

CITY OF EL CAJON

Second Revised Audit Report

ANIMAL ADOPTION PROGRAM

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

*July 1, 1998, through June 30, 2003;
and July 1, 2004, through June 30, 2007*



JOHN CHIANG
California State Controller

June 2014



JOHN CHIANG
California State Controller

June 30, 2014

The Honorable Bill Wells
Mayor of the City of El Cajon
200 Civic Center Way
El Cajon, CA 92020

Dear Mayor Wells:

The State Controller's Office audited the costs claimed by the City of El Cajon for the legislatively mandated Animal Adoption Program (Chapter 752, Statutes of 1998, and Chapter 313, Statutes of 2004) for the period of July 1, 1998, through June 30, 2007. We did not audit the period of July 1, 2003, through June 30, 2004, because the program was suspended during this time.

This second revised report supersedes our initial final report dated September 4, 2009, and first revised final report dated June 10, 2014. This report corrects the amount paid for FY 2005-06. The first revised report showed no payments; however, the city was paid \$419,208. The audit adjustments remain unchanged from the first revised final report.

The first revised final report dated June 10, 2014, updates allowable costs based on a time study the city performed subsequent to the issuance of the initial final audit report. Allowable costs increased by \$268,909, from \$14,339, to \$283,248.

The city claimed \$1,939,291 for the mandated program. Our audit found that \$283,248 is allowable and \$1,656,043 is unallowable. The costs are unallowable because the city claimed unsupported and ineligible costs, understated allowable costs, misstated indirect cost rates and animal census data, and understated offsetting revenues. The State paid the city \$1,500,584. The amount paid exceeds allowable costs claimed by \$1,217,336.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/sk

cc: Clay Schoen, Director of Finance
City of El Cajon
Douglas Williford, City Manager
City of El Cajon
Sergeant Steve Kirk, Animal Control Manager
El Cajon Animal Shelter
Michael Byrne, Principal Program Budget Analyst
Mandates Unit
Department of Finance
Jay Lal
Division of Accounting and Reporting
State Controller's Office

Contents

Revised Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	3
Restricted Use	3
Revised Schedule 1—Summary of Program Costs	4
Schedule 2—Summary of Care and Maintenance Costs	9
Revised Findings and Recommendations	14

Second Revised Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City of El Cajon for the legislatively mandated Animal Adoption Program (Chapter 752, Statutes of 1998, and Chapter 313, Statutes of 2004) for the period of July 1, 1998, through June 30, 2007. We did not audit the period of July 1, 2003, through June 30, 2004, because the program was suspended during that time.

The city claimed \$1,939,291 for the mandated program. Our audit found that \$283,248 is allowable and \$1,656,043 is unallowable. The costs are unallowable primarily because the city claimed unsupported and ineligible costs, understated allowable costs, misstated indirect cost rates and animal census data, and understated offsetting revenues. The State paid the city \$1,500,584. The amount paid exceeds allowable costs claimed by \$1,217,336.

Background

Food and Agriculture Code sections 31108, 31752, 31753, 32001, and 32003 (added and amended by Chapter 752, Statutes of 1998) attempted to end the euthanasia of adoptable and treatable animals. It expressly identifies the state policy that "no adoptable animal should be euthanized if it can be adopted into a suitable home" and that "no treatable animal should be euthanized." The legislation 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 (CSM) 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. CSM adopted the parameters and guidelines on February 28, 2002, corrected them on March 20, 2002, and last amended them on January 26, 2006. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

For fiscal year (FY) 2003-04, the Legislature suspended the Animal Adoption Program.

Objective, 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, 1998, through June 30, 2007, excluding July 1, 2003, through June 30, 2004.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the city's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the city's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the City of El Cajon claimed \$1,939,291 for costs of the Animal Adoption Program. Our audit found that \$283,248 is allowable and \$1,656,043 is unallowable.

For the FY 1998-99 claim, the State paid the city \$45,240. Our audit found that \$13,363 is allowable. The State will offset \$31,877 from other mandated program payments to the city. Alternatively, the city may remit this amount to the State.

For the FY 1999-2000 claim, the State paid the city \$141,927. Our audit found that \$31,777 is allowable. The State will offset \$110,150 from other mandated program payments to the city. Alternatively, the city may remit this amount to the State.

For the FY 2000-01 claim, the State paid the city \$178,560. Our audit found that \$27,555 is allowable. The State will offset \$151,005 from other mandated program payments to the city. Alternatively, the city may remit this amount to the State.

For the FY 2001-02 claim, the State made no payment to the city. Our audit found that \$26,705 is allowable. The State will pay this amount contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payment to the city. Our audit found that \$44,230 is allowable. The State will pay this amount contingent upon available appropriations.

For the FY 2004-05 claim, the State paid the city \$382,220. Our audit found that \$41,720 is allowable. The State will offset \$340,500 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

For the FY 2005-06 claim, the State paid the city \$419,208. Our audit found that \$46,112 is allowable. The State will offset \$373,096 from other mandated program payments for the city. Alternatively, the city may remit this amount to the State.

For the FY 2006-07 claim, the State paid the city \$333,429. Our audit found that \$51,786 is allowable. The State will offset \$281,643 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

Views of Responsible Official

We issued a final audit report on September 4, 2009. The city did not indicate whether it agreed or disagreed with the audit findings, but indicated that it was disappointed in the findings. The city stated, and we agreed, that it could perform a time study to recover reimbursable costs. Subsequently, the city performed a time study that supported additional costs. We reviewed the time study results and additional documentation provided by the city. As a result, allowable costs increased by \$268,909, from \$14,339 to \$283,248. In an email dated May 27, 2014, Holly Reed-Falk, Financial Operations Manager, concurred with the revised audit results; we issued the first revised final report on June 10, 2014.

Subsequent to issuance of the first revised final report, the city discovered that the payment information reported for FY 2005-06 was incorrect. The first revised report showed no payments; however, the city was paid \$419,208. The audit adjustments remain unchanged from the first revised final report. This second revised final report supersedes the first revised final report issued June 10, 2014.

Restricted Use

This report is solely for the information and use of the City of El Cajon, 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
Chief, Division of Audits

June 30, 2014

**Revised Schedule 1—
Summary of Program Costs
July 1, 1998, through June 30, 2007,
excluding July 1, 2003, through June 30, 2004**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 1998, through June 30, 1999</u>				
Direct costs:				
Policies and procedures	\$ 8,040	\$ —	\$ (8,040)	Finding 1
Care and maintenance of other animals ²	—	38	38	Finding 4
Holding period	—	6,415	6,415	Finding 5
Feral cats	—	175	175	Finding 6
Lost and found lists	3,880	1,233	(2,647)	Finding 7
Non-medical records	22,009	527	(21,482)	Finding 8
Veterinary care	2,020	199	(1,821)	Finding 9
Procuring equipment	177	177	—	
Total direct costs	36,126	8,764	(27,362)	
Indirect costs	9,114	4,599	(4,515)	Finding 11
Total program costs	<u>\$ 45,240</u>	13,363	<u>\$ (31,877)</u>	
Less amount paid by the State		45,240		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (31,877)</u>		
<u>July 1, 1999, through June 30, 2000</u>				
Direct costs:				
Training	\$ 2,672	\$ —	\$ (2,672)	Finding 2
Computer software	2,680	2,680	—	
Acquiring space and facility	9,250	—	(9,250)	Finding 3
Care and maintenance of dogs and cats ²	48,355	1,470	(46,885)	Finding 4
Care and maintenance of other animals ²	11,947	73	(11,874)	Finding 4
Holding period	—	13,296	13,296	Finding 5
Feral cats	—	421	421	Finding 6
Lost and found lists	3,899	2,561	(1,338)	Finding 7
Non-medical records	22,093	1,213	(20,880)	Finding 8
Veterinary care	4,311	446	(3,865)	Finding 9
Procuring equipment	12,377	182	(12,195)	Finding 10
Total direct costs	117,584	22,342	(95,242)	
Indirect costs	24,343	9,435	(14,908)	Finding 11
Total program costs	<u>\$ 141,927</u>	31,777	<u>\$ (110,150)</u>	
Less amount paid by the State		141,927		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (110,150)</u>		

Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2000, through June 30, 2001</u>				
Direct costs:				
Training	\$ 2,672	\$ —	\$ (2,672)	Finding 2
Acquiring space and facility	20,921	—	(20,921)	Finding 3
Care and maintenance of dogs and cats ²	48,355	1,583	(46,772)	Finding 4
Care and maintenance of other animals ²	12,402	69	(12,333)	Finding 4
Holding period	—	13,164	13,164	Finding 5
Feral cats	—	480	480	Finding 6
Lost and found lists	4,562	2,540	(2,022)	Finding 7
Non-medical records	23,394	1,382	(22,012)	Finding 8
Veterinary care	4,303	520	(3,783)	Finding 9
Procuring equipment	43,430	78	(43,352)	Finding 10
Total direct costs	160,039	19,816	(140,223)	
Indirect costs	18,521	8,901	(9,620)	Finding 11
Total direct and indirect costs	178,560	28,717	(149,843)	
Less offsetting revenues	—	(1,162)	(1,162)	Finding 12
Total program costs	<u>\$ 178,560</u>	27,555	<u>\$ (151,005)</u>	
Less amount paid by the State		178,560		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (151,005)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Acquiring space and facility	\$ 9,790	\$ —	\$ (9,790)	Finding 3
Care and maintenance of dogs and cats ²	27,486	1,649	(25,837)	Finding 4
Care and maintenance of other animals ²	1,628	64	(1,564)	Finding 4
Holding period	—	14,086	14,086	Finding 5
Feral cats	—	572	572	Finding 6
Lost and found lists	5,371	2,741	(2,630)	Finding 7
Non-medical records	28,764	1,647	(27,117)	Finding 8
Veterinary care	47,745	595	(47,150)	Finding 9
Procuring equipment	179	179	—	
Total direct costs	120,963	21,533	(99,430)	
Indirect costs	25,349	7,755	(17,594)	Finding 11
Total direct and indirect costs	146,312	29,288	(117,024)	
Less offsetting revenues	—	(2,583)	(2,583)	Finding 12
Total program costs	<u>\$ 146,312</u>	26,705	<u>\$ (119,607)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 26,705</u>		

Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Acquiring space and facility	\$ 2,487	\$ —	\$ (2,487)	Finding 3
Care and maintenance of dogs and cats ²	122,163	1,791	(120,372)	Finding 4
Care and maintenance of other animals ²	12,374	128	(12,246)	Finding 4
Holding period	—	15,185	15,185	Finding 5
Feral cats	—	680	680	Finding 6
Lost and found lists	5,415	2,956	(2,459)	Finding 7
Non-medical records	27,528	1,958	(25,570)	Finding 8
Veterinary care	48,110	693	(47,417)	Finding 9
Procuring equipment	12,534	12,534	—	
Total direct costs	230,611	35,925	(194,686)	
Indirect costs	17,062	8,305	(8,757)	Finding 11
Total program costs	<u>\$ 247,673</u>	44,230	<u>\$ (203,443)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 44,230</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Acquiring space and facility	\$ 1,203	\$ —	\$ (1,203)	Finding 3
Care and maintenance of dogs and cats ²	249,158	2,295	(246,863)	Finding 4
Care and maintenance of other animals ²	17,153	139	(17,014)	Finding 4
Holding period	—	19,765	19,765	Finding 5
Feral cats	—	918	918	Finding 6
Lost and found lists	6,076	3,861	(2,215)	Finding 7
Non-medical records	34,057	2,986	(31,071)	Finding 8
Veterinary care	52,582	973	(51,609)	Finding 9
Procuring equipment	574	574	—	
Total direct costs	360,803	31,511	(329,292)	
Indirect costs	21,417	10,209	(11,208)	Finding 11
Total program costs	<u>\$ 382,220</u>	41,720	<u>\$ (340,500)</u>	
Less amount paid by the State		(382,220)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (340,500)</u>		

Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Care and maintenance of dogs and cats ²	\$ 277,551	\$ 2,266	\$ (275,285)	Finding 4
Care and maintenance of other animals ²	17,829	120	(17,709)	Finding 4
Holding period	—	21,819	21,819	Finding 5
Feral cats	—	1,278	1,278	Finding 6
Lost and found lists	6,600	4,252	(2,348)	Finding 7
Non-medical records	36,991	3,772	(33,219)	Finding 8
Veterinary care	53,822	1,184	(52,638)	Finding 9
Procuring equipment	823	823	—	
Total direct costs	393,616	35,514	(358,102)	
Indirect costs	25,592	10,598	(14,994)	Finding 11
Total program costs	<u>\$ 419,208</u>	46,112	<u>\$ (373,096)</u>	
Less amount paid by the State		(419,208)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 373,096</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Care and maintenance of dogs and cats ²	\$ 277,551	\$ 2,361	\$ (275,190)	Finding 4
Care and maintenance of other animals ²	17,829	128	(17,701)	Finding 4
Holding period	—	22,125	22,125	Finding 5
Feral cats	—	2,125	2,125	Finding 6
Lost and found lists	6,066	4,326	(1,740)	Finding 7
Non-medical records	34,825	5,626	(29,199)	Finding 8
Veterinary care	3,648	1,773	(1,875)	Finding 9
Procuring equipment	9,031	—	(9,031)	Finding 10
Total direct costs	348,950	38,464	(310,486)	
Indirect costs	29,201	13,322	(15,879)	Finding 11
Total program costs	<u>\$ 378,151</u>	51,786	<u>\$ (326,365)</u>	
Less amount paid by the State		(333,429)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (281,643)</u>		
<u>Summary: July 1, 1998, through June 30, 2003, and July 1, 2004, through June 30, 2007</u>				
Direct costs:				
Policies and procedures	\$ 8,040	\$ —	\$ (8,040)	
Training	5,344	—	(5,344)	
Computer software	2,680	2,680	—	
Acquiring space and facility	43,651	—	(43,651)	
Care and maintenance of dogs and cats ²	1,050,619	13,415	(1,037,204)	
Care and maintenance of other animals ²	91,162	759	(90,403)	
Holding period	—	125,855	125,855	

Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>Summary: July 1, 1998, through June 30, 2003, and July 1, 2004, through June 30, 2007 (continued)</u>				
Feral cats	—	6,649	6,649	
Lost and found lists	41,869	24,470	(17,399)	
Non-medical records	229,661	19,111	(210,550)	
Veterinary care	216,541	6,383	(210,158)	
Procuring equipment	79,125	14,547	(64,578)	
Total direct costs	1,768,692	213,869	(1,554,823)	
Indirect costs	170,599	73,124	(97,475)	
Total direct and indirect costs	1,939,291	286,993	(1,652,298)	
Less offsetting revenues	—	(3,745)	(3,745)	
Total program costs	<u>\$ 1,939,291</u>	283,248	<u>\$ (1,656,043)</u>	
Less amount paid by the State		(1,500,584)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (1,217,336)</u>		
<u>Summary by Object Account: July 1, 1998, through June 30, 2004, and July 1, 2004, through June 30, 2007</u>				
Direct costs:				
Salaries and benefits	\$ 359,488	\$ 195,500	\$ (163,988)	
Services and supplies	103,513	18,369	(85,144)	
Contract services	1,305,691	—	(1,305,691)	
Total direct costs	1,768,692	213,869	(1,554,823)	
Indirect costs	170,599	73,124	(97,475)	
Total direct and indirect costs	1,939,291	286,993	(1,652,298)	
Less offsetting revenues	—	(3,745)	(3,745)	
Total program costs	<u>\$ 1,939,291</u>	283,248	<u>\$ (1,656,043)</u>	
Less amount paid by the State		(1,500,584)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (1,217,336)</u>		

¹ See the Findings and Recommendations section.

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

**Schedule 2—
Summary of Care and Maintenance Costs
July 1, 1998, through June 30, 2003,
and July 1, 2004, through June 30, 2007**

Cost Elements	Amounts Claimed		Actual Costs Claimed	Allowable Per Audit		Total Costs Allowable	Audit Adjustment ¹
	Contract Service Costs	Materials and Supplies		Salaries and Benefits	Materials and Supplies		
<u>July 1, 1998, through June 30, 1999</u>							
Total care and maintenance costs	\$ —	\$ —		\$ 54,493	\$ 22,883		
Total animal census	÷ —	÷ —		÷ 6,049	÷ 6,049		
Cost per day	\$ —	\$ —		\$ 9.01	\$ 3.78		
Care and Maintenance of Other 'Eligible' Animals:							
Cost per day (at 50%)	\$ —	\$ —		\$ 4.51	\$ 1.89		
Number of eligible other animals	× —	× —		× 1	× 1		
Reimbursable days	× —	× —		× 6	× 6		
Total care and maintenance costs for other animals	\$ —	\$ —	\$ —	\$ 27	\$ 11	\$ 38	\$ 38
Total care and maintenance costs	\$ —	\$ —	\$ —	\$ 27	\$ 11	\$ 38	\$ 38
<u>July 1, 1999, through June 30, 2000</u>							
Total care and maintenance costs	\$ 219,459	\$ 76,954		\$ 57,388	\$ 24,716		
Total animal census	÷ 7,420	÷ 219		÷ 6,705	÷ 6,705		
Cost per day	\$ 29.58	\$ 351		\$ 8.56	\$ 3.69		
Care and Maintenance of Dogs and Cats:							
Cost per day	\$ 29.58	\$ —		\$ 8.56	\$ 3.69		
Number of eligible dogs and cats	× 545	× —		× 40	× 40		
Reimbursable days	× 3	× —		× 3	× 3		
Total care and maintenance costs for dogs and cats	\$ 48,355	\$ —	\$ 48,355	\$ 1,027	\$ 443	\$ 1,470	\$ (46,885)
Care and Maintenance of Other 'Eligible' Animals:							
Cost per day	\$ —	\$ 351.39		\$ 8.56	\$ 3.69		
Number of eligible other animals	× —	× 17		× 1	× 1		
Reimbursable days	× —	× 2		× 6	× 6		
Total care and maintenance costs for other animals	\$ —	\$ 11,947	\$ 11,947	\$ 51	\$ 22	\$ 73	\$ (11,874)
Total care and maintenance costs	\$ 48,355	\$ 11,947	\$ 60,302	\$ 1,078	\$ 465	\$ 1,543	\$ (58,759)

Revised Schedule 2 (continued)

