	<u>\$ (19,097)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 156,908</u>		
<u>Summary: July 1, 2001, through June 30, 2003;</u> <u>and July 1, 2007, through June 30, 2009</u>				
Direct costs:				
Policies and procedures	\$ 11,612	\$ —	\$ (11,612)	Finding 1
Computer software	13,416	—	(13,416)	Finding 2
Remodeling/renovating facilities	199,137	—	(199,137)	Finding 3
Care and maintenance of dogs, cats, and other animals ²	138,924	41,019	(97,905)	Finding 4
Increased holding period	145,966	113,042	(32,924)	Finding 5
Feral cats	20,080	19,587	(493)	Finding 6
Lost and found lists	81,390	30,748	(50,642)	Finding 7
Maintaining non-medical records	134,283	63,849	(70,434)	Finding 8

Schedule 1 (continued)

Cost Elements	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 (continued)</u>				
Necessary and prompt veterinary care	105,021	12,223	(92,798)	Finding 9
Procuring equipment	—	29,781	29,781	Finding 10
Total direct costs	849,829	310,249	(539,580)	
Indirect costs	207,855	168,485	(39,370)	Finding 11
Total direct and indirect costs	1,057,684	478,734	(578,950)	
Less offsetting revenues	(195,609)	—	195,609	Finding 12
Subtotal	862,075	478,734	383,341	
Less allowable costs that exceed costs claimed	—	(2,823)	(2,823)	
Total program costs	<u>\$ 862,075</u>	475,911	<u>\$ (386,164)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 475,911</u>		
<u>Summary by Object Account: July 1, 2001, through June 30, 2003; and July 1, 2007, through June 30, 2009</u>				
Direct costs:				
Salaries and benefits	\$ 401,617	\$ 258,012	\$ (143,605)	
Materials and supplies	348,319	19,899	(328,420)	
Contract services	27,756	11,172	(16,584)	
Fixed assets	72,137	21,166	(50,971)	
Total direct costs	849,829	310,249	(539,580)	
Indirect costs	207,855	168,485	(39,370)	
Total direct and indirect costs	1,057,684	478,734	(578,950)	
Less offsetting revenues	(195,609)	—	195,609	
Subtotal	862,075	478,734	(383,341)	
Less allowable costs that exceed costs claimed	—	(2,823)	(2,823)	
Total program costs	<u>\$ 862,075</u>	475,911	<u>\$ (386,164)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 475,911</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	Amounts Claimed Materials & Supplies	Allowable Per Audit			Total	Audit Adjustment
		Salaries	Benefits	Materials & Supplies		
<u>July 1, 2001, through June 30, 2002</u>						
Total care and maintenance costs	\$ 391,933	\$ 196,994	\$ 74,131	\$ 52,159		
Total animal census	÷ 24,820	÷ 34,696	÷ 34,696	÷ 34,696		
Cost per day	\$ 15.7910	\$ 5.68	\$ 2.14	\$ 1.50		
Care and Maintenance of Dogs and Cats:						
Cost per day	\$ 15.7910	\$ 5.68	\$ 2.14	\$ 1.50		
Number of eligible dogs and cats	× 2,085	× 270	× 270	× 270		
Reimbursable days	× 2	× 3	× 3	× 3		
Total care and maintenance costs for dogs and cats	\$ 65,848	\$ 4,601	\$ 1,733	\$ 1,215	\$ 7,549	\$ (58,299)
Care and Maintenance of Other "Eligible" Animals:						
Cost per day	\$ —	\$ 5.68	\$ 2.14	\$ 1.50		
Number of eligible other animals	× —	× 3	× 3	× 3		
Reimbursable days	× —	× 6	× 6	× 6		
Total care and maintenance costs for other animals	\$ —	\$ 102	\$ 39	\$ 27	\$ 168	\$ 168
Total care and maintenance costs	\$ 65,848	\$ 4,703	\$ 1,772	\$ 1,242	\$ 7,717	\$ (58,131)
<u>July 1, 2002, through June 30, 2003</u>						
Total care and maintenance costs	\$ 318,287	\$ 198,612	\$ 98,926	\$ 47,609		
Total animal census	÷ 31,390	÷ 36,935	÷ 36,935	÷ 36,935		
Cost per day	\$ 10.14	\$ 5.38	\$ 2.68	\$ 1.29		
Care and Maintenance of Dogs and Cats:						
Cost per day	\$ 10.14	\$ 5.38	\$ 2.68	\$ 1.29		
Number of eligible dogs and cats	× 1,537	× 288	× 288	× 288		
Reimbursable days	× 2	× 3	× 3	× 3		
Total care and maintenance costs for dogs and cats	\$ 31,170	\$ 4,648	\$ 2,316	\$ 1,115	\$ 8,079	\$ (23,091)
Care and Maintenance of Other "Eligible" Animals:						
Cost per day	\$ 10.14	\$ 5.38	\$ 2.68	\$ 1.29		
Number of eligible other animals	× —	× 3	× 3	× 3		
Reimbursable days	× —	× 6	× 6	× 6		
Total care and maintenance costs for other animals	\$ —	\$ 97	\$ 48	\$ 23	\$ 168	\$ 168
Total care and maintenance costs	\$ 31,170	\$ 4,745	\$ 2,364	\$ 1,138	\$ 8,247	\$ (22,923)

Schedule 2 (continued)

Category	Amounts Claimed	Allowable Per Audit			Total	Audit Adjustment
	Materials & Supplies	Salaries	Benefits	Materials & Supplies		
<u>July 1, 2007, through June 30, 2008</u>						
Total care and maintenance costs	\$ 557,462	\$ 312,386	\$ 176,812	\$ 45,533		
Total animal census	÷ 43,800	÷ 54,472	÷ 54,472	÷ 54,472		
Cost per day	\$ 12.7274	\$ 5.73	\$ 3.25	\$ 0.84		
Care and Maintenance of Dogs and Cats:						
Cost per day	\$ 12.7274	\$ 5.73	\$ 3.25	\$ 0.84		
Number of eligible dogs and cats	× 712	× 458	× 458	× 458		
Reimbursable days	× 2	× 3	× 3	× 3		
Total care and maintenance costs for dogs and cats	\$ 18,124	\$ 7,873	\$ 4,466	\$ 1,154	\$ 13,493	\$ (4,631)
Care and Maintenance of Other "Eligible" Animals:						
Cost per day	\$ 12.7274	\$ 5.73	\$ 3.25	\$ 0.84		
Number of eligible other animals	× —	× 5	× 5	× 5		
Reimbursable days	× —	× 6	× 6	× 6		
Total care and maintenance costs for other animals	\$ —	\$ 172	\$ 98	\$ 25	\$ 295	\$ 295
Total care and maintenance costs	\$ 18,124	\$ 8,045	\$ 4,564	\$ 1,179	\$ 13,788	\$ (4,336)
<u>July 1, 2008, through June 30, 2009</u>						
Total care and maintenance costs	\$ 685,286	\$ 288,534	\$ 170,838	\$ 52,249		
Total animal census	÷ 39,420	÷ 57,451	÷ 57,451	÷ 57,451		
Cost per day	\$ 17.3842	\$ 5.02	\$ 2.97	\$ 0.91		
Care and Maintenance of Dogs and Cats:						
Cost per day	\$ 17.3842	\$ 5.02	\$ 2.97	\$ 0.91		
Number of eligible dogs and cats	× 684	× 414	× 414	× 414		
Reimbursable days	× 2	× 3	× 3	× 3		
Total care and maintenance costs for dogs and cats	\$ 23,782	\$ 6,235	\$ 3,689	\$ 1,130	\$ 11,054	\$ (12,728)
Care and Maintenance of Other "Eligible" Animals:						
Cost per day	\$ 17.3842	\$ 5.02	\$ 2.97	\$ 0.91		
Number of eligible other animals	× —	× 4	× 4	× 4		
Reimbursable days	× —	× 6	× 6	× 6		
Total care and maintenance costs for other animals	\$ —	\$ 120	\$ 71	\$ 22	\$ 213	\$ 213
Total care and maintenance costs	\$ 23,782	\$ 6,355	\$ 3,760	\$ 1,152	\$ 11,267	\$ (12,515)
<u>Summary: July 1, 2001, through June 30, 2003; and July 1, 2007, through June 30, 2009</u>						
Care and maintenance						
Dogs and Cats	\$ 138,924	\$ 23,357	\$ 12,204	\$ 4,614	\$ 40,175	\$ (98,749)
Other "Eligible" Animals	—	491	256	97	844	844
Total care and maintenance costs	\$ 138,924	\$ 23,848	\$ 12,460	\$ 4,711	\$ 41,019	\$ (97,905)

Findings and Recommendations

**FINDING 1—
Unallowable one-time
cost of developing
policies and
procedures**

The county claimed materials and supplies totaling \$11,612 during the audit period for developing policies and procedures. The county improperly classified costs under materials and supplies rather than salaries and benefits. We found that the entire amount is unallowable. The costs were unallowable because the hours claimed for staff attendance at “Hayden Bill Planning Meetings” were not supported with source documents to validate the time spent or to explain how these meetings related to the policies and procedures needed to implement the reimbursable activities of this mandated program.

The following table summarizes the claimed, allowable, and audit adjustment amounts per fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Materials and supplies:			
2001-02	\$ 11,612	\$ —	\$ (11,612)
Total, materials and supplies	\$ 11,612	\$ —	\$ (11,612)

The program’s parameters and guidelines (Section IV.A.1–One Time Activities) identify the following one-time reimbursable activity:

Develop policies and procedures to implement the reimbursable activities listed in Section IV (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.

County’s Response

This finding was related to FY2001-02. While we agree that we were unable to provide source documents to validate time spent at “Hayden Bill Planning Meetings,” this does not necessarily mean that such documentation did not exist. Since the State Controller’s Office audit of these costs occurred nearly 10 years after the related expenses were incurred, it is not unreasonable to assume that any supporting records would have been destroyed during the normal course of business prior to the start of Placer County’s audit in November 2012.

SCO’s Comments

The finding and recommendation remain unchanged.

