



JOHN CHIANG
California State Controller

February 19, 2013

Diane Perkin, Director of
Administrative Services
City of Lakewood
P.O. Box 220
Lakewood, CA 90714

Dear Ms. Perkin:

The State Controller's Office reviewed the costs claimed by the City of Lakewood for the legislatively mandated Animal Adoption Program (Chapter 752, Statutes of 1998, and Chapter 313, Statutes of 2004) for the period of July 1, 2001, through June 30, 2003, and July 1, 2007, through June 30, 2009. Our review was performed to determine whether claimed costs represented increased costs resulting from the Animal Adoption Program. Our review was limited to gaining an understanding of the animal service contract the city had with the service provider, Southeast Area Animal Control Agency (SEAACA). We determined reimbursable costs based on information provided in our audit of costs claimed by the SEAACA for the Animal Adoption Program during the same period.

The city claimed \$137,055 for the mandated program. Our review found that \$47,686 is allowable and \$89,369 is unallowable. The costs are unallowable because the city claimed reimbursement for costs it did not incur, as described in the attached Summary of Program Costs and Finding and Recommendation.

For the fiscal year (FY) 2001-02 claim, the State made no payment to the city. Our review found that \$10,602 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payment to the city. Our review found that \$10,813 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2007-08 claim, the State made no payment to the city. Our review found that \$14,719 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2008-09 claim, the State made no payment to the city. Our review found that \$11,552 is allowable. The State will pay that amount, contingent upon available appropriations.

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

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/bf

Attachments

RE: S12-MCC-931

cc: Randall Ward, Principal Program Budget Analyst
Mandates Unit, Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

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

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2001, through June 30, 2002</u>			
Direct costs:			
Care and maintenance of dogs and cats	\$ 13,163	\$ 1,584	\$ (11,579)
Care and maintenance of other animals	3,330	62	(3,268)
Increased holding period	2,621	2,423	(198)
Lost-and-found lists	—	94	94
Maintaining non-medical records	—	1,104	1,104
Necessary and prompt veterinary care	—	988	988
Total direct costs	19,114	6,255	(12,859)
Indirect costs	—	4,347	4,347
Total program costs	<u>\$ 19,114</u>	10,602	<u>\$ (8,512)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 10,602</u>	
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs:			
Care and maintenance of dogs and cats	\$ 16,057	\$ 1,682	\$ (14,375)
Care and maintenance of other animals	—	66	66
Increased holding period	6,443	2,363	(4,080)
Lost-and-found lists	—	95	95
Maintaining non-medical records	—	1,104	1,104
Necessary and prompt veterinary care	—	982	982
Total direct costs	22,500	6,292	(16,208)
Indirect costs	—	4,521	4,521
Total program costs	<u>\$ 22,500</u>	10,813	<u>\$ (11,687)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 10,813</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Care and maintenance of dogs and cats	\$ 35,487	\$ 2,259	\$ (33,228)
Care and maintenance of other animals	649	111	(538)
Increased holding period	14,415	3,343	(11,072)
Lost-and-found lists	—	134	134
Maintaining non-medical records	—	1,450	1,450
Necessary and prompt veterinary care	—	1,440	1,440
Total direct costs	50,551	8,737	(41,814)
Indirect costs	—	5,982	5,982
Total program costs	<u>\$ 50,551</u>	14,719	<u>\$ (35,832)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 14,719</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Care and maintenance of dogs and cats	\$ 33,698	\$ 2,066	\$ (31,632)
Care and maintenance of other animals	433	59	(374)
Increased holding period	10,759	2,398	(8,361)
Lost-and-found lists	—	96	96
Maintaining non-medical records	—	1,282	1,282
Necessary and prompt veterinary care	—	1,335	1,335
Total direct costs	44,890	7,236	(37,654)
Indirect costs	—	4,316	4,316
Total program costs	<u>\$ 44,890</u>	11,552	<u>\$ (33,338)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 11,552</u>	
<u>Summary July 1, 2001, through June 30, 2003, and July 1, 2007, through June 30, 2009</u>			
Direct costs:			
Care and maintenance of dogs and cats	\$ 98,405	\$ 7,591	\$ (90,814)
Care and maintenance of other animals	4,412	298	(4,114)
Increased holding period	34,238	10,527	(23,711)
Lost-and-found lists	—	419	419
Maintaining non-medical records	—	4,940	4,940
Necessary and prompt veterinary care	—	4,745	4,745
Total direct costs	137,055	28,520	(108,535)
Indirect costs	—	19,166	19,166
Total program costs	<u>\$ 137,055</u>	47,686	<u>\$ (89,369)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 47,686</u>	

¹ See Attachment 2, Finding and Recommendation.

**Attachment 2—
Finding and Recommendation
July 1, 2001, through June 30, 2003,
and July 1, 2007, through June 30, 2009**

**FINDING—
Unallowable program
costs**

The City of Lakewood claimed \$137,055 under the Animal Adoption Program during the review period. We determined that \$47,686 is allowable and \$89,369 is unallowable. The costs are unallowable because of the corresponding audit adjustments made during our mandated cost Animal Adoption audit at the Southeast Area Animal Control Agency (SEAACA).

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

	Fiscal Year				Totals
	2001-02	2002-03	2007-08	2008-09	
Amount claimed	\$ 19,114	\$ 22,500	\$ 50,551	\$ 44,890	\$ 137,055
Amount allowable	10,602	10,813	14,719	11,552	47,686
Review adjustment	<u>\$ (8,512)</u>	<u>\$ (11,687)</u>	<u>\$ (35,832)</u>	<u>\$ (33,338)</u>	<u>\$ (89,369)</u>

On June 15, 2012, the State Controller's Office (SCO) issued a final report for our audit of the SEAACA's claims for fiscal year (FY) 2001-02, FY 2002-03, FY 2007-08, and FY 2008-09. A copy of the audit report is on the SCO's website (www.sco.ca.gov) under the "State Mandate Information" quick link.

The SEAACA incurs all of the costs (both mandated and non-mandated) to operate its animal shelter located in the City of Downey. Allowable animal adoption costs incurred by the SEAACA for mandated activities comprised, on average, 5% of the total costs incurred each year to operate its animal shelter.

For the review period, the city filed Animal Adoption Program claims with the State totaling \$137,055. The city does not own or operate an animal shelter. Instead, the city contracted with the SEAACA for animal services. In turn, the SEAACA billed the city for these services.

In its Animal Adoption Program