Cost Elements	Amounts Claimed		Actual Costs Claimed	Allowable Per Audit		Total Costs Allowable	Audit Adjustment ¹
	Contract Service Costs	Materials and Supplies		Salaries and Benefits	Materials and Supplies		
July 1, 2000, through June 30, 2001							
Total care and maintenance costs	\$ 219,459	\$ 76,954		\$ 58,141	\$ 30,563		
Total animal census	÷ 7,420	÷ 124		÷ 7,728	÷ 7,728		
Cost per day	<u>\$ 29.58</u>	<u>\$ 620.60</u>		<u>\$ 7.52</u>	<u>\$ 3.95</u>		
Care and Maintenance of Dogs and Cats:							
Cost per day	\$ 29.58	\$ 620.60		\$ 7.52	\$ 3.95		
Number of eligible dogs and cats	× 545	× —		× 46	× 46		
Reimbursable days	× 3	× —		× 3	× 3		
Total care and maintenance costs for dogs and cats	<u>\$ 48,355</u>	<u>\$ —</u>	<u>\$ 48,355</u>	<u>\$ 1,038</u>	<u>\$ 545</u>	<u>\$ 1,583</u>	<u>\$ (46,772)</u>
Care and Maintenance of Other 'Eligible' Animals:							
Cost per day	\$ —	\$ 620.60		\$ 7.52	\$ 3.95		
Number of eligible other animals	× —	× 10		× 1	× 1		
Reimbursable days	× —	× 2		× 6	× 6		
Total care and maintenance costs for other animals	<u>\$ —</u>	<u>\$ 12,402</u>	<u>\$ 12,402</u>	<u>\$ 45</u>	<u>\$ 24</u>	<u>\$ 69</u>	<u>\$ (12,333)</u>
Total care and maintenance costs	<u>\$ 48,355</u>	<u>\$ 12,402</u>	<u>\$ 60,757</u>	<u>\$ 1,083</u>	<u>\$ 569</u>	<u>\$ 1,652</u>	<u>\$ (59,105)</u>
July 1, 2001, through June 30, 2002							
Total care and maintenance costs	\$ 221,286	\$ 2,801		\$ 63,478	\$ 29,283		
Total animal census	÷ 9,589	÷ 120		÷ 8,603	÷ 8,603		
Cost per day	<u>\$ 23.08</u>	<u>\$ 23.34</u>		<u>\$ 7.38</u>	<u>\$ 3.40</u>		
Care and Maintenance of Dogs and Cats:							
Cost per day	\$ 23.08	\$ 23.34		\$ 7.38	\$ 3.40		
Number of eligible dogs and cats	× 397	× —		× 51	× 51		
Reimbursable days	× 3	× —		× 3	× 3		
Total care and maintenance costs for dogs and cats	<u>\$ 27,486</u>	<u>\$ —</u>	<u>\$ 27,486</u>	<u>\$ 1,129</u>	<u>\$ 520</u>	<u>\$ 1,649</u>	<u>\$ (25,837)</u>
Care and Maintenance of Other 'Eligible' Animals:							
Cost per day	\$ —	\$ 23.34		\$ 7.38	\$ 3.40		
Number of eligible other animals	× —	× 10		× 1	× 1		
Reimbursable days	× —	× 7		× 6	× 6		
Total care and maintenance costs for other animals	<u>\$ —</u>	<u>\$ 1,628</u>	<u>\$ 1,628</u>	<u>\$ 44</u>	<u>\$ 20</u>	<u>\$ 64</u>	<u>\$ (1,564)</u>
Total care and maintenance costs	<u>\$ 27,486</u>	<u>\$ 1,628</u>	<u>\$ 29,114</u>	<u>\$ 1,173</u>	<u>\$ 540</u>	<u>\$ 1,713</u>	<u>\$ (27,401)</u>

Revised Schedule 2 (continued)

Cost Elements	Amounts Claimed		Actual Costs Claimed	Allowable Per Audit		Total Costs Allowable	Audit Adjustment ¹
	Contract Service Costs	Materials and Supplies		Salaries and Benefits	Materials and Supplies		
July 1, 2002, through June 30, 2003							
Total care and maintenance costs	\$ 305,787	\$ 18,518		\$ 68,012	\$ 33,055		
Total animal census	÷ 1,091	÷ 15		÷ 9,481	÷ 9,481		
Cost per day	<u>\$ 280.28</u>	<u>\$ 1,234.53</u>		<u>\$ 7.17</u>	<u>\$ 3.49</u>		
Care and Maintenance of Dogs and Cats:							
Cost per day	\$ 280.28	\$ —		\$ 7.17	\$ 3.49		
Number of eligible dogs and cats	× 218	× —		× 56	× 56		
Reimbursable days	× 2	× —		× 3	× 3		
Total care and maintenance costs for dogs and cats	<u>\$ 122,163</u>	<u>\$ —</u>	<u>\$ 122,163</u>	<u>\$ 1,205</u>	<u>\$ 586</u>	<u>\$ 1,791</u>	<u>\$ (120,372)</u>
Care and Maintenance of Other 'Eligible' Animals:							
Cost per day	\$ —	\$ 1,234.53		\$ 7.17	\$ 3.49		
Number of eligible other animals	× —	× 5		× 2	× 2		
Reimbursable days	× —	× 2		× 6	× 6		
Total care and maintenance costs for other animals	<u>\$ —</u>	<u>\$ 12,374</u>	<u>\$ 12,374</u>	<u>\$ 86</u>	<u>\$ 42</u>	<u>\$ 128</u>	<u>\$ (12,246)</u>
Total care and maintenance costs	<u>\$ 122,163</u>	<u>\$ 12,374</u>	<u>\$ 134,537</u>	<u>\$ 1,291</u>	<u>\$ 628</u>	<u>\$ 1,919</u>	<u>\$ (132,618)</u>
July 1, 2004, through June 30, 2005							
Total care and maintenance costs	\$ 623,844	\$ 46,956		\$ 93,815	\$ 34,992		
Total animal census	÷ 821	÷ 22		÷ 11,116	÷ 11,116		
Cost per day	<u>\$ 759.86</u>	<u>\$ 2,134.36</u>		<u>\$ 8.44</u>	<u>\$ 3.15</u>		
Care and Maintenance of Dogs and Cats:							
Cost per day	\$ 759.86	\$ —		\$ 8.44	\$ 3.15		
Number of eligible dogs and cats	× 164	× —		× 66	× 66		
Reimbursable days	× 2	× —		× 3	× 3		
Total care and maintenance costs for dogs and cats	<u>\$ 249,158</u>	<u>\$ —</u>	<u>\$ 249,158</u>	<u>\$ 1,671</u>	<u>\$ 624</u>	<u>\$ 2,295</u>	<u>\$ (246,863)</u>
Care and Maintenance of Other 'Eligible' Animals:							
Cost per day	\$ —	\$ 2,134		\$ 8.44	\$ 3.15		
Number of eligible other animals	× —	× 4		× 2	× 2		
Reimbursable days	× —	× 2		× 6	× 6		
Total care and maintenance costs for other animals	<u>\$ —</u>	<u>\$ 17,153</u>	<u>\$ 17,153</u>	<u>\$ 101</u>	<u>\$ 38</u>	<u>\$ 139</u>	<u>\$ (17,014)</u>
Total care and maintenance costs	<u>\$ 249,158</u>	<u>\$ 17,153</u>	<u>\$ 266,311</u>	<u>\$ 1,772</u>	<u>\$ 662</u>	<u>\$ 2,434</u>	<u>\$ (263,877)</u>

Revised Schedule 2 (continued)

Cost Elements	Amounts Claimed		Actual Costs Claimed	Allowable Per Audit		Total Costs Allowable	Audit Adjustment ¹
	Contract Service Costs	Materials and Supplies		Salaries and Benefits	Materials and Supplies		
July 1, 2005, through June 30, 2006							
Total care and maintenance costs	\$ 691,928	\$ 43,383		\$ 108,227	\$ 36,488		
Total animal census	÷ 763	÷ 15		÷ 14,377	÷ 14,377		
Cost per day	<u>\$ 906.85</u>	<u>\$ 2,892.20</u>		<u>\$ 7.53</u>	<u>\$ 2.54</u>		
Care and Maintenance of Dogs and Cats:							
Cost per day	\$ 906.85	\$ —		\$ 7.53	\$ 2.54		
Number of eligible dogs and cats	× 153	× —		× 75	× 75		
Reimbursable days	× 2	× —		× 3	× 3		
Total care and maintenance costs for dogs and cats	<u>\$ 277,551</u>	<u>\$ —</u>	<u>\$ 277,551</u>	<u>\$ 1,694</u>	<u>\$ 572</u>	<u>\$ 2,266</u>	<u>\$ (275,285)</u>
Care and Maintenance of Other 'Eligible' Animals:							
Cost per day	\$ —	\$ 2,892.20		\$ 7.53	\$ 2.54		
Number of eligible other animals	× —	× 3		× 2	× 2		
Reimbursable days	× —	× 2		× 6	× 6		
Total care and maintenance costs for other animals	<u>\$ —</u>	<u>\$ 17,829</u>	<u>\$ 17,829</u>	<u>\$ 90</u>	<u>\$ 30</u>	<u>\$ 120</u>	<u>\$ (17,709)</u>
Total care and maintenance costs	<u>\$ 277,551</u>	<u>\$ 17,829</u>	<u>\$ 295,380</u>	<u>\$ 1,984</u>	<u>\$ 602</u>	<u>\$ 2,386</u>	<u>\$ (292,994)</u>
July 1, 2006, through June 30, 2007							
Total care and maintenance costs	\$ 691,928	\$ 43,383		\$ 121,730	\$ 33,953		
Total animal census	÷ 763	÷ 15		÷ 21,958	÷ 21,958		
Cost per day	<u>\$ 906.85</u>	<u>\$ 2,892.20</u>		<u>\$ 5.54</u>	<u>\$ 1.55</u>		
Care and Maintenance of Dogs and Cats:							
Cost per day	\$ 906.85	\$ —		\$ 5.54	\$ 1.55		
Number of eligible dogs and cats	× 153	× —		× 111	× 111		
Reimbursable days	× 2	× —		× 3	× 3		
Total care and maintenance costs for dogs and cats	<u>\$ 277,551</u>	<u>\$ —</u>	<u>\$ 277,551</u>	<u>\$ 1,845</u>	<u>\$ 516</u>	<u>\$ 2,361</u>	<u>\$ (275,190)</u>
Care and Maintenance of Other 'Eligible' Animals:							
Cost per day	\$ —	\$ 2,892		\$ 5.54	\$ 1.55		
Number of eligible other animals	× —	× 3		× 3	× 3		
Reimbursable days	× —	× 2		× 6	× 6		
Total care and maintenance costs for other animals	<u>\$ —</u>	<u>\$ 17,829</u>	<u>\$ 17,829</u>	<u>\$ 100</u>	<u>\$ 28</u>	<u>\$ 128</u>	<u>\$ (17,701)</u>
Total care and maintenance costs	<u>\$ 277,551</u>	<u>\$ 17,829</u>	<u>\$ 295,380</u>	<u>\$ 1,945</u>	<u>\$ 544</u>	<u>\$ 2,489</u>	<u>\$ (292,891)</u>