In its response to the draft audit report, the county states that “it is not unreasonable to assume that any supporting records would have been destroyed during the normal course of business prior to the start of Placer County’s audit in November 2012.” While we understand that most accounting and other business records are subject to the county’s internal retention policies, the parameters and guidelines for the mandated program require that documentation supporting mandated costs be retained. Parameters and guidelines section VI (Supporting Data) states:

All documentation in support of claimed costs shall be made available to the State Controller’s Office, as may be requested. Pursuant to Government Code section 17558.5, these documents must be kept on file by the agency submitting the claim for a period of no less than two years after the later of (1) the end of the calendar year in which the reimbursement claim is filed or last amended, or (2) if no funds are appropriated for the fiscal year for which the claim is made, the date of initial payment of the claim.

The audit finding relates to costs claimed for FY 2001-02. No funds have been appropriated by the State Legislature for the payment of FY 2001-02 claims filed under the Animal Adoption Program. Therefore, the claims were still subject to audit.

**FINDING 2—
Unallowable one-time
cost of developing or
procuring computer
software for the
maintenance of
animal records**

The county claimed materials and supplies totaling \$13,416 during the audit period for developing or procuring computer software for the maintenance of animal records. The county improperly claimed salaries and benefits costs under materials and supplies. We found that the entire amount is unallowable because the county did not provide source documents to validate the time spent developing or procuring software. In addition, the county’s claim stated that the costs were incurred to perform an update of the county’s existing computer system, which is not a reimbursable activity under the mandated program.

The following table summarizes the claimed, allowable, and audit adjustment amounts per fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Materials and supplies:			
2001-02	\$ 6,508	\$ —	\$ (6,508)
2002-03	6,908	—	(6,908)
Total, materials and supplies	<u>\$ 13,416</u>	<u>\$ —</u>	<u>\$ (13,416)</u>

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 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.

County's Response

This finding was related to FY2001-02 and FY2002-03. While we agree that we were unable to provide source documents to validate time spent developing or procuring software, this does not necessarily mean that such documentation did not exist. Since the State Controllers' Office audit of these costs occurred nine to ten years after the related expenses were incurred, it is not unreasonable to assume that any supporting records would have been destroyed during the normal course of business prior to the state of Placer County's audit in November 2012.

SCO's Comments

The finding and recommendation remain unchanged.

The county's response to Finding 2 is identical to the response that it submitted for Finding 1. Therefore, our comments are the also the same as they relate to retaining source documentation, except that the costs claimed related to both FY 2001-02 and FY 2002-03.

In addition to the costs being unsupported, the costs also were ineligible for reimbursement. In the audit report, we noted that "the county's claim stated that the costs were incurred to perform an update of the county's existing computer system, which is not a reimbursable activity under the mandated program." Costs are reimbursable to "develop or procure computer software" rather than provide upgrades for existing software.

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

The county claimed salaries and benefits, materials and supplies, and fixed assets totaling \$199,137 during the audit period under the Remodeling/Renovating Existing Facilities cost component. The county improperly claimed salaries and benefits costs under materials and supplies and fixed assets. We found that the entire amount is unallowable because the county was unable to properly support, through a Board Agenda or other similar supporting documentation, that improvements made to the Auburn animal shelter during FY 2001-02 and FY 2002-03 were the direct result of the increased holding period requirements of this mandated program.

The following tables summarize the claimed costs, the pro rata percentages claimed and allowable, allowable costs, and the audit adjustment amounts by fiscal year:

Fiscal Year	Percentage Claimed	Amount Claimed	Supported Costs	Percentage Allowable	Amount Allowable	Audit Adjustment
<u>2001-02</u>						
Fixed Assets	100.0%	\$ 52,057	\$ 52,057	0%	\$ -	\$ (52,057)
Total, 2001-02		<u>52,057</u>			<u>-</u>	<u>(52,057)</u>
<u>2002-03</u>						
Salaries and Benefits	51.8%	516	996	0%	-	(516)
Materials and Supplies	51.8%	<u>146,564</u>	<u>282,942</u>	0%	-	<u>(146,564)</u>
Total, 2002-03		<u>147,080</u>	<u>283,938</u>		<u>-</u>	<u>(147,080)</u>
Grand Total		<u>\$199,137</u>			<u>\$ -</u>	<u>\$(199,137)</u>

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.

County's Response

This finding was related to FY2001-02 and FY2002-03. This finding indicates that the entire amount is unallowable because the county was unable to properly support that improvements made to the Auburn animal shelter during FY2001-02 and FY 2002-03 were the direct result of the increased holding period requirements of this mandated program. A November 6, 2001 memo was located and provided to State Controller's auditors that indicated that "modifications are needed at the current shelter facility in order to maintain adequate care for the animals being sheltered." We feel that since these improvements were approved during the infancy of the mandated Animal Adoption Program, a correlation exists between these costs and mandated claim requirements and that related expenditures should be considered allowable.

SCO's Comments

The finding and recommendation remain unchanged.

In its response, the county states that a county memo stating "modifications are needed at the current shelter facility in order to maintain adequate care for the animals being sheltered" should be sufficient evidence that the county complied with the documentation requirements contained in the parameters and guidelines for this cost component. We disagree.

The supporting documentation requirements contained in the parameters and guidelines for claiming remodeling and renovation costs are very specific. Not only is a determination required by the governing board stating that remodeling or renovation is required in order to comply with the increased holding period requirements of the Hayden Bill (Statutes of 1998, Chapter 752), but a numerical analysis is also required. Such analysis should support the average daily census of dogs and cats housed in the county's animal shelter during 1998 and the number of "other animals" housed in the county's shelter during any given year. A statement is also required noting that existing facilities are not configured or equipped to comply with the increased holding period requirements. None of this documentation was provided by the county.

The county also notes that "since these improvements were approved during the infancy of the mandated Animal Adoption Program, a correlation exists between these costs and mandated claim requirements." The associated costs were included in the county's claims for FY 2001-02 and FY 2002-03. Actual cost claims for both years were due the SCO on January 15 following the end of both fiscal years. The parameters and guidelines for the Animal Adoption Program were originally adopted on February 28, 2002, based on a test claim filed by

Los Angeles County on December 22, 1998. Therefore, there was adequate notice of the requirements for this mandated program before the county filed its FY 2001-02 claim on January 10, 2003, and filed its FY 2002-03 claim on January 15, 2004.

**FINDING 4—
Overstated care and
maintenance costs**

The county claimed direct costs totaling \$ 138,924 during the audit period for the care and maintenance of dogs and cats. We found that \$41,019 is allowable and \$97,905 is unallowable. The costs are unallowable because the county overstated its materials and supplies costs, understated animal census data, overstated the cost per animal per day, overstated the number of eligible dogs and cats, understated the number of reimbursable days, claimed reimbursement for employee classifications that did not perform care and maintenance activities, and misstated the extent of involvement for the employee classifications that did perform the reimbursable activities.

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	\$ 65,848	\$ -	\$ 65,848	\$ 7,549	\$ 168	\$ 7,717	\$ (58,131)
2002-03	31,170	-	31,170	8,079	168	8,247	(22,923)
2007-08	18,124	-	18,124	13,493	295	13,788	(4,336)
2008-09	23,782	-	23,782	11,054	213	11,267	(12,515)
Total	\$ 138,924	-	\$ 138,924	\$ 40,175	\$ 844	\$ 41,019	\$ (97,905)

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 irremediably 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 county 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 stray 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 county 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(s). This total is divided by the annual census of animals housed in the shelter(s) 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 to the number of 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. This is consistent with an Appellate Court decision in *Purifoy v. Howell* dated March 26, 2010.

The mandate reimburses claimants for costs associated with animals that were not relinquished, redeemed, adopted, or released to nonprofit agency—and animals for which the local agency was unable to assess fees to recover such costs. Costs incurred by the county 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).

The county used an inconsistent methodology to claim costs for care and maintenance during the audit period. To calculate the annual cost of care and maintenance, the county first totaled salaries and benefits for various employee classifications. However, the composition of shelter staff selected varied during the audit period.

The following table details the employee classifications that the county included in the care and maintenance cost component by fiscal year.

Employee Classification	Fiscal Year			
	2001-02	2002-03	2007-08	2008-09
Animal Control Officer	1	3	7	7
Animal Control Officer II	3	-	-	-
Animal Control Officer Supervisor	-	-	2	2
Animal Care Supervisor	-	-	1	1
Kennel Attendant	7	2	6	6
Administrative Clerk	-	2	-	-
Senior Administrative Clerk	-	1	-	-
Totals	11	8	16	16

This methodology assumes that all employee classifications perform the reimbursable activities to the same extent, which is not a reasonable assumption. For example, the Animal Control Officer Supervisor did not perform the reimbursable activities at the same level as Kennel Attendants. In addition, the county subtracted 60% of salaries and benefits costs from the calculation for field services as well as salaries and benefits claimed within other cost components. The calculation to deduct 60% of salaries and benefits costs for field services was not supported.

The county added in costs for various line item expenditures from its Animal Shelter's expenditures ledger, although it did not provide support for the amounts selected. The county then divided total costs by its calculated "yearly census of dogs and cats" to arrive at a cost per animal, per day. The county multiplied the cost per animal per day by a number that was intended to represent the number of impounded dogs and cats that died during the holding period or were ultimately euthanized. The county multiplied this amount by two reimbursable days. For each fiscal year of the audit period, the county claimed its calculated annual cost of care and maintenance under materials and supplies. This is an incorrect application of the Actual Cost formula.

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 county for animal care and maintenance (salaries, benefits, and services and supplies) and animal census data used to determine the cost per animal per day. The table 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 county 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 percentage of animal care and maintenance per employee classification for both shelters as determined by the county’s shelter management.