Revised Schedule 2 (continued)

Cost Elements	Amounts Claimed		Actual Costs Claimed	Allowable Per Audit		Total Costs Allowable	Audit Adjustment ¹
	Contract Service Costs	Materials and Supplies		Salaries and Benefits	Materials and Supplies		
<u>Summary: July 1, 1998, through June 30, 2003; and July 1, 2004, through June 30, 2007</u>							
Care and maintenance							
Dogs and cats	\$ 1,050,619	\$ —	\$ 1,050,619	\$ 9,609	\$ 3,806	\$ 13,415	\$ (1,037,204)
Other 'eligible' animals	—	91,162	91,162	544	215	759	(90,403)
Total care and maintenance costs	<u>\$ 1,050,619</u>	<u>\$ 91,162</u>	<u>\$ 1,141,781</u>	<u>\$ 10,153</u>	<u>\$ 4,021</u>	<u>\$ 14,174</u>	<u>\$ (1,127,607)</u>

¹ See Finding 4—Overstated Care and Maintenance Costs.

Revised Findings and Recommendations

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

The city claimed salaries and benefits totaling \$8,040 during the audit period for the one-time activity of developing policies and procedures. We found that all costs are unallowable because the city claimed costs that were supported only by estimates of time spent performing the reimbursable activity. Using forms developed by the city's mandated cost consultant, the city estimated that the Animal Service Manager spent 240 hours during fiscal year (FY) 1998-99 to develop policies and procedures to implement the reimbursable activities associated with the mandated program. The forms were neither signed nor certified correct and no actual cost documentation or other reliable evidence was provided to support the time spent.

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:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the mandated activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Recommendation

The Animal Adoption Program was suspended in the FY 2010-11 through FY 2013-14 Budget Acts. If the program becomes active, we recommend that the city ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

**FINDING 2—
Unallowable one-time
costs of training**

The city claimed salaries and benefits totaling \$5,344 during the audit period for the one-time activity of staff training. We found that all costs are unallowable because the city claimed costs that were supported only by estimates of time spent performing the reimbursable activity. In addition, costs for the same employees were claimed in multiple years for this one-time reimbursable activity. The city did not provide any actual cost documentation or other corroborating evidence supporting the time spent to train staff on the reimbursable activities.

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

Fiscal Year	Salaries and Benefits		
	Amount Claimed	Amount Allowable	Audit Adjustment
1999-2000	\$ 2,672	\$ -	\$ (2,672)
2000-01	2,672	-	(2,672)
Total	\$ 5,344	\$ -	\$ (5,344)

Salaries and Benefits

The city did not provide any information related to the nature of training provided, the length of the training, or who provided the training. In addition, the city’s claims included the same number of hours for the same employee classifications in FY 1999-2000 and FY 2000-01 for this one-time reimbursable activity. The city’s claims for FY 1999-2000 and FY 2000-01 included training hours as follows:

- Animal Services Manager – 32 hours
- Customer Service Representatives (2) – 12 hours each
- Animal Control Officers (3) – 8 hours each, and
- Kennel Attendants (4) – 8 hours each

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

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

The parameters and guidelines (Section VI–Supporting Data) state that all costs claimed shall be traceable to source documents that show evidence of the validity of such costs and their relationship to this mandate (see Finding 1 for the exact language).

Recommendation

The Animal Adoption Program was suspended in the FY 2010-11 through FY 2013-14 Budget Acts. If the program becomes active, we recommend that the city ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

**FINDING 3—
Unallowable acquisition
of additional space
and/or construction of
new facilities costs**

The city claimed direct costs totaling \$43,651 for the Acquisition of Additional Space and/or Construction of New Facilities cost component during the audit period. We found that all costs claimed are unallowable because the city did not provide: 1) documentation to support the costs claimed; 2) required documentation from the governing board supporting that the costs were incurred to comply with the provisions of the mandated program was not provided; and 3) animal census data to properly allocate the costs.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
<u>Salaries and benefits:</u>			
1999-2000	\$ 8,625	\$ -	\$ (8,625)
2000-01	12,469	-	(12,469)
2001-02	4,355	-	(4,355)
2002-03	762	-	(762)
2004-05	940	-	(940)
Subtotal	27,151	-	(27,151)
<u>Contract services:</u>			
1999-2000	625	-	(625)
2000-01	8,452	-	(8,452)
2001-02	5,435	-	(5,435)
2002-03	1,725	-	(1,725)
2004-05	263	-	(263)
Subtotal	16,500	-	(16,500)
Total - construction	\$ 43,651	\$ -	\$ (43,651)

Salaries and Benefits

The city claimed salaries and benefits totaling \$27,151. We found that the costs are unallowable because the city estimated the amount of time spent by employees in various classifications to perform the reimbursable activities of planning, designing, acquiring, and/or building new facilities. In addition, the city did not provide corroborating documentation indicating the roles that staff performed for the construction of new animal shelter facilities.

The following table summarizes the employee classifications and the number of hours included in the city’s claims by fiscal year:

Employee Classification	Fiscal Year				
	1999-2000	2000-01	2001-02	2002-03	2004-05
Animal Services Manager	400	400	400	20	20
Police Captain #1	40	80	80	20	20
Police Captain #2	-	-	-	5.3	5.3
Senior Management Analyst	40	80	40	5.3	5.3
City Operations Manager	-	16	16	3.3	3.3
City Engineer	-	16	16	3.3	3.3
Chief of Police	-	-	20	5.3	3.3
Director of Public Works	-	-	-	3.3	3.3
Fire Chief	-	-	-	3.3	3.3
Fire Division Chief	-	-	-	3.3	3.3
Community Development Director	-	-	-	3.3	3.3
Park Operations Manager	-	-	-	3.3	3.3
Administrative Services Director	-	-	-	3.3	3.3
Total hours claimed	480	592	572	82	80

Contract Services

The city claimed contract services costs totaling \$16,500. We found that the costs are unallowable. The city provided worksheets to support the costs claimed, although no documentation was provided supporting any of the amounts included in the worksheets. In addition, the city did not provide documentation supporting the analysis to determine the pro-rata percentages of costs used in the city’s claims.

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

Fiscal Year	Contract Services				
	Gross Amount Claimed	Percentage Claimed	Claimed Amount	Allowable Costs	Audit Adjustment
1999-2000	\$ 1,275	49.00%	\$ 625	\$ -	\$ (625)
2000-01	17,249	49.00%	8,452	-	(8,452)
2001-02	38,821	14.00%	5,435	-	(5,435)
2002-03	12,323	14.00%	1,725	-	(1,725)
2004-05	1,883	14.00%	263	-	(263)
Total	\$ 71,551		\$ 16,500	\$ -	\$ (16,500)

Supporting Data

In order for costs to be reimbursable, the parameters and guidelines require documentation from the city’s governing board supporting that new shelter space was required in order to comply with Chapter 752, Statutes of 1998. The documentation requirement may be satisfied in whole or in part by staff agenda items, staff reports, minutes of governing board meetings, transcripts of governing board meetings, certification of the governing board describing the findings and determination, and/or a resolution adopted by the governing board. However, the city did not provide such documentation to support the costs claimed.