	<u>Auburn Shelter</u>	<u>Tahoe Vista Shelter</u>
<u>FY 2001-02</u>		
<u>Employee Classification</u>		
Administrative Clerk	0%	50%
Kennel Attendant	97%	n/a
Animal Control Officer	3%	50%
	<u>100%</u>	<u>100%</u>
<u>FY 2002-03</u>		
<u>Employee Classification</u>		
Administrative Clerk	0%	50%
Kennel Attendant	97%	n/a
Animal Control Officer	3%	25%
Animal Control Officer Supervisor	0%	25%
	<u>100%</u>	<u>100%</u>
<u>FY 2007-08 & FY 2008-09</u>		
<u>Employee Classification</u>		
Kennel Attendant	98%	50%
Animal Care Supervisor	1%	0.0%
Animal Control Officer	1%	50%
Animal Control Officer Supervisor	0%	0%
	<u>100%</u>	<u>100%</u>

Administrative Clerk

Based on discussions with shelter management, the Administrative Clerk classification is generally not involved in the care and maintenance of animals in either of the county’s animal shelters. Management explained that it is not in the Administrative Clerk’s job duty description to perform care and maintenance activities. However, the only exception would be in FY 2001-02 and FY 2002-03, when an Administrative Clerk spent approximately 50% of her time performing care and maintenance duties due to staffing shortages at the Tahoe Vista shelter.

Kennel Attendant

The Kennel Attendant’s main duty is to provide care and maintenance of the animals. However, the percentage of time spent by this classification to provide care and maintenance varied by shelter depending on shelter staffing requirements and involvement of other employee classifications in the care and maintenance of animals.

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 and FY 2002-03, the Kennel Attendant classification performed 97% of the care and maintenance at the Auburn shelter and 0% of the care and maintenance at the Tahoe Vista shelter. The Tahoe shelter was understaffed during these two fiscal years and the Kennel Attendant position was vacant.

- For FY 2007-08 and FY 2008-09, the Kennel Attendant classification performed 98% of the care and maintenance at the Auburn shelter and 50% of the care and maintenance at the Tahoe Vista shelter.

Shelter management stated that Kennel Attendant participation in care and maintenance duties at the Tahoe Vista shelter is significantly less than at the Auburn shelter, as the Tahoe Vista facility is much smaller. Based on our observations and inquiries, we concurred with the county's assessment.

Animal Control Officer

Animal Control Officers (ACOs), in general, are not reimbursable under this cost component because their main duty is to provide animal control services in the field, not care and maintenance of animals in the shelter. However, shelter management indicated that due to the Tahoe Vista shelter's small size, ACOs performed a proportionate share of the care and maintenance activities. For the Auburn shelter, ACOs performed a small portion of the care and maintenance activities for the purpose of providing coverage for the small percentage of duties not covered by the Kennel Attendants. We determined that this assessment was reasonable based on our observation and analysis of shelter staffing schedules. In summary, the ACOs were involved to a certain extent in the care and maintenance of the animals during the audit period.

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 ACOs performed 3% of the care and maintenance at the Auburn shelter and 50% of the care and maintenance at the Tahoe Vista shelter.
- For FY 2002-03, the ACOs performed 3% of the care and maintenance at the Auburn shelter and 25% of the care and maintenance at the Tahoe Vista shelter.
- For FY 2007-08 and FY 2008-09, the ACOs performed 1% of the care and maintenance at the Auburn shelter and 50% of the care and maintenance at the Tahoe Vista shelter.

Animal Control Officer Supervisor

The Animal Control Officer Supervisor's main duty is to perform supervisory duties, not care and maintenance of animals. However, as indicated in discussions with shelter management, the Animal Control Officer Supervisor classification performed 25% of the care and maintenance activities at the Tahoe Vista Shelter for FY 2002-03 only. During this fiscal year, this classification shared the care and maintenance duties with an Animal Control Officer. We determined that this percentage was reasonable based on our observation and analysis of shelter staffing schedules.

Animal Care Supervisor

The county claimed the Animal Care Supervisor classification at the Auburn Shelter for FY 2007-08 and FY 2008-09. As indicated in discussions with shelter management, the Animal Care Supervisor performed 1% of the care and maintenance activities. While the ACOs performed 3% of the reimbursable activities during the first two years of the audit period, this load was shared between the two classifications during the last two years of the audit period. We determined that this assessment was reasonable based on our observation and analysis of shelter staffing schedules.

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 paid.

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	\$ -	\$ 271,125	\$ 271,125
2002-03	-	297,538	297,538
2007-08	-	489,198	489,198
2008-09	-	459,372	459,372
Total, salaries and benefits	\$ -	\$ 1,517,233	\$ 1,517,233

Materials and Supplies

The county claimed materials and supplies costs totaling \$138,924 during the audit period. However, 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 county management to identify materials and supplies costs eligible for reimbursement for the Care and Maintenance cost component. The county 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 2068 - Food
- Account 2085 - Special Department Expense
- Account 2840 - Household Expense
- Account 2522 - Other Supplies, and
- Account 2555 - Professional Purchased Services

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

The following table summarizes the gross amount of materials and supplies costs that we used in the care and maintenance formula by fiscal year:

Fiscal Year	Expenditure Category					Total
	Food	Household Expense	Special Dept Expense	Other Supplies	Professional Services	
2001-02	\$ 24,920	\$ 19,585	\$ 7,437	\$ 217	\$ -	\$ 52,159
2002-03	21,275	20,071	5,686	34	543	47,609
2007-08	17,826	25,415	2,292	-	-	45,533
2008-09	24,402	23,454	4,393	-	-	52,249
Totals	\$ 88,423	\$ 88,525	\$ 19,808	\$ 251	\$ 543	\$ 197,550

Animal Census Data

The yearly census refers to the total number of days that all animals were housed in the county's shelters. 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 the number of increased days.

For the early years of the audit period, we were unable to verify the yearly census numbers or the numbers of eligible animals that the county used in its claims. The county provided the actual census information from its animal database system for the last two years of the audit period. Using information from the last two years of the audit period, we determined the correct animal census to apply 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 animal data provided by the county.

In order to determine the correct animal census for each fiscal year of the audit period, we requested animal data from the county. For FY 2001-02 and FY 2002-03, the county was unable to provide animal data because it used the Petwhere software system during those years and the system's database records are not retrievable. For FY 2007-08 and FY 2008-09, information was available from the county's Chameleon software system. In the absence of animal data for FY 2001-02 and FY 2002-03, we derived the animal census by computing the proportionate percentage of allowable care and maintenance costs incurred during those years to an average of allowable care and maintenance costs incurred during FY 2007-08 and FY 2008-09. We then applied the applicable percentages to determine the animal census for FY 2001-02 and FY 2002-03. Management was able to verify the validity of the raw data for FY 2007-08 and 2008-09 and correct any data entry errors. The staff corrected animal data showing negative days impounded, zeroes shown for the number of animals impounded, and other obvious inconsistencies in the raw data.

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	24,820	34,696	9,876
2002-03	31,390	36,935	5,545
2007-08	43,800	54,472	10,672
2008-09	39,420	57,451	18,031
Total	139,430	183,554	44,124

Eligible Dogs, Cats, and “Other” Animals

The county did not claim costs for “other animals.” The county overstated the number of eligible dogs and cats for each year during the audit period. We determined the correct number of eligible animals to apply 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 animal data provided by the county.

In order to determine the correct number of eligible animals for each fiscal year of the audit period, we requested animal data from the county. For FY 2001-02 and FY 2002-03, the county was unable to provide animal data because it used the Petwhere software system during those years and the system’s database records are not retrievable. For FY 2007-08 and FY 2008-09, information was available from the county’s Chameleon software system. In the absence of animal data for FY 2001-02 and FY 2002-03, we derived the number of eligible animals by computing the proportionate percentage of allowable care and maintenance costs incurred during those years to an average of allowable care and maintenance costs incurred during FY 2007-08 and FY 2008-09. We then applied the applicable percentages to determine number of eligible animals for FY 2001-02 and FY 2002-03.

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 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	2,085	-	2,085	270	3	273
2002-03	1,537	-	1,537	288	3	291
2007-08	712	-	712	458	5	463
2008-09	684	-	684	414	4	418
Total	5,018	-	5,018	1,430	15	1,445

Reimbursable Days

The county claimed two increased holding days for dogs and cats and did not claim costs 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 would be applicable beginning January 1, 2012, and does not affect 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.

County’s Response

The county agrees with this finding.

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

The county claimed salaries and benefits totaling \$145,966 during the audit period under the Increased Holding Period cost component. We found that \$113,042 is allowable and the net amount of \$32,924 is unallowable (understated by \$16,691 and overstated by \$49,615).

The county understated salary and benefit costs for FY 2001-02. Costs were understated because the county understated the number of hours that its two animal shelters were open to the public to make animals available for owner redemption during that year. The county overstated salary and benefit costs for FY 2002-03, FY 2007-08, and FY 2008-09. Costs were overstated because the county overstated the total number of hours the two shelters were open to the public to make animals available for owner redemption, overstated the number of Kennel Attendants that performed the reimbursable activities for all fiscal years of the audit period, overstated the number of Animal Control Officers for FY 2007-08 and FY 2008-09 for the Auburn Shelter, and claimed the wrong employee classification performing the reimbursable activities at the Tahoe Vista Shelter. Additionally, the county understated the number of weeks in a year for FY 2002-03, FY 2007-08, and FY 2008-09 in its calculation of allowable hours for each employee classification.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and Benefits:			
2001-02	\$ 4,772	\$ 21,463	\$ 16,691
2002-03	38,137	26,024	(12,113)
2007-08	47,581	32,821	(14,760)
2008-09	55,476	32,734	(22,742)
Total, salaries and benefits	<u>\$145,966</u>	<u>\$ 113,042</u>	<u>\$ (32,924)</u>

Hours of Operation

Auburn Shelter

For FY 2001-02 and FY 2002-03, we found that the county's animal shelter was open to the public on Saturdays from 8:00 a.m. to 5:00 p.m., for a total of nine hours per allowable employee. For FY 2007-08 and FY 2008-09, we found that the shelter was open to the public on Saturdays from 9:00 a.m. to 5:00 p.m., and closed for lunch between 1:00 p.m. to 2:00 p.m. In addition, the kennel portion of the shelter was closed from 9:00 a.m. to 10:30 a.m. Therefore, the animal shelter was open, making the animals available for owner redemption or adoption during those years for a total of 5.5 hours per allowable employee. The shelter met the requirements of the mandate by making animals available for owner redemption or adoption 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 county incorrectly claimed just one hour per employee because the county claimed only one hour per week on a weeknight. For FY 2002-03, the county incorrectly claimed costs incurred for seven hours of shelter operation. For FY 2007-08 and FY 2008-09, the county correctly claimed costs incurred for 5.5 hours of shelter operation.

Tahoe Vista Shelter

For FY 2001-02 and FY 2002-03, we found that the county's animal shelter was open to the public on Saturdays from 10:00 a.m. to 5:00 p.m., and closed for lunch from 12:00 p.m. to 3:00 p.m. for a total of four hours per allowable employee. For FY 2007-08 and FY 2008-09, we found that the shelter was open to the public on Saturdays from 9:00 a.m. to 5:00 p.m., and closed for lunch from 12:00 p.m. to 1:00 p.m., for a total of seven hours per allowable employee. The shelter met the requirements of the mandate by making animals available for owner redemption or adoption on the weekend day.

Knowing the shelter's hours of operation is essential in determining the allowable hours spent to comply with the Increased Holding Period cost component. The county did not claim any costs for this shelter to be open on Saturdays during FY 2001-02. For FY 2002-03, the county correctly claimed costs incurred for four hours of shelter operation. For FY 2007-08 and FY 2008-09, the county incorrectly claimed costs for four hours of shelter operation instead of the allowable seven hours.

Staffing Requirements

We discussed with county staff the staffing requirements to make animals available for owner redemption on Saturdays, when the shelters were open in comparison to Sundays, when the shelters were closed. We also obtained staffing schedules for the Auburn and Tahoe Vista shelters in order to determine the number of employees on duty to make animals available for owner redemption. The first schedule was for the kennel staff and the second schedule was for the administrative staff.

Auburn Shelter

For FY 2001-02 through FY 2002-03 and FY 2007-08 through FY 2008-09, we found that the costs incurred for one Kennel Attendant and one Administrative Clerk are allowable. Based on the kennel schedules provided, the number of Kennel Attendant positions was increased by one when the shelter was open compared to when the shelter was closed. Therefore, one additional Kennel Attendant was needed to make the animals available for owner redemption during the audit period. Additionally, based on the administrative schedule provided, no Administrative Clerk positions were necessary when the shelter was closed. However, when the shelter was open, one Administrative Clerk position was staffed. Therefore, one Administrative Clerk was also needed during the audit period to make the animals available for owner redemption.

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	2002-03	2007-08	2008-09	
<u>Auburn Shelter Claimed</u>					
Kennel Attendants	2	3	2	2	
Administrative Clerks	1	-	1	1	
Senior Administrative Clerks	1	1	-	-	
Animal Control Officers	-	-	1	1	
Total employee positions	4	4	4	4	
× Hours claimed per position	1	7	5.5	5.5	
× Weeks per year	52	50	50	50	
Total hours claimed	208	1,400	1,100	1,100	3,808

	Fiscal Year				Totals
	2001-02	2002-03	2007-08	2008-09	
<u>Auburn Shelter Allowable</u>					
Kennel Attendants	1	1	1	1	
Administrative Clerks	1	1	1	1	
Senior Administrative Clerks	-	-	-	-	
Animal Control Officers	-	-	-	-	
Total employee positions	2	2	2	2	
× Hours allowable per position	9	9	5.5	5.5	
× Weeks per year	52	52	52	52	
Total hours allowable	936	936	572	572	3,016

Tahoe Vista Shelter

For FY 2001-02 through FY 2002-03 and FY 2007-08 through FY 2008-09, we found that the costs incurred for one Kennel Attendant are allowable. Because of the shelter's small size, there was just one staffing schedule, as opposed to two for the Auburn shelter. The schedules provided showed that there was just one Animal Control Officer on staff when the shelter was closed. When the shelter was open to the public on Saturdays, there was one Kennel Attendant and one Animal Control Officer on staff. Therefore, one Kennel Attendant was needed to make the animals available for owner redemption during the audit period.

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	2002-03	2007-08	2008-09	
<u>Tahoe Vista Shelter Claimed</u>					
Supv. Animal Control Officer	-	1	-	-	
Animal Control Officer II	-	-	1	1	
Total Employee Positions	-	1	1	1	
× Hours Claimed per Position	-	4	4	4	
× Weeks per Year	-	50	50	50	
Total Hours Claimed	-	200	200	200	600

	Fiscal Year				Totals
	2001-02	2002-03	2007-08	2008-09	
<u>Tahoe Vista Shelter Allowable</u>					
Supv. Animal Control Officer	-	-	-	-	
Animal Control Officer II	-	-	-	-	
Kennel Attendants	1	1	1	1	
Total Employee Positions	1	1	1	1	
× Hours Allowable per Position	4	4	7	7	
× Weeks per Year	52	52	52	52	
Total Hours Allowable	208	208	364	364	1,144

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

County’s Response

The county agrees with this finding.

**FINDING 6—
Misclassified and
allowable feral cat
costs**

The county claimed direct costs totaling \$20,080 during the audit period for the Feral Cats cost component. We found that \$19,587 is allowable and \$493 is unallowable. The costs are unallowable because the county misclassified fixed asset costs included in its claims and did not claim any salary and benefits costs incurred to perform feral cat testing during the audit period.

In its claim for FY 2001-02, the county claimed \$20,080 for the purchase of cat cages under this cost component. We found that these costs are unallowable as claimed because fixed assets are not a reimbursable item under this cost component. We reclassified these costs and analyzed them in the Procuring Equipment cost component (See Finding 10).

The county did not originally claim any salaries and benefits costs under the Feral Cat cost component. However, the county 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 county's time study, we found that salary and benefit costs totaling \$19,587 are allowable.

The following tables summarize the claimed, allowable, and audit adjustment amounts for the Feral Cat cost component for the audit period by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
2001-02	\$ -	\$ 2,223	\$ 2,223
2002-03	-	3,122	3,122
2007-08	-	7,495	7,495
2008-09	-	6,747	6,747
Total, salaries and benefits	\$ -	\$ 19,587	\$ 19,587
Fixed assets:			
2001-02	\$ 20,080	\$ -	\$ (20,080)
2002-03	-	-	-
2007-08	-	-	-
2008-09	-	-	-
Total, fixed assests	\$ 20,080	\$ -	\$ (20,080)
Total direct costs:			
2001-02	\$ 20,080	\$ 2,223	\$ (17,857)
2002-03	-	3,122	3,122
2007-08	-	7,495	7,495
2008-09	-	6,747	6,747
Total	\$ 20,080	\$ 19,587	\$ (493)

Time Study

The county 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 county has a protocol for assessing feral cats and this assessment is documented in a "Cat Behavioral Evaluation" form. Only Animal Care Technicians (Kennel

Attendants) 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 county conducted its time study from June 1, 2013, through June 14, 2013. The time study found that it took shelter employees an average of 9.67 minutes to test each cat.

Number of Feral Cat Tests

As the County did not originally claim time for conducting feral cat tests, we requested from the county the maximum number of cats that received a feral cat test for each year of the audit period. For FY 2001-02 and FY 2002-03, the county was unable to provide animal data because it used the Petwhere software system during those years and the system’s database records are not retrievable. For FY 2007-08 and FY 2008-09, information was available from the county’s Chameleon software system; however, there was not a field specifically marked in the database to indicate which cats were given a feral cat test.

Animal shelter management provided calculations of what they determined were the maximum number of cats that received or may have received a feral cat test. However, these calculations included only cats with an outcome of “unadoptable euthanized.” They did not include all incoming cats that may have received a feral cat test, whether ultimately determined to be feral or not. Therefore, for FY 2007-08 and FY 2008-09, Chameleon data was used to determine the maximum number of cats that may have received a feral cat test. Shelter management’s data was revised to include all cats impounded at the county’s animal shelter, excluding only those cats that were not likely to have received a test based on their intake condition or cats that were ultimately returned to their owners.

In the absence of animal data for FY 2001-02 and FY 2002-03, we derived the maximum number of cats that may have received a feral cat test by computing the proportionate percentage of allowable care and maintenance costs incurred during those two years to an average of allowable care and maintenance costs incurred during FY 2007-08 and FY 2008-09. We then applied the applicable percentages to determine the average number of feral cat tests for FY 2001-02 and FY 2002-03.

The following table summarizes the allowable maximum number of cats that would have received a feral cat test by fiscal year:

	Fiscal Year				Totals
	2001-02	2002-03	2007-08	2008-09	
Allowable Cats:					
Kennel Attendant	770	820	1,293	1,190	4,073

Allowable Hours

We determined the allowable hours for the Kennel Attendant classification based on the county's time study. The following table summarizes the allowable hours as a result of the time study conducted during the course of the audit:

	Fiscal Year				Totals
	2001-02	2002-03	2006-07	2007-08	
Allowable Hours:					
Number of tests	770	820	1,293	1,190	
Minutes per test	9.67	9.67	9.67	9.67	
Total hours allowable	124.10	132.15	208.38	191.78	656.42

To determine allowable costs for salaries and benefits, we first multiplied the results of the county's time study (9.67 minutes per cat) by the maximum number of cats that would have received a feral cat test each year to determine total hours allowable. We then applied the allowable hours to the average productive hourly rate for the Kennel Attendant 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 county ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County's Response

The county agrees with this finding.

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

The county claimed salary and benefit costs totaling \$81,390 during the audit period under the Lost and Found Lists cost component. We found that \$30,748 is allowable and \$50,642 is unallowable. The costs are unallowable because the county 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 county 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:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
2001-02	\$ 14,162	\$ 5,383	\$ (8,779)
2002-03	15,773	6,195	(9,578)
2007-08	25,463	9,485	(15,978)
2008-09	25,992	9,685	(16,307)
Total, salaries and benefits	\$ 81,390	\$ 30,748	\$ (50,642)

Time Study

All costs claimed were initially unallowable because the county claimed estimated costs for this cost component. During the course of the audit, the county conducted a two-week time study from October 19, 2013, through November 2, 2013 to determine the time required to comply with the mandated activities. The county'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. Though the county's time study plan indicated that both the Auburn Shelter and the smaller Tahoe Vista Shelter would participate in the time study, only Auburn employees participated. The employee classifications of Kennel Attendants, Administrative Clerks, and Senior Administrative Clerks participated in the time study.