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

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

Eligible claimants are entitled to reimbursement for the proportionate share of actual costs required to plan, design, acquire, and/or build facilities in a given fiscal year based on the pro rata representation of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that are held during the increased holding period specified in Sections IV (B) (3) and (4) of these parameters and guidelines and die during the increased holding period

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

Supporting Documentation Submitted with the Initial and Subsequent Reimbursement Claims

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

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

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

Documentation requirement may be satisfied in whole or in part by staff agenda items, staff reports, minutes of governing board meetings, transcripts of governing board meetings, certification by

the governing board describing the finding and determination and/or a resolution adopted by the governing board pursuant to Food and Agriculture Code section 31755, as added by Statutes of 1999, Chapter 81 (Assembly Bill 1482).

Recommendation

The Animal Adoption Program was suspended in the FY 2010-11 through FY 2013-14 Budget Acts. If the program becomes active, we recommend that the city ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

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

The city claimed \$1,141,781 (\$1,050,619 for dogs and cats and \$91,162 for other animals) during the audit period for the Care and Maintenance cost component. We found that \$14,174 (\$13,415 for dogs and cats and \$759 for other animals) is allowable and \$1,127,607 is unallowable. The costs are unallowable because the city overstated its salaries and benefits and material and supplies costs, misstated animal census data, overstated the cost per animal per day, overstated the number of eligible animals, and understated the number of reimbursable days for other animals.

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

Fiscal Year	Dogs and Cats			Other Animals		
	Amount Claimed	Amount Allowable	Audit Adjustment	Amount Claimed	Amount Allowable	Audit Adjustment
1998-99	\$ -	\$ -	\$ -	\$ -	\$ 38	\$ 38
1999-2000	48,355	1,470	(46,885)	11,947	73	(11,874)
2000-01	48,355	1,583	(46,772)	12,402	69	(12,333)
2001-02	27,486	1,649	(25,837)	1,628	64	(1,564)
2002-03	122,163	1,791	(120,372)	12,374	128	(12,246)
2004-05	249,158	2,295	(246,863)	17,153	139	(17,014)
2005-06	277,551	2,266	(275,285)	17,829	120	(17,709)
2006-07	277,551	2,361	(275,190)	17,829	128	(17,701)
Total	\$ 1,050,619	\$ 13,415	\$ (1,037,204)	\$ 91,162	\$ 759	\$ (90,403)

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

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

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

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

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

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

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

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

Actual Cost Method – Under the actual cost method, actual reimbursable care and maintenance costs per animal per day are computed for an annual claim period, as follows:

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

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

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

Care and Maintenance Formula

The city elected to use the Actual Cost method to claim costs. The parameters and guidelines provide for a formula-driven methodology to determine allowable mandated costs for the care and maintenance of dogs and cats and other animals. The use of this method requires claimants to 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 to add 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 dated March 26, 2010.

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

Costs incurred by the city for care and maintenance consisted of salaries and benefits, materials and supplies, and related indirect costs. (Related indirect costs are addressed separately in Finding 11.)

To calculate the cost of care per animal per day in its claims for the audit period, the city allocated all of the expenditures incurred for the Animal Control Department to dogs and cats and other animals, even though these same expenditures were used to claim costs under other cost components of the mandated program. The expenditures were divided by a number that was supposed to represent the total animal census, although the numbers claimed were not reasonable or supported. In addition, the city used the same animal census data in its claims for FY

1999-2000 and FY 2000-01 and then again in FY 2005-06 and FY 2006-07. The city then multiplied the cost per animal per day by an unsupported number of eligible animals, and then by 2 or 3 reimbursable days to calculate claimable care and maintenance costs.

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

Salaries and Benefits

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

The following table details the number of and percentage involvement for animal care and maintenance per employee classification.

<u>Employee Classification</u>	<u>Percentage Involvement</u>
Animal Control Officer (3)	12%
Animal Care Attendant (4)	33%

Animal Care Attendant

The Animal Care Attendant's main duty is to provide care and maintenance of the animals. The city provided its job description for this employee classification, which contained a bullet-point list consisting of 13 duties performed. In response to our inquiries, a 14-year employee at the Animal Shelter provided percentage estimates of time spent on all 13 activities, which appears reasonable. Time spent on care and maintenance activities comprised 33%, which we used to determine allowable costs. Based on our observations and inquiries, we concurred with the city's assessment.

Animal Control Officers

Animal Control Officers (ACO), 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 ACOs spend about 15 minutes performing care and maintenance for each stray animal brought into the shelter. Shelter management also estimated that strays accounted for 70-75% of animals processed at the city’s animal shelter.

The city provided animal census information for FY 2004-05 through FY 2006-07. Based on our analysis of the data from these three years, we found that strays accounted for an average of 67.89% of the animal population. We used this percentage to determine the number of strays for the earlier years of the audit period. We accepted shelter management’s statement that ACOs spent 15 minutes with stray animals, based on our observations of shelter operations. Using this data, we found that ACOs spent from 6.44% to 19.69% of their annual productive hours on care and maintenance activities, as shown in the table below:

Fiscal Year	Number of Strays (A)	Hours (B)=(A)*15/60	Percentage of Year (C) = (B)/1,800
1998-99	464	116	6.44%
1999-2000	515	128.75	7.15%
2000-01	593	148.25	8.24%
2001-02	661	165.25	9.18%
2002-03	728	182	10.11%
2004-05	843	210.75	11.71%
2005-06	1,005	251.25	13.96%
2006-07	1,418	354.5	19.69%

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	Salaries and Benefits		
	Amount Claimed	Amount Allowable	Audit Adjustment
1998-99	\$ -	\$ 54,493	\$ 54,493
1999-2000	-	57,388	57,388
2000-01	-	58,141	58,141
2001-02	-	63,478	63,478
2002-03	-	68,012	68,012
2004-05	-	93,815	93,815
2005-06	-	108,227	108,227
2006-07	-	121,730	121,730
Total	\$ -	\$ 625,284	\$ 625,284

Materials and Supplies

We worked in conjunction with city staff to identify the costs eligible for reimbursement for the care and maintenance component. The city provided expenditure reports and line item descriptions of the costs incurred for the care and maintenance of animals.

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
	Janitorial	Supplies	Laundry	Pest Control	Security	Utilities	
1998-99	2,345	\$ 6,330	\$ 3,586	\$ 559	\$ 149	\$ 9,914	\$ 22,883
1999-2000	3,291	7,016	3,975	619	165	9,650	24,716
2000-01	3,577	8,087	4,581	714	190	13,414	30,563
2001-02	2,384	9,002	5,099	795	211	11,792	29,283
2002-03	2,620	9,921	5,620	876	233	13,785	33,055
2004-05	2,016	12,798	6,227	1,412	315	12,224	34,992
2005-06	1,902	12,575	6,603	1,250	252	13,906	36,488
2006-07	1,597	9,523	6,936	1,168	292	14,437	33,953
	<u>\$ 19,732</u>	<u>\$ 75,252</u>	<u>\$ 42,627</u>	<u>\$ 7,393</u>	<u>\$ 1,807</u>	<u>\$99,122</u>	<u>\$245,933</u>

Animal Census Data

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

For the early years of the audit period, we were unable to determine the source of the yearly census number or the number of eligible animals that the city used in its claims, as they were not supported by any animal census data that the city provided. The city was able to provide the actual animal census information from its animal database system for FY 2004-05 through FY 2006-07. Animal census data for years prior to FY 2004-05 was either incomplete or unavailable. For FY 1998-99 through FY 2002-03, we used actual animal census data for FY 2004-05 and allocated the data based on total animal shelter expenditures for a particular fiscal year compared to FY 2004-05.

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

Fiscal Year	Animal Census		
	Census Claimed	Census Allowable	Audit Adjustment
1998-99	-	6,049	6,049
1999-2000	7,639	6,705	(934)
2000-01	7,544	7,728	184
2001-02	9,709	8,603	(1,106)
2002-03	1,106	9,481	8,375
2004-05	843	11,116	10,273
2005-06	778	14,377	13,599
2006-07	778	21,958	21,180
Total	28,397	86,017	57,620

Eligible Dogs, Cats, and “Other” Animals

We were unable to determine the source that the city used in its claims for eligible dogs and cats and other animals. The city should have used the number of stray dogs, cats, and other animals that died (of natural causes) during the increased holding period or were ultimately euthanized (after the holding period). The city was able to support only the number of eligible animals from its animal census data for FY 2006-07. For that year, eligible dogs and cats (111) represented 5.426% of total animals and other animals (3) represented 0.14% of total animals housed at the city’s animal shelter. In the absence of animal data with which to calculate the number of eligible animals for the other years of the audit period, we used the percentages for FY 2006-07 to allocate the number of eligible animals for the other years of the audit period.

To verify the eligible animal population for FY 2006-07, 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, allowable, and unallowable eligible animals used in the care and maintenance formula for the audit period by fiscal year:

Fiscal Year	Eligible Animals Claimed			Eligible Animals Allowable			Audit Adjustment
	Dogs/Cats	Other Animals	Total Claimed	Dogs/Cats	Other Animals	Total Allowable	
1998-99	-	-	-	-	1	1	1
1999-2000	545	17	562	40	1	41	(521)
2000-01	545	10	555	46	1	47	(508)
2001-02	397	10	407	51	1	52	(355)
2002-03	218	5	223	56	2	58	(165)
2004-05	164	4	168	66	2	68	(100)
2005-06	153	3	156	75	2	77	(79)
2006-07	153	3	156	111	3	114	(42)
Total	2,175	52	2,227	445	13	458	(1,769)

Reimbursable Days

The city was inconsistent in the number of reimbursable days used in its claims. For dogs and cats, the city used three days for FY 1999-2000 through FY 2001-02 and two days for FY 2002-03 through FY 2006-07. The city used two reimbursable days for other animals for all years of the audit period. The city did not consider the increased holding period and the number of reimbursable days when claiming costs under this component.