The time study determined that shelter employees spend a total of 279 hours a year to comply 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				Total
	2001-02	2002-03	2007-08	2008-09	
<u>Hours Claimed:</u>					
Kennel Attendants	390.00	260.00	552.50	552.60	1,755.10
Administrative Clerks	260.00	286.00	123.50	123.50	793.00
Senior Administrative Clerks	-	65.00	-	-	65.00
Animal Care Supervisor	-	-	26.00	26.00	52.00
Supervising Animal Control Officer	-	26.00	-	-	26.00
Animal Control Officer	-	52.00	39.00	39.00	130.00
Total hours claimed	650.00	689.00	741.00	741.10	2,821.10
<u>Hours Allowable:</u>					
Kennel Attendants	93.00	93.00	93.00	93.00	372.00
Administrative Clerks	46.00	46.00	46.00	46.00	184.00
Senior Administrative Clerks	140.00	140.00	140.00	140.00	560.00
Animal Care Supervisor	-	-	-	-	-
Animal Control Officer	-	-	-	-	-
Total hours allowable	279.00	279.00	279.00	279.00	1,116
Hours adjustment	(371.00)	(410.00)	(462.00)	(462.10)	(1,705)

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

County's Response

The county agrees with this finding.

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

The county claimed direct costs totaling \$134,283 (\$85,308 in salaries and benefits, \$37,803 in materials and supplies, and \$11,172 in contract services) for the Maintaining Non-Medical Records cost component during the audit period. We found that \$63,849 is allowable (\$52,677 for salaries and benefits and \$11,172 for contract services) and \$70,434 is unallowable. The costs are unallowable because the county estimated the time that it took animal shelter staff to process non-medical animal records. In addition, the county claimed materials and supplies costs that are not reimbursable under this component.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Total direct costs:			
2001-02	\$ 31,847	\$ 6,492	\$ (25,355)
2002-03	14,548	7,890	(6,658)
2007-08	46,415	24,780	(21,635)
2008-09	41,473	24,687	(16,786)
Total	<u>\$ 134,283</u>	<u>\$ 63,849</u>	<u>\$ (70,434)</u>

Salaries and Benefits

The county claimed \$85,308 for salaries and benefits during the audit period. We found that \$52,677 is allowable and \$32,631 is unallowable. The costs are unallowable because the county did not claim costs based on the number of animal records processed in its claims for FY 2001-02 and FY 2002-03, but rather on an estimate of the total time spent by various shelter employees maintaining the non-medical records. The county estimated the time (10 minutes per animal record) that it took its animal shelter staff to process non-medical animal records in its claims for FY 2007-08 and FY 2008-09. The county 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 Maintaining Non-Medical Records cost component by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
2001-02	\$ 31,847	\$ 6,492	\$ (25,355)
2002-03	14,548	7,890	(6,658)
2007-08	18,622	19,220	598
2008-09	20,291	19,075	(1,216)
Total, salaries and benefits	<u>\$ 85,308</u>	<u>\$ 52,677</u>	<u>\$ (32,631)</u>

Time Study

During the course of the audit, the county conducted a two-week time-study for this cost component from October 19, 2013, through November 2, 2013. The county studied the time required to process records for incoming animals and the final disposition of animals. The employee classifications of Kennel Attendants, Administrative Clerks, and Animal Control Officers participated in the time study. The time study determined that it takes an average of 4.68 minutes to process incoming animal records and an average of 4.60 minutes to process records for the final disposition of animals.

Number of Animal Records Processed

During the course of the audit, we obtained the county’s raw animal data for 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. For FY 2001-02 and FY 2002-03, the county was unable to provide animal data because it used the Petwhere software system during those years and the system’s database records are not retrievable. In the absence of animal data for FY 2001-02 and FY 2002-03, we derived the number of animal records processed by computing the proportionate percentage of allowable care and maintenance costs incurred during those years to an average of allowable care and maintenance costs incurred during FY 2007-08 and FY 2008-09. We then applied the applicable percentages to determine the number of animal records for FY 2001-02 and FY 2002-03.

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

	Fiscal Year				Total
	2001-02	2002-03	2007-08	2008-09	
Intake	1,970	2,097	3,267	3,088	10,422
Final Disposition	1,970	2,097	3,267	3,088	10,422

The following table identifies the involvement level of employee classifications that process non-medical records based on the time study that the county conducted:

Employee Classification	Percentage Involvement
<u>Incoming Animal Records:</u>	
Administrative Clerks	56%
Kennel Attendants	2%
Animal Control Officers	42%
	<u>100%</u>
<u>Final Disposition Animal Records:</u>	
Administrative Clerks	61%
Kennel Attendants	34%
Animal Control Officers	5%
	<u>100%</u>

To determine allowable salaries and benefits, we applied the results of the county’s time study to the employee classifications that performed the activities. We determined that costs totaling \$52,677 were allowable for salaries and benefits.

Materials and Supplies

The county claimed \$37,803 in materials and supplies costs for FY 2007–08 and FY 2008-09. We found that the entire amount is unallowable. The county claimed costs for time spent by a Systems Analyst working on Chameleon software “retrieving historic data, restoring test database, and checking relevancy.” The county pro-rated the costs for time spent at 60% and misclassified them under materials and supplies. However, the activity, as described, is not reimbursable under this component.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Materials and supplies:			
2007-08	\$ 22,233	\$ -	\$ (22,233)
2008-09	15,570	-	(15,570)
Total, materials and supplies	<u>\$ 37,803</u>	<u>\$ -</u>	<u>\$ (37,803)</u>

Contract Services

The county correctly claimed contract services costs in the amount of \$11,172. The costs the county incurred were for the annual license renewal for its Chameleon software system for FY 2007-08 and FY 2008-09. Costs are allowable because the county provided the proper support and applied a 60% pro-rata percentage to the supported costs and properly supported the allocation percentage.

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

Fiscal Year	Supported Costs	Pro-Rata Percentage Claimed	Amount Claimed	Pro-Rata Percentage Allowable	Amount Allowable	Audit Adjustment
Contract services:						
2007-08	\$ 9,266	60%	\$ 5,560	60%	\$ 5,560	\$ -
2008-09	9,353	60%	5,612	60%	5,612	-
Total	<u>\$ 18,619</u>		<u>\$ 11,172</u>		<u>\$ 11,172</u>	<u>\$ -</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 county ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County's Response

The county agrees with this finding.

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

The county claimed direct costs totaling \$105,021 (\$88,437 in salaries and benefits and \$16,584 in contract services) for the Necessary and Prompt Veterinary Care cost component during the audit period. We found that \$12,223 is allowable and the net amount of \$92,798 is unallowable (understated by \$6,573 and overstated by \$99,371). The costs were unallowable because the county claimed estimated costs that were not supported, claimed contract services costs that were not adequately supported, and understated allowable costs for materials and supplies.

Allowable costs totaling \$5,650 for salaries and benefits are based on a time study that the county conducted for the activities of providing an initial physical exam of animals and administering wellness vaccines. The county also provided actual costs incurred for the cost of wellness

vaccines administered. Allowable materials and supplies costs totaled \$6,573 for the audit period.

The following table summarizes the claimed, allowable, and adjusted total direct costs for the cost component for the audit period by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 20,759	\$ 1,679	\$ (19,080)
2002-03	35,101	2,029	(33,072)
2007-08	19,727	4,239	(15,488)
2008-09	29,434	4,276	(25,158)
Total	\$ 105,021	\$ 12,223	\$ (92,798)

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

The county claimed \$88,437 for salaries and benefits for “wellness assessments” (physical examinations) during the audit period. The county did not claim any costs for time spent administering wellness vaccines. All salary and benefit costs claimed were initially unallowable because the county claimed estimated costs for this cost component. However, the county conducted two time studies during the course of the audit to support the time it takes staff to conduct an initial physical examination of animals and to administer wellness vaccines. Based on the results of the county’s time studies, we found that salary and benefit costs totaling \$5,650 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	\$ 20,759	\$ 640	\$ (20,119)
2002-03	35,101	902	(34,199)
2007-08	14,175	2,183	(11,992)
2008-09	18,402	1,925	(16,477)
Total, salaries and benefits	\$ 88,437	\$ 5,650	\$ (82,787)

Time Study – Initial Physical Examination

During the course of the audit, the county performed a time study for conducting an initial physical exam of animals to determine their baseline health. The time study was conducted for a two-week period from January 25, 2014 through February 7, 2014. Kennel Attendants were the only employee classification that participated in the time study, even though the county claimed time for both Kennel Attendants and Animal Control Officers. The county indicated that Animal Control

Officers do not perform initial physical exams of the animals. Kennel Attendants are qualified to make a determination in regards to an animal being “adoptable,” “treatable,” or “non-rehabilitatable” and to perform limited medical services. However, due to various anomalies with the time study results, we concluded that this time study could not be used to accurately project actual costs to perform the reimbursable activity.

The county performed a second time study for a two-week period from July 12, 2014, through July 24, 2014. This time study determined that it takes Kennel Attendants an average of 2.30 minutes to conduct an initial physical exam. To determine allowable costs for salaries and benefits, we first multiplied the results of the county’s time study (2.30 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 the Kennel Attendant 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	\$ 20,759	\$ 189	\$ (20,570)
2002-03	35,101	267	(34,834)
2007-08	14,175	645	(13,530)
2008-09	18,402	567	(17,835)
Total, salaries and benefits	\$ 88,437	\$ 1,668	\$ (86,769)

Time Study – Administration of Wellness Vaccines

During the course of the audit, the county 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 February 8, 2014, through February 21, 2014. Kennel Attendants were the only employee classification that participated in the time study, even though the county claimed time for both Kennel Attendants and Animal Control Officers. The county indicated that Animal Control Officers do not administer wellness vaccines.

The time study determined that it takes the shelter staff an average of 5.54 minutes to administer wellness vaccines. To determine allowable costs for salaries and benefits, we first multiplied the results of the county’s time study (5.54 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 the Kennel Attendant 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 Administration of Wellness Vaccines time study:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits - Administration of Wellness Vaccines			
2001-02	\$ -	\$ 451	\$ 451
2002-03	-	635	635
2007-08	-	1,538	1,538
2008-09	-	1,358	1,358
Total, salaries and benefits	\$ -	\$ 3,982	\$ 3,982

Number of Eligible Animals

During the course of the audit, we obtained the county's raw animal data for FY 2007-08 and FY 2008-09 from its Chameleon software system database. We determined the number of animals that were eligible to receive the initial physical examination and the wellness vaccines based on this data. For FY 2001-02 and FY 2002-03, the county was unable to provide animal data because it used the Petwhere software system during those years and the system's database records are not retrievable. In the absence of animal data for FY 2001-02 and FY 2002-03, we derived the eligible number of animals by computing the proportionate percentage of allowable care and maintenance costs incurred during those years to an average of allowable care and maintenance costs incurred during FY 2007-08 and FY 2008-09. We then applied the applicable percentages to determine the number of eligible animals for FY 2001-02 and FY 2002-03.

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 county 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 examination during the audit period.

	Fiscal Year				Totals
	2001-02	2002-03	2007-08	2008-09	
Eligible cats	208	222	352	320	1,102
Eligible dogs	65	69	111	98	343
Total cats and dogs	273	291	463	418	1,445
Other animals	2	3	5	3	13
Total all animals	275	294	468	421	1,458

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

	Fiscal Year				Totals
	2001-02	2002-03	2007-08	2008-09	
Eligible cats	208	222	352	320	1,102
Eligible dogs	65	69	111	98	343
Total cats and dogs	273	291	463	418	1,445
Other animals	-	-	-	-	-
Total all animals	273	291	463	418	1,445

Materials and Supplies

The county did not claim materials and supplies costs during the audit period under this cost component. During the course of the audit, the county provided supporting documentation of costs incurred for the purchase of wellness vaccines. We found that allowable costs for the audit period totaled \$6,573 (\$4,889 for wellness vaccines for cats and \$1,684 for wellness vaccines for dogs), based on the cost of wellness vaccines and the number of eligible animals treated for 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	\$ -	\$ 1,039	\$ 1,039
2002-03		1,127	\$ 1,127
2007-08	-	2,056	2,056
2008-09	-	2,351	2,351
Total, materials and supplies	\$ -	\$ 6,573	\$ 6,573

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

	Fiscal Year				Totals
	2001-02	2002-03	2007-08	2008-09	
Cost of cat wellness vaccines:					
FVRCP and Rabies serums, needle, and syringe	\$ 3.71	\$ 3.78	\$ 4.33	\$ 5.48	
Eligible cats	x 208	x 222	x 352	x 320	
Total costs for cat vaccines	\$ 772	\$ 839	\$ 1,524	\$ 1,754	\$ 4,889
Cost of dog wellness vaccines:					
DA2PPv and Bordatella serums, 2 needles, and 2 syringes	\$ 4.11	\$ 4.18	\$ 4.79	\$ 6.09	
Eligible dogs	x 65	x 69	x 111	x 98	
Total costs for dog vaccines	\$ 267	\$ 288	\$ 532	\$ 597	\$ 1,684
Total allowable costs	\$ 1,039	\$ 1,127	\$ 2,056	\$ 2,351	\$ 6,573

Contract Services

The county claimed contract services costs totaling \$16,584 during FY 2007-08 and FY 2008-09 for “wellness” veterinary care performed by a licensed veterinarian. The county pro-rated the costs, including only the proportionate share of costs based on its determination of the number of eligible animals that died during the holding period or were ultimately euthanized. The county applied 22.68% for FY 2007-08 and 23.34% for FY 2008-09. However, this is an incorrect methodology for determining eligible costs for this component.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Contract services:			
2007-08	\$ 5,552	\$ -	\$ (5,552)
2008-09	11,032	-	(11,032)
Total, contract services	\$ 16,584	\$ -	\$ (16,584)

We advised the county 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 county would need to provide itemized invoices from the veterinarian detailing the animal ID, intake date, outcome date, the date the service was performed, and a description of the service performed.

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

County’s Response

The county agrees with this finding.

**FINDING 10—
Unclaimed procuring
equipment costs**

The county did not claim any costs during the audit period under the Procuring Equipment Cost component. We found that \$29,781 is allowable.

During the course of the audit, we found costs totaling \$20,080 incurred during FY 2001-02 for the purchase of cat cages that were misclassified under the Feral Cat cost component (See Finding 6). Accordingly, these costs were reclassified to the Procuring Equipment cost component and analyzed as a fixed asset cost. In addition, materials and supplies costs incurred for equipment purchases were identified in the county's "Special Department" and "Other Supplies" expenditure accounts during the course of the audit.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Direct costs:			
2001-02	\$ -	\$ 21,475	\$ 21,475
2002-03	-	791	791
2007-08	-	4,147	4,147
2008-09	-	3,368	3,368
Total	<u>\$ -</u>	<u>\$ 29,781</u>	<u>\$ 29,781</u>

Materials and Supplies

The county did not include any materials and supplies costs under this cost component in its claims for the audit period. However, the county provided support for materials and supplies costs not originally claimed that are eligible for reimbursement under the mandated program. We found that \$8,615 is allowable in materials and supplies costs for this component.

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

Fiscal Year	Amount Claimed	Supported Costs	Pro-Rata Percentage Allowable	Amount Allowable	Audit Adjustment
Materials and supplies:					
2001-02	\$ -	\$ 309	100%	\$ 309	\$ 309
2002-03	-	791	100%	791	791
2007-08	-	4,147	100%	4,147	4,147
2008-09	-	3,368	100%	3,368	3,368
Total, materials and supplies	<u>\$ -</u>	<u>\$ 8,615</u>		<u>\$ 8,615</u>	<u>\$ 8,615</u>

For FY 2001-02, the county incurred costs totaling \$309 to purchase cages on wheels to facilitate cleaning around cages and to house stray cats. For FY 2002-03, the county incurred costs totaling \$791 to purchase a refrigerator to store vaccines. For FY 2007-08, the county incurred costs totaling \$4,147 to purchase the following items:

- A refrigerator to store vaccines, medicines, and ice packs (\$963);
- Dog kennels for extra space outside, providing fresh air to the animals and allowing the staff better access when cleaning (\$2,188);
- Kennel door panels to separate dog runs and prevent nose-to-nose contact (\$167); and
- A washing machine to clean pet bedding and other pet items (\$828).

For FY 2008-09, the county incurred costs totaling \$3,368 to purchase portable kennels (\$1,747), kennel roofs (\$1,049), and a washing machine (\$572) to clean pet bedding.

We interviewed shelter management and staff, who provided a reasonable explanation of how this equipment was necessary to comply with the reimbursable activities of the mandated program. In addition, shelter management stated, and we accepted, that each piece of equipment was used solely for mandated activities.

Fixed Assets

The county did not include any fixed asset costs under this cost component in its claims for the audit period. However, the county provided support for fixed assets costs not originally claimed that are eligible for reimbursement under the mandated program. In addition, we analyzed the fixed asset costs that were misclassified under the Feral Cat cost component. We found that \$21,166 is allowable in fixed assets costs for this component.

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

Fiscal Year	Amount Claimed	Supported Costs	Pro-Rata Percentage Allowable	Amount Allowable	Audit Adjustment
Fixed assets:					
2001-02	\$ -	\$ 21,166	100%	\$ 21,166	\$ 21,166
2008-09	-	10,906	0%	-	-
Total, fixed assets	\$ -	\$ 32,072		\$ 21,166	\$ 21,166

For FY 2001-02, allowable fixed asset costs totaled \$21,166. This total consisted of \$20,080 in reclassified costs from the Feral Cats cost component used to purchase cat cages. We also found an additional \$1,086 to purchase quarantine kennels to quarantine biting dogs. For FY 2008-09, supported costs totaled \$10,906 for cat cages; however,

upon research, we found that the county actually reimbursed a non-profit organization for the cages. The non-profit organization occasionally partners with the county to house an overflow of cats and kittens. As the organization also works with other agencies, and the animals were housed at the organization site and not the shelter, we determined that we cannot consider the costs for reimbursement.

We interviewed shelter management and staff, who provided a reasonable explanation of how this equipment was necessary to comply with the reimbursable activities of the mandated program. In addition, shelter management stated, and we accepted, that each piece of equipment was used solely for mandated activities.

The parameters and guidelines (section IV.B.10) identify the following reimbursable activity:

Beginning January 1, 1999 for procuring medical, kennel, and computer equipment necessary to comply with the reimbursable activities listed in Section IV (B) for the parameters and guidelines, to the extent these costs are not claimed as an indirect cost under Section V (B) of the parameters and guidelines. If the medical, kennel, and computer equipment is utilized in some way not directly related to the mandated program or the population of animals listed in Section IV (B), only the pro rata portion of the activity that is used for the purposes of the mandated program 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 county ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County's Response

The county agrees with this finding.

**FINDING 11—
Misstated indirect
costs rates and
overstated indirect
costs**

The county claimed \$207,855 for indirect costs during the audit period. We found that \$168,485 is allowable and \$39,370 is unallowable. The costs are unallowable primarily because of the audit adjustments to salaries and benefits identified in Findings 3 through 9. In addition, the county overstated its indirect cost rate for FY 2001-02 and understated its indirect cost rates for 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 Cost Rates	Allowable Indirect Cost Rates	Claimed Indirect Cost	Allowable Indirect Cost	Audit Adjustment
2001-02	68.10%	54.67%	\$ 33,551	\$ 23,330	\$ (10,221)
2002-03	45.97%	45.97%	47,844	23,557	(24,287)
2007-08	55.04%	68.55%	58,257	57,454	(803)
2008-09	56.76%	79.90%	68,203	64,144	(4,059)
Total			<u>\$ 207,855</u>	<u>\$ 168,485</u>	<u>\$ (39,370)</u>

Misstated indirect cost rates

Rates Claimed

During the audit period, the county's calculations of indirect costs were inconsistent. The county used the assistance of its mandated cost consultants to prepare its ICRPs for FY 2001-02, FY 2002-03, and FY 2007-08. The county prepared its own ICRP for FY 2008-09. The county's calculations were as follows:

- For FY 2001-02, the county used direct salaries as a base for the application of its indirect cost rates. The indirect cost pool included an unspecified portion of salaries and benefits costs for all of the animal shelter's Administrative Clerks and a calculation adding \$24,207 into the indirect cost pool for the county's Health and Human Services Department that ultimately appeared in the county's A-87 countywide cost plan. In addition, certain costs were included in the ICRP as direct costs that were actually indirect costs.
- For FY 2002-03, the county used salaries and benefits as a base for the application of its indirect cost rate. The indirect cost pool correctly included salary and benefit costs incurred for the Animal Services Manager, although the total amount was understated by \$787. The ICRP also included a calculation adding \$21,888 into the indirect cost pool for the county's Health and Human Services Department that ultimately appeared in the county's A-87 countywide cost allocation plan. In addition, certain costs were included in the ICRP as direct costs that were actually indirect costs and certain costs were included as indirect costs that were actually direct costs.