A recent Appellate Court ruling in the case of *Purifoy v. Howell* 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) 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 took effect 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 city ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

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

The city did not claim any costs for the Holding Period cost component during the audit period. We found that \$125,855 is allowable. We worked with city representatives to determine the number of hours that the shelter was open to the public to make animals available for owner redemption during the audit period, and the extra staff required to perform this reimbursable activity.

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

Fiscal Year	Salaries and Benefits		
	Amount Claimed	Amount Allowable	Audit Adjustment
1998-99	\$ -	\$ 6,415	\$ 6,415
1999-2000	-	13,296	13,296
2000-01	-	13,164	13,164
2001-02	-	14,086	14,086
2002-03	-	15,185	15,185
2004-05	-	19,765	19,765
2005-06	-	21,819	21,819
2006-07	-	22,125	22,125
Total	\$ -	\$ 125,855	\$ 125,855

Hours of Operation

During the audit period, the shelter was open to the public on Saturdays from 10:00 am to 5:30 p.m. and closed for lunch from 1:00-2:00 p.m., which is 6.5 hours per allowable employee. City staff confirmed that its animal shelter has been using the same hours of operation for Saturdays during the entire audit period. The shelter meets the requirements of the mandate by making animals available for owner redemption or adoption on the weekend day.

Staffing Requirements

We held discussions with city representatives concerning the staffing requirements to make animals available for owner redemption on Saturdays when the shelter was open in comparison to Sundays and Mondays when the shelter was closed. Based on the staffing schedule provided, there was one additional Animal Care Attendant and a Customer Service Representative on duty when the shelter was open compared to when the shelter was closed, during the audit period.

The following table illustrates the claimed and allowable employee classifications determined to be the “increased” positions necessary to make the animals available for owner redemption. In addition, the table summarizes the total hours claimed and allowable:

	Fiscal Year	
	1998-99	1999-2000 through 2006-07
<u>Claimed hours</u>		
Total hours claimed	-	-
<u>Allowable hours</u>		
Employee positions:		
Customer Service Representative	1	1
Animal Care Attendants	1	1
Total employee positions	2	2
× Hours allowable per position	6.5	6.5
× Weeks per year	26	52
Total hours allowable	338	676

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

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

Recommendation

The Animal Adoption Program was suspended in the FY 2010-11 through FY 2013-14 Budget Acts. If the program becomes active, we recommend that the city ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

**FINDING 6—
Understated feral cat
costs**

The city did not claim any costs during the audit period for the Feral Cats cost component. We determined that \$6,649 is allowable. The city conducted a time study to determine the amount of time required by Animal Care Attendants to perform feral cat tests. We used animal census data for FY 2004-05 through FY 2006-07 to determine the percentage of cats housed at the animal shelter during those years. We used this percentage to determine the number of cats housed at the shelter during the earlier years of the audit period

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

Fiscal Year	Total Direct Costs		
	Amount Claimed	Amount Allowable	Audit Adjustment
1998-99	\$ -	\$ 175	\$ 175
1999-2000	-	421	421
2000-01	-	480	480
2001-02	-	572	572
2002-03	-	680	680
2004-05	-	918	918
2005-06	-	1,278	1,278
2006-07	-	2,125	2,125
Total	\$ -	\$ 6,649	\$ 6,649

Time Study

The city conducted a time study in 2009 during the months of July and August to support the time it takes shelter staff to verify whether a cat is feral or tame. The city documented the time it took two Animal Care Attendants to conduct the feral cat tests. Based on the revised time study results, the city found that, on average, staff spend 4.69 minutes per cat to determine if the cat was feral or tame.

Number of feral cat tests

We calculated the maximum eligible number of cats which would have received a feral cat test during the audit period by concluding that every cat that came into the city’s shelter could have received such a test. Therefore, we determined that number of cats housed at the animal shelter during each year of the audit period. As mentioned previously, the city supported only its animal census data for FY 2004-05 through FY 2006-07. The data showed that 35.25% of the animals housed at the city’s animal shelter during those years were cats. We applied this percentage to the total number of animals housed at the shelter for FY 1998-99 through FY 2002-03 to calculate the total number of cats that could have received a feral cat test.

The following table summarizes the number of allowable feral cat tests by fiscal year:

	Fiscal Year							
	1998-99	1999-2000	2000-01	2001-02	2002-03	2004-05	2005-06	2006-07
<u>Feral Cat Tests:</u>								
Total claimed	-	-	-	-	-	-	-	-
<u>Allowable tests:</u>								
Animal Care Attendants	121	267	308	343	378	392	494	810
Allowable feral cat tests	121	267	308	343	378	392	494	810

Hours

We determined the allowable hours per employee classification based on the time study conducted.

The following table summarizes the adjustment to the hours claimed based on the estimated time, per shelter, per classification, per fiscal year and the allowable hours as a result of the time study conducted during the course of the audit and the maximum allowable number of feral cat tests performed:

	1998-99	1999-2000	2000-01	2001-02	2002-03	2004-05	2005-06	2006-07
<u>Claimed hours</u>								
Animal Care Attendant	-	-	-	-	-	-	-	-
Total Claimed	-	-	-	-	-	-	-	-
<u>Allowable hours</u>								
Animal Care Attendant	9.00	20.90	24.08	26.82	29.57	30.65	38.63	63.35
Audit adjustment - hours	9.00	20.90	24.08	26.82	29.57	30.65	38.63	63.35

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

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

Recommendation

The Animal Adoption Program was suspended in the FY 2010-11 through FY 2013-14 Budget Acts. If the program becomes active, we recommend that the city ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

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

The city claimed direct costs totaling \$41,869 for the Lost-and-Found Lists cost component during the audit period. We found that \$24,470 is allowable and \$17,399 is unallowable. The costs are unallowable because the city estimated the costs to comply with the five reimbursable activities outlined for the cost component. The city estimated annual hours spent on the reimbursable activities during each year of the audit period by the employee classifications of Animal Services Manager, Customer Service Representative, Animal Control Officer, and Animal Care Attendant. The city did not provide any source documentation on which to base allowable costs

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

Fiscal Year	Salaries and Benefits		
	Amount Claimed	Amount Allowable	Audit Adjustment
1998-99	\$ 3,880	\$ 1,233	\$ (2,647)
1999-2000	3,899	2,561	(1,338)
2000-01	4,562	2,540	(2,022)
2001-02	5,371	2,741	(2,630)
2002-03	5,415	2,956	(2,459)
2004-05	6,076	3,861	(2,215)
2005-06	6,600	4,252	(2,348)
2006-07	6,066	4,326	(1,740)
Total	<u>\$ 41,869</u>	<u>\$ 24,470</u>	<u>\$ (17,399)</u>

Time Study

The city conducted a time study in July and August of 2009 and January and February of 2010, to determine the amount of time spent performing Lost-and-Found Lists activities. The time study was conducted by the following employee classifications: Police Sergeant, Animal Control Officer, Animal Care Attendant, Customer Service Representative, Police Service Officer, Police Officer, Communication Ops, Dispatcher, and Dispatcher Supervisor. The time study focused on the time it takes to update the lost and found list for the public. The city concluded that shelter employees spent a total of 116 hours per year to comply with all five requirements of the Lost and Found Lists cost component, as noted in the table below. We applied these hours to one employee per classification per year to determine allowable costs.

The following table summarizes the claimed and allowable hours for the cost component by employee classification:

	Fiscal Year							
	1998-99	1999-2000	2000-01	2001-02	2002-03	2004-05	2005-06	2006-07
<u>Claimed hours per classification</u>								
Animal Services Manager	24	24	24	24	24	24	24	-
Customer Service Reps	72	72	108	108	108	72	72	75
Animal Control Officers	36	36	36	36	36	36	36	36
Animal Care Attendants	48	48	48	36	48	48	48	66
Total hours claimed	180	180	216	204	216	180	180	177
<u>Allowable hours per classification</u>								
Animal Services Manager	1	1	1	1	1	1	1	1
Customer Service Reps	14	27	27	27	27	27	27	27
Animal Control Officers	2	3	3	3	3	3	3	3
Animal Care Attendants	18	35	35	35	35	35	35	35
Communication Ops	13	25	25	25	25	25	25	25
Dispatcher/Dispatcher Supervisor	9	17	17	17	17	17	17	17
Police Officer	4	7	7	7	7	7	7	7
Police Service Officer	1	1	1	1	1	1	1	1
Total hours allowable	62	116	116	116	116	116	116	116
Hours Adjustment	(118)	(64)	(100)	(88)	(100)	(64)	(64)	(61)

The parameters and guidelines (section IV.B.6 – Lost and Found Lists) allow reimbursement, beginning January 1, 1999, for providing owners of lost animals and those who find lost animals with all of the following:

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

Recommendation

The Animal Adoption Program was suspended in the FY 2010-11 through FY 2013-14 Budget Acts. If the program becomes active, we recommend that the city ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