- For FY 2007-08 and FY 2008-09, the county used salaries and benefits as a base for the application of its indirect cost rates. The indirect cost pool excluded any costs for indirect salaries and benefits.

In addition to using an inconsistent methodology to calculate indirect costs, the county provided no support for the indirect salaries and wages incurred for four Administrative Clerks and two Senior Administrative Clerks in its ICRP for FY 2001-02. Therefore, we recalculated the rates using a consistent methodology.

Recalculated Rates

We concluded that 100% of salary and benefit costs incurred for the Animal Services Manager were indirect costs for all years of the audit period. We also reclassified costs appearing in the services and supplies line item accounts of Communications as indirect and costs for maintenance as direct in the ICRP for FY 2001-02. For FY 2002-03, we reclassified costs for Communications and Other Supplies as indirect and costs for Maintenance-Equipment as direct. We excluded the additional indirect costs identified above in the amount of \$24,207 for FY 2001-02 and \$21,888 for FY 2002-03 in our calculations. We then applied the resulting indirect cost pool amount to total labor costs (excluding part-time wages and overtime) to determine the indirect cost rate for each year of the audit period. As a result of our calculations, we found that indirect costs were understated by \$24,169 due to rate differences.

The following table summarizes the claimed, allowable, and misstated indirect cost rates:

Fiscal Year	Allowable Indirect Cost Rate	Claimed Indirect Cost Rate	Misstated Rate
2001-02	54.67%	68.10%	-13.43%
2002-03	45.97%	45.97%	0.00%
2007-08	68.55%	55.04%	13.51%
2008-09	79.90%	56.76%	23.14%

The following table shows the audit adjustment for indirect costs that is related to misstated indirect cost rates:

Fiscal Year	Indirect Cost Rate Difference	Total Salaries and Benefits Allowable	Adjustment for Rate Difference
2001-02	-13.43%	\$ 42,676	\$ (5,731)
2002-03	0.00%	51,242	-
2007-08	13.51%	83,813	11,323
2008-09	23.14%	80,281	18,577
Totals		\$ 258,012	\$ 24,169

Overstated Indirect Costs Related to Overstated Salaries and Benefits

Indirect costs were overstated by \$39,370 for the audit period as a result of the unallowable salaries and benefits identified in Findings 3 through 9.

The following table summarizes the audit adjustments to indirect costs for rate differences and unallowable costs by fiscal year:

Fiscal Year	Adjustment for Rate Difference	Adjustment for Unallowable Costs	Total Audit Adjustment
2001-02	\$ (5,731)	\$ (4,490)	\$ (10,221)
2002-03	-	(24,287)	(24,287)
2007-08	11,323	(12,126)	(803)
2008-09	18,577	(22,636)	(4,059)
Total	\$ 24,169	\$ (63,539)	\$ (39,370)

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 county 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.

County's Response

The county agrees with this finding.

**FINDING 12—
Overstated offsetting
revenues**

The county reported offsetting revenues totaling \$195,609 on its mandated costs claims for FY 2001-02, FY 2002-03, FY 2007-08, and FY 2008-09. We found that the county should have made no offset for the audit period. The difference occurred because four of the contracting cities did not file mandated cost claims with the State during the audit period, the City of Roseville did not contract with the county for animal services, and contract revenues paid by the City of Rocklin during the audit period funded the county's general operating expenditures of its animal shelters rather than its mandated costs.

We requested that Placer County determine the extent to which revenues received from its contracting cities for animal control services were used for mandated activities. The county determined that no offset should have been applied on its claims for the audit period. Accordingly, we will make the appropriate adjustments and issue a review report for claims filed under the Animal Adoption Program by the City of Rocklin. We will notify the contracting city of the review to be issued as a result of the county's Animal Adoption audit and the county's determination concerning contract revenues received.

The following table summarizes audit adjustments for offsetting revenues by fiscal year:

Fiscal Year	Amount Offset	Amount That Should Have Been Offset	Audit Adjustment
2001-02	\$ (28,800)	\$ -	\$ 28,800
2002-03	(34,273)	-	34,273
2007-08	(64,181)	-	64,181
2008-09	(68,355)	-	68,355
Total	<u>\$ (195,609)</u>	<u>\$ -</u>	<u>\$ 195,609</u>

Amount Offset

During the audit period, the county offset \$195,609 on its Animal Adoption claims, which it determined to be the proportionate share of mandated costs incurred for the following six contracting cities:

- City of Auburn
- City of Colfax
- City of Lincoln
- City of Loomis
- City of Rocklin
- City of Roseville

Though the county offset revenues received by the City of Roseville, the county did not contract with the city for animal services at any time during the audit period. Instead, the City of Roseville contracted with the Placer SPCA for its animal control services.

The county determined the amounts to be offset on its claims each year based upon the population of animals housed in the county's two animal shelters from each contracting city to the total population of animals. In addition, the county based its offset calculations on the total of the cost components the county determined the contracting entities were entitled to claim. County staff did not help prepare the contracting cities' Animal Adoption claims, encourage the contracting cities to file claims, or advise the contracting cities on how to file a claim.

The table below summarizes the amounts of offsetting revenues that appeared in the county's claims, as well as the amounts claimed by these local agencies under the Animal Adoption Program. Based on this information, we initially determined that revenue offsets included in the county's claims during the audit period were understated by \$12,326.

Fiscal Year	City of Auburn	City of Colfax	City of Lincoln	City of Loomis	City of Rocklin	City of Roseville	Total Amount Offset
<u>Placer County Animal Adoption Offsets Related to Contracting Cities</u>							
2001-02	\$ (3,343)	\$ (2,424)	\$ (9,006)	\$ (1,619)	\$ (12,408)	\$ -	\$ (28,800)
2002-03	(4,701)	(1,213)	(10,265)	(2,713)	(14,589)	(791)	(34,272)
2007-08	(10,221)	(2,105)	(18,115)	(7,934)	(25,398)	(408)	(64,181)
2008-09	(11,790)	(3,028)	(16,893)	(7,530)	(28,232)	(883)	(68,356)
Total	\$ (30,055)	\$ (8,770)	\$ (54,279)	\$ (19,796)	\$ (80,627)	\$ (2,082)	\$ (195,609)
<u>Animal Adoption Costs Claimed By Contracting Cities</u>							
2001-02	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (10,194)	\$ (10,194)
2002-03	-	-	-	-	(3,421)	(10,480)	(13,901)
2007-08	-	-	-	-	(8,272)	(63,106)	(71,378)
2008-09	-	-	-	-	(11,414)	(101,048)	(112,462)
Total	\$ -	\$ -	\$ -	\$ -	\$ (23,107)	\$ (184,828)	\$ (207,935)
Difference	\$ 30,055	\$ 8,770	\$ 54,279	\$ 19,796	\$ 57,520	\$ (182,746)	\$ (12,326)

The table above reveals that the county offset \$12,326 less on its claims than the contracting cities claimed for Animal Adoption program costs during the audit period. The differences occurred because the City of Auburn, the City of Colfax, the City of Lincoln, and the City of Loomis did not file mandated cost claims with the State during the audit period; the City of Rocklin did not file claim amounts with the State that were equal to the county's offset; and the county did not contract with the City of Roseville for animal services.

Calculation of Offsetting Revenue

We requested that the county determine the extent to which contract revenues received by the county for animal control services funded a portion of its mandated costs or funded the general operating expenditures of its animal shelters. County representatives agreed to provide this determination in writing on county letterhead.

Placer County ultimately determined that contract revenues received from the City of Rocklin during the audit period for animal control services funded the county’s general operating expenditures of its animal shelters rather than its mandated costs. As the county incurs all the costs for the animal services provided, it is in the position to determine how its contract revenues were used.