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

The city claimed direct costs totaling \$229,661 for the Maintaining Non-Medical Records cost component during the audit period. We found that \$19,111 is allowable and \$210,550 is unallowable. The costs are unallowable because the city estimated the time that it took employees to perform the reimbursable activities. As a result, the city overstated costs for employees that performed the reimbursable activities, did not claim costs for employee classifications that did perform the reimbursable activities, and did not take into account variations in the number of records processed each year

The following table summarizes the combined claimed, allowable, and unallowable direct costs for the cost component by fiscal year:

Fiscal Year	Salaries and Benefits		
	Amount Claimed	Amount Allowable	Audit Adjustment
1998-99	\$ 22,009	\$ 527	\$ (21,482)
1999-2000	22,093	1,213	(20,880)
2000-01	23,394	1,382	(22,012)
2001-02	28,764	1,647	(27,117)
2002-03	27,528	1,958	(25,570)
2004-05	34,057	2,986	(31,071)
2005-06	36,991	3,772	(33,219)
2006-07	34,825	5,626	(29,199)
Total	<u>\$ 229,661</u>	<u>\$ 19,111</u>	<u>\$ (210,550)</u>

Salaries and Benefits – Employee Classifications

For the audit period, the city claimed \$229,661 in salaries and benefits for personnel in the employee classifications of Animal Services Manager and Customer Service Representative to process non-medical animal records. However, the costs claimed were based on estimates of time to perform the reimbursable activities—1,080 hours spent by staff for FY 1998-99 through FY 1999-2000 and for FY 2004-05 through FY 2006-07, and 1,152 hours spent by staff during FY 2000-01 through FY 2002-03. The costs claimed did not take into account variations in the number of records processed from year to year. Therefore, the city opted to properly support costs with a time study.

Time Study

The city performed a time-study for this cost component during July through August of 2009 and again during January through February 2010. The county studied the time required to process records for animals and found that 4.74 minutes were spent processing animal records.

Number of Animal Records Processed

We applied the time study results to the number of animal records processed based on data that the city was able to provide from its animal database system for FY 2004-05 through FY 2006-07. Animal census

data for years prior to FY 2004-05 was either incomplete or unavailable. For FY 1998-99 through FY 2002-03, we used actual animal census data for FY 2004-05 and allocated the data based on total animal shelter expenditures for a particular fiscal year compared to FY 2004-05.

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

	Fiscal Year							
	1998-99	1999-2000	2000-01	2001-02	2002-03	2004-05	2005-06	2006-07
Non-medical records	342	758	874	973	1,072	1,257	1,438	2,116

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

Employee Classification	Percentage Involvement
Animal Care Attendants	78%
Animal Control Officers	7%
Customer Service Rep.	15%
	<u>100%</u>

To determine allowable salaries and benefits, we applied the results of the city’s time study to the employee classifications that performed the activities. We determined that costs totaling \$19,111 were allowable.

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.

Recommendation

The Animal Adoption Program was suspended in the FY 2010-11 through FY 2013-14 Budget Acts. If the program becomes active, we recommend that the city ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

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

The city claimed direct costs totaling \$216,541 (\$33,516 in salaries and benefits and \$183,025 in contract services) for the Necessary and Prompt Veterinary Care cost component during the audit period. We found that \$6,383 is allowable and \$210,158 is unallowable. The costs were unallowable because the city claimed estimated costs that were not supported, claimed ineligible contract services costs, and understated allowable costs for services and supplies.

Allowable costs totaling \$4,386 for salaries and benefits are based on a time study that the city conducted for the activities of providing an initial physical exam of animals and administering wellness vaccines. The city also provided actual costs incurred for the cost of the wellness vaccines administered. Allowable materials and supplies costs totaled \$1,997 for the audit period.

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

Fiscal Year	Total Direct Costs		
	Amount Claimed	Amount Allowable	Audit Adjustment
1998-99	\$ 2,020	\$ 199	\$ (1,821)
1999-2000	4,311	446	(3,865)
2000-01	4,303	520	(3,783)
2001-02	47,745	595	(47,150)
2002-03	48,110	693	(47,417)
2004-05	52,582	973	(51,609)
2005-06	53,822	1,184	(52,638)
2006-07	3,648	1,773	(1,875)
Total	\$ 216,541	\$ 6,383	\$ (210,158)

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

The city claimed \$33,516 for salaries and benefits during the audit period. The costs were based on estimates of time spent by various employee classifications to perform the reimbursable activities. However, no documentation was provided supporting the time claimed or explaining what reimbursable activities were performed.

The city conducted a time study to support the time it takes staff to conduct an initial physical examination of animals and to administer wellness vaccines. As a result of the time study, we found that salaries and benefits totaling \$4,386 are allowable.

The following table summarizes the claimed and allowable salaries and benefit costs by fiscal year:

Fiscal Year	Salaries and Benefits		
	Amount Claimed	Amount Allowable	Audit Adjustment
1998-99	\$ 2,020	\$ 121	\$ (1,899)
1999-2000	4,311	274	(4,037)
2000-01	4,303	321	(3,982)
2001-02	5,425	375	(5,050)
2002-03	5,416	452	(4,964)
2004-05	4,023	689	(3,334)
2005-06	4,370	860	(3,510)
2006-07	3,648	1,294	(2,354)
Total	\$ 33,516	\$ 4,386	\$ (29,130)

Time Study

During the course of the audit, the city performed a time study for conducting an initial physical examination of an animal to determine its baseline health and administer wellness vaccines. An Animal Care Attendant and Animal Services Officer participated in the time study and are qualified to make a determination in regards to an animal being “adoptable,” “treatable,” or “non-rehabilitatable” and to perform limited medical services.

The time study was performed during the months of July through August of 2009 and again during January through February 2010. As a result of the time study, the city found that shelter staff spend an average of 1.094 minutes to conduct an initial physical examination and administer wellness vaccines.

The following table summarizes the percent of Initial Physical exams performed per employee classification as a result of the time study:

Classification	Percent of Exams Per Classification
Animal Care Attendant	94.15%
Animal Services Officer	5.85%

We applied the 1.094 minutes per initial physical examination to the eligible animals per classification by each employee’s productive hourly rate to determine allowable salaries and benefits costs totaling \$4,386.

Number of Eligible Animals

We were unable to determine the source that the city used in its claims for eligible dogs and cats and other animals. The city should have used the number of stray dogs, cats, and other animals that died (of natural causes) during the increased holding period or were ultimately euthanized (after the holding period). The city supported only the number of eligible animals from its animal census data for FY 2006-07.

For that year, eligible dogs and cats (111) represented 5.426% of total animals and other animals (3) represented 0.14% of total animals housed at the city's animal shelter. In the absence of animal data with which to calculate the number of eligible animals for the other years of the audit period, we used these percentages from FY 2006-07 census data to allocate the number of eligible animals for the other years of the audit period.

To verify the eligible animal population for FY 2006-07, we ran a query of all animals that fit the reimbursement criteria for this cost component. The parameters and guidelines specifically state that reimbursement is limited to "stray and abandoned animals...that die during the holding period or are ultimately euthanized." As noted in Finding 4, we determined the average holding period to be six days; therefore, reimbursement is limited to the following population of animals:

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

This calculation is consistent with the Appellate Court ruling in the case of *Purifoy v. Howell* which determined that Saturday is not considered a business day for the purposes of this mandated program.

We filtered the animal data provided by the city using this criterion and determined the number of animals that eligible for reimbursement. This count of eligible animals was used for application of the time study results:

	Fiscal Year							
	1998-99	1999-2000	2000-01	2001-02	2002-03	2004-05	2005-06	2006-07
Eligible cats	23	26	30	33	36	43	49	72
Eligible dogs	13	14	16	18	20	23	26	39
Total cats and dogs	36	40	46	51	56	66	75	111
Other animals	1	1	1	1	2	2	2	3
Total all animals	37	41	47	52	58	68	77	114

Materials and Supplies - Cost of the Wellness Vaccines

We determined that allowable costs for the audit period totaled \$1,997 (\$1,433 for the wellness vaccines for cats and \$641 for the 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 audit adjustment amounts by fiscal year:

Fiscal Year	Materials and Supplies - Cost of Wellness		
	Amount Claimed	Amount Allowable	Audit Adjustment
1998-99	\$ -	\$ 78	\$ 78
1999-2000		172	172
2000-01		199	199
2001-02		220	220
2002-03	-	241	241
2004-05	-	284	284
2005-06	-	324	324
2006-07	-	479	479
Total	\$ -	\$ 1,997	\$ 1,997

Contract Services

The city claimed \$183,025 for contract services costs. We found that none of the costs are allowable. The costs were unallowable because the city claimed costs for veterinary procedures that are ineligible for reimbursement based on the information provided.

For the audit period, the city claimed contract services costs based on veterinary services invoices submitted by the city's veterinarian. However, the invoices only detailed the number of hours that the veterinarian worked each day over a period of days. This is an incorrect methodology to determine eligible costs for this component. As noted below, veterinary care costs are only reimbursable for eligible medical services performed for eligible animals during the required holding period. Information must be provided that details the type of veterinary service performed, the date the service was performed, the intake date of the animal, and the date the animal died or was euthanized.

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

Fiscal Year	Contract Services		
	Amount Claimed	Amount Allowable	Audit Adjustment
1998-99	\$ -	\$ -	\$ -
1999-2000	-	-	-
2000-01	-	-	-
2001-02	42,320	-	(42,320)
2002-03	42,694	-	(42,694)
2004-05	48,559	-	(48,559)
2005-06	49,452	-	(49,452)
2006-07	-	-	-
Total	\$ 183,025	\$ -	\$ (183,025)

The parameters and guidelines (section IV.B.9 – Necessary and Prompt Veterinary Care) allow reimbursement, beginning January 1, 1999, for providing necessary and prompt veterinary care for stray and abandoned animals, other than injured cats and dogs given emergency treatment that die during the holding period or are ultimately euthanized during the holding periods specified in Statutes of 1998, Chapter 752.

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

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

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

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

Recommendation

The Animal Adoption Program was suspended in the FY 2010-11 through FY 2013-14 Budget Acts. If the program becomes active, we recommend that the city ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

**FINDING 10—
Unallowable
misclassified procuring
equipment costs**

The city claimed direct costs totaling \$79,125 (\$11,227 for salaries and benefits, \$12,351 for services and supplies, and \$55,547 for contract services) under the Procuring Equipment cost component. We found that \$14,547 is allowable and \$64,578 is unallowable. The costs are unallowable because they were based on estimates of time performing the reimbursable activity and were not properly supported. In addition, necessary and prompt veterinary costs were misclassified and claimed under the wrong cost component.

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

Fiscal Year	Total Direct Costs		
	Amount Claimed	Amount Allowable	Audit Adjustment
1998-99	\$ 177	\$ 177	\$ -
1999-2000	12,377	182	(12,195)
2000-01	43,430	78	(43,352)
2001-02	179	179	-
2002-03	12,534	12,534	-
2004-05	574	574	-
2005-06	823	823	-
2006-07	9,031	-	(9,031)
Total	\$ 79,125	\$ 14,547	\$ (64,578)

Except for FY 2006-07, salary and benefit costs claimed were beneath our materiality level for testing. Salaries and benefits totaling \$9,031 claimed for FY 2006-07 were based on 100 hours spent by the Animal Control Services Manager and 40 hours spent by the Senior Management Analyst “obtaining medical, kennel, and computer equipment to comply with the mandated activities.” However, the city did not provide any supporting documentation for the time spent and no equipment purchases were claimed for FY 2006-07.

Contract services costs totaling \$55,547 (\$12,195 for FY 1999-2000 and \$43,352 for FY 2000-01) were improperly claimed under the Procuring Equipment cost component. The costs claimed were for veterinary services that should have been claimed under the Necessary and Prompt Veterinary Care cost component. As noted in Finding 9 (Unallowable necessary and prompt veterinary care costs), the costs are unallowable because they were only based on hours spent by the shelter’s veterinarian performing unspecified veterinary services.

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

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

The city claimed \$170,599 for indirect costs during the audit period. We found that \$73,124 is allowable and \$97,475 is unallowable. The costs are unallowable primarily because of the unallowable salaries and benefits identified in Findings 1 through 10. However, the city misstated its indirect cost rates for every year of the audit period.

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

Fiscal Year	Allowable Salaries and Benefits	Allowable Indirect Cost Rates	Allowable Indirect Costs	Claimed Indirect Costs	Audit Adjustment
1998-99	\$ 8,675	53.01%	\$ 4,599	\$ 9,114	\$ (4,515)
1999-2000	21,705	43.47%	9,435	24,343	(14,908)
2000-01	19,048	46.73%	8,901	18,521	(9,620)
2001-02	20,773	37.33%	7,755	25,349	(17,594)
2002-03	22,705	36.58%	8,305	17,062	(8,757)
2004-05	30,565	33.40%	10,209	21,417	(11,208)
2005-06	34,588	30.64%	10,598	25,592	(14,994)
2006-07	37,441	35.58%	13,322	29,201	(15,879)
Total	\$ 195,500		\$ 73,124	\$ 170,599	\$ (97,475)

Misstated indirect cost rates

Rates Claimed

During the audit period, the city’s calculations of indirect costs were inconsistent. The city’s calculations were as follows:

- For FY 1998-99 through FY 2000-01, the indirect cost pool excluded any salaries and wages costs and 100% of all services and supplies costs were claimed as indirect costs.
- For FY 2001-02, 25% of labor costs for two Animal Care Attendants and 100% of services and supplies costs were claimed as indirect.
- For FY 2002-03, 50% of labor costs for two Animal Care Attendants and 100% of services and supplies costs (less costs for professional and technical services) were claimed as indirect.

- For FY 2004-05, 95% of labor costs for two Animal Care Attendants and 100% of services and supplies costs (less costs for professional and technical services) were claimed as indirect.
- For FY 2005-06 and FY 2006-07, indirect cost rates were based on the Police Department as a whole, although all previous year indirect cost calculations were based solely on the expenditures incurred within the Animal Control Department.

In addition to the inconsistent methodology used to calculate indirect costs, the city provided no support for the indirect salaries and wages costs incurred for two Animal Care Attendants over the period of FY 2001-02 through FY 2004-05 and some of the services and supplies costs claimed as indirect were already claimed as direct costs within various cost components of the city's claims. Therefore, we found that the indirect cost calculations were unreasonable, and recalculated the rates using a consistent methodology.

Recalculated Rates

For each year of the audit period, we used only expenditures incurred within the Animal Control Department. We also concluded that 100% of salary and benefit costs incurred for the Animal Services Manager and costs appearing in the services and supplies line item accounts of Communications, Disposal, Dues and Licenses, Fleet/Equipment, Repairs and Maintenance, Postage, Printing, Subscriptions, and Vehicle Replacement Charges were 100% indirect. Using these costs, 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 recalculations, we found that indirect costs were overstated by \$23,067 due to rate differences.

The following table summarizes the claimed, allowable and audit adjustment for indirect cost rates.

<u>Fiscal Year</u>	<u>Allowable Indirect Cost Rate</u>	<u>Claimed Indirect Cost Rate</u>	<u>Misstated Rate</u>
1998-99	53.01%	25.23%	27.78%
1999-2000	43.47%	54.75%	-11.28%
2000-01	46.73%	39.01%	7.72%
2001-02	37.33%	57.49%	-20.16%
2002-03	36.58%	43.41%	-6.83%
2004-05	33.40%	46.90%	-13.50%
2005-06	30.64%	52.46%	-21.82%
2006-07	35.58%	54.51%	-18.93%

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

<u>Fiscal Year</u>	<u>Indirect Cost Rate Difference</u>	<u>Total Direct Cost Allowable</u>	<u>Adjustment for Rate Difference</u>
1998-99	27.78%	\$ 8,675	\$ 2,410
1999-2000	-11.28%	21,705	(2,448)
2000-01	7.72%	19,048	1,471
2001-02	-20.16%	20,773	(4,188)
2002-03	-6.83%	22,705	(1,551)
2004-05	-13.50%	30,565	(4,126)
2005-06	-21.82%	34,588	(7,547)
2006-07	-18.93%	37,441	(7,088)
Totals		<u>\$ 195,500</u>	<u>\$ (23,067)</u>

Overstated Indirect Costs Related to Overstated Salaries and Benefits

Indirect costs were overstated by \$74,408 for the audit period as a result of the unallowable salaries and benefits identified in Findings 1 through 10.

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

<u>Fiscal Year</u>	<u>Adjustment for Rate Differences</u>	<u>Adjustment For Unallowable Costs</u>	<u>Total Audit Adjustment</u>
1998-99	\$ 2,410	\$ (6,925)	(4,515)
1999-2000	(2,448)	(12,460)	(14,908)
2000-01	1,471	(11,091)	(9,620)
2001-02	(4,188)	(13,406)	(17,594)
2002-03	(1,551)	(7,206)	(8,757)
2004-05	(4,126)	(7,082)	(11,208)
2005-06	(7,547)	(7,447)	(14,994)
2006-07	(7,088)	(8,791)	(15,879)
Total	<u>\$ (23,067)</u>	<u>\$ (74,408)</u>	<u>\$ (97,475)</u>

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

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

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

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

Recommendation

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

FINDING 11— Understated offsetting revenues

The city did not report any offsetting revenues in its claims during the audit period. The city maintained a contract with the City of La Mesa during the audit period to provide animal care services for La Mesa's animals. The City of La Mesa filed mandate reimbursement claims of \$1,162 in FY 2000-01 and \$2,583 in FY 2001-02 for costs incurred under the Animal Adoption Program, while maintaining a contract with the City of El Cajon. The City of El Cajon also filed mandate reimbursement claims for those same years. As a result, the City of El Cajon agreed to offset their claims by a total of \$3,745 in revenues to match the costs claimed by the City of La Mesa for FY 2000-01 and FY 2001-02.

During our audit of the city's Animal Adoption claims, we did not analyze whether any of the contract revenues received from the City of La Mesa funded mandated activities or funded the general operating expenses incurred to operate the city's animal shelter. As the City of El Cajon provided all of the services, incurred all of the costs, and was the contractor for the City of La Mesa, we relied on the city's determination as to whether the city's contract revenues for FY 2000-01 and FY 2001-02 funded mandated activities or general operational costs. The city stated its agreement that contract revenues received from the City of La Mesa funded mandated activities to the extent that it claimed mandated costs.

Reimbursement for mandated costs incurred by a local agency is limited to mandated costs incurred. Either the city is entitled to 100% of its mandated costs incurred, or a portion of its reimbursements should be shared with its contracting partner.

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

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