The following tables summarize the amounts that were claimed by the cities that contracted with the county for animal control services and the amounts to be offset from the county’s Animal Adoption claims per contracting city for each fiscal year of the audit period, as determined by the county:

Fiscal Year	Animal Adoption Costs Claimed By Contracting Cities							Total Claimed
	City of Auburn	City of Colfax	City of Lincoln	City of Loomis	City of Rocklin	City of Roseville		
2001-02	\$ -	\$ -	\$ -	\$ -	\$ -	n/a	\$ -	
2002-03	-	-	-	-	(3,421)	n/a	(3,421)	
2007-08	-	-	-	-	(8,272)	n/a	(8,272)	
2008-09	-	-	-	-	(11,414)	n/a	(11,414)	
Total Claimed	\$ -	\$ -	\$ -	\$ -	\$ (23,107)	\$ -	\$ (23,107)	

Fiscal Year	Amounts to be Offset							Total Offsets
	City of Auburn	City of Colfax	City of Lincoln	City of Loomis	City of Rocklin	City of Roseville		
2001-02	\$ -	\$ -	\$ -	\$ -	\$ -	n/a	\$ -	
2002-03	-	-	-	-	-	n/a	-	
2007-08	-	-	-	-	-	n/a	-	
2008-09	-	-	-	-	-	n/a	-	
Total Offsets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Based on this information, we determined that the claims filed by the City of Rocklin were overstated by \$23,107. Accordingly, we will issue a review letter to adjust the City of Rocklin’s Animal Adoption claims as follows:

Fiscal Year	City of Rocklin		
	Amount Claimed	Amount Allowable	Adjustment
2002-03	\$ 3,421	\$ -	\$ (3,421)
2007-08	8,272	-	(8,272)
2008-09	11,414	-	(11,414)
Total	\$ 23,107	\$ -	\$ (23,107)

The parameters and guidelines (Section VII–Offsetting Savings and Other Reimbursements) state the following:

Any offsetting savings that the claimant experiences as a direct result of this mandate must be deducted from the costs claimed. Additionally, reimbursement for this mandate received from any source shall be identified and deducted from this claim. These sources shall include, but are not limited to, rewards received under the authority of Civil Code section 1845; licensing fees and fines received and applied

pursuant to Food and Agriculture Code section 30652, Government Code section 28502, and Penal Code section 597f; other state funds, and federal funds. The fees and fines received pursuant to Food and Agriculture Code section 30652 shall be deducted from the claim according to the priority specified in the statute and stated below:

- First, to pay fees for the issuance of dog license tags pursuant to Food and Agriculture Code section 30652, subdivision(a);
- Second, in accordance with Food and Agriculture Code section 30652, subdivision (b), any excess revenue held after the payment of dog license tags shall be applied to the fees, salaries, costs, expenses, or any or all of them for the enforcement of Division 14 of the Food and Agriculture code, including Food and Agriculture Code section 31108, and all ordinances that are made pursuant to division 14. Cost incurred under Food and Agriculture Code Section 31108 are specified in Section IV (B) (1), (2),(3), and (5), and Section IV (A) of these parameters and guidelines. Any or all excess revenue must be applied to the cost incurred under Food and Agriculture Code section 31108 before any revenue can be applied to subdivisions (c) and (d) of Food and Agriculture Code section 30652.

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 offset all revenue received from its contracting cities on its Animal Adoption claims to the extent that it funded mandated activities.

County's Response

The county agrees with this finding.

FINDING 13— Misstated productive hourly rates and benefit rates

Productive Hourly Rates

The county claimed a productive hourly rate, excluding benefits, for each employee involved in reimbursable activities during the audit period. Our analysis of productive hourly rates, excluding benefits, showed that the county mostly misstated productive hourly rates for FY 2001-02 and FY 2002-03, and overstated the rates for FY 2007-08 and FY 2008-09.

Productive Hourly Rates Claimed

The county submitted a Calculation of Productive Hourly Rates by Employee table for the Placer County Animal Services Department for each fiscal year of the audit period. The tables included the following information for all employees working in the department:

- Hourly rate
- Total regular hours
- Vacation hours accrued
- Sick leave hours taken
- Authorized breaks

- Total non-productive hours
- Total productive hours
- Annual wages
- Calculated productive hourly rate

For all fiscal years except FY 2002-03, the productive hourly rates the county claimed did not match the productive hourly rates provided in their productive hourly rate tables.

Allowable Productive Hourly Rates

For each fiscal year of the audit period, we recalculated the productive hourly rate of each employee using the information in the county's productive hourly rate tables. We excluded hours for paid holidays, vacation earned (accrued), and sick leave taken. Informal time off, jury duty, and military leave taken did not apply in this case. When performing the recalculations we made note of the following:

- For FY 2001-02, FY 2002-03, and FY 2008-09, there were several instances in which total regular work hours exceeded 2,080.
- For all four fiscal years, there were instances in which the productive hourly rate calculation used more than 1,800 productive hours. The SCO's claiming instructions identify the option of using 1,800 annual productive hours for all employees. This option excludes paid holidays, vacation earned, sick leave taken, informal time off, jury duty, and military leave taken from total regular working hours.
- For FY 2008-09, the county's productive hourly rate table listed vacation time taken rather than vacation time accrued. We contacted the county regarding this issue and the county provided a revised productive hourly rate table.

In performing our recalculations, we noted differences between the productive hourly rates claimed and the recalculated rates. The differences were due to the following:

- The county incorrectly included authorized break time in its calculation of non-productive hours, thus making its productive hours lower and their productive hourly rates higher. The SCO's claiming instructions, which include guidelines for preparing mandated cost claims, do not identify time spent on authorized breaks as deductions (excludable components) from total hours when computing productive hours.
- In instances where the calculation of productive hours exceeded 1,800 hours, the county did not default to 1,800 hours per the SCO's claiming instructions.

Once we recalculated the productive hourly rate of each employee, we calculated an average productive hourly rate for each employee classification. We then applied the average productive hourly rates per classification to the results of the various time studies conducted during the course of the audit to determine allowable salary and benefit costs.

Benefit Rates

The county claimed benefits specifically for employees involved in reimbursable activities during the audit period. We noted that for each fiscal year except FY 2007-08, the benefit rate the county listed on its ICRP for the Animal Control Department did not match the benefit rates listed on the county's claims for payment. Therefore, we recalculated the benefit rates for each fiscal year of the audit period.

Allowable Benefit Rates

We recalculated the benefit rates by obtaining the year-to-date expenditure reports for the Animal Control Department. We calculated total salaries and total benefits separately for each fiscal year of the audit period. We then divided total benefits by total salaries to arrive at a benefit rate. For FY 2001-02 and FY 2008-09, we found that claimed benefit rates were overstated and for FY 2002-03 and FY 2007-08, we found that claimed benefit rates were understated.

The following table summarizes the benefit rate shown on the county's ICRP along with the claimed, allowable, and audit adjustment amounts for benefit rates by fiscal year:

	Benefit Rate Summary			
	FY 2001-02	FY 2002-03	FY 2007-08	FY 2008-09
ICRP	39.00%	49.80%	55.70%	54.26%
Claimed	45.21%	46.30%	55.70%	60.84% *
Allowable	37.63%	49.81%	56.60%	59.21%
Adjustment	-7.58%	3.51%	0.90%	-1.63%

*Note: Various rates claimed. This is the overall rate.

We applied the recalculated benefit rates to the audited productive hourly rates to arrive at salary and benefit costs for this audit. 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 county ensure that productive hourly rates and benefit rates are calculated in accordance with the guidance provided in the SCO's claiming instructions.

County's Response

The county agrees with this finding.

**Attachment—
County’s Response to
Draft Audit Report**



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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November 5, 2014

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

Dear Mr. Spano:

This letter is in response to your audit of the costs claimed by Placer County for the legislatively mandated Animal Adoption Program (Chapter 752, Statutes of 1998; and Chapter 313, Statutes of 2004) for the period July 1, 2001, through June 30, 2003; and July, 1 2007, through June 30, 2009. Placer County's responses are as follows:

Finding 1- Unallowable one-time cost of developing policies and procedures (\$11,612).

County Response: This finding was related to FY2001-02. While we agree that we were unable to provide source documents to validate time spent at "Hayden Bill Planning Meetings", this does not necessarily mean that such documentation did not exist. Since the State Controller's Office audit of these costs occurred nearly 10 years after the related expenses were incurred, it is not unreasonable to assume that any supporting records would have been destroyed during the normal course of business prior to the start of Placer County's audit in November 2012.

Finding 2- Unallowable one-time cost of developing or procuring computer software for the maintenance of animal records (\$13,416).

County Response: This finding was related to FY2001-02 and FY2002-03. While we agree that we were unable to provide source documents to validate time spent developing or procuring software, this does not necessarily mean that such documentation did not exist. Since the State Controller's Office audit of these costs occurred nine to ten years after the related expenses were incurred, it is not unreasonable to assume that any supporting records would have been destroyed during the normal course of business prior to the start of Placer County's audit in November 2012.

Finding 3- Unallowable remodeling/renovating existing facilities costs (\$199,137).

County Response: This finding was related to FY2001-02 and FY2002-03. This finding indicates that the entire amount is unallowable because the county was unable to properly support that improvements made to the Auburn animal shelter during FY2001-02 and FY2002-03 were the direct result of the increased holding period requirements of this mandated program. A November 6, 2001 memo was located and provided to State Controller's auditors that indicated that "modifications are needed at the current shelter facility in order to maintain adequate care for the animals being sheltered." We feel that since these improvements were approved during the infancy of the mandated Animal Adoption Program, a correlation exists between these costs and mandated claim requirements and that related expenditures should be considered allowable.

Finding 4- Overstated care and maintenance costs.

County Response: This finding was related to all four years under audit. We agree with this audit finding.

Finding 5- Misstated increased holding period costs.

County Response: This finding was related to all four years under audit. We agree with this audit finding.

Finding 6- Misclassified and allowable feral cat costs.

County Response: This finding was related to all four years under audit. We agree with this audit finding.

Finding 7- Overstated lost and found lists costs.

County Response: This finding was related to all four years under audit. We agree with this audit finding.

Finding 8- Overstated unallowable maintaining non-medical records costs.

County Response: This finding was related to all four years under audit. We agree with this audit finding.

Finding 9- Misstated and unallowable necessary and prompt veterinary care costs.

County Response: This finding was related to all four years under audit. We agree with this audit finding.

Finding 10- Unclaimed procuring equipment costs.

County Response: This finding was related to all four years under audit. We agree with this audit finding.

Finding 11- Misstated indirect cost rates and overstated indirect costs.

County Response: This finding was related to all four years under audit. We agree with this audit finding.

Finding 12- Overstated offsetting revenues.

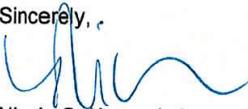
County Response: This finding was related to all four years under audit. We agree with this audit finding.

Finding 13- Productive Hourly Rates.

County Response: This finding was related to all four years under audit. We agree with this audit finding.

Should you have questions or concerns, please feel free to contact me directly at (530) 889-4152.

Sincerely,



Nicole C. Howard, CPA
Placer County Assistant Auditor-Controller

NCH/bam

Cc: Stan Hapak, Administrative and Fiscal Operations Manager
Placer County Health and Human Services
Wesley G. Nicks, Director of Environmental Health, Public Health, and Animal Services
Placer County Health and Human Services
Rebecca Mellott, Director, Administrative Services
Placer County Health and Human Services
Mike Winters, Animal Control Manager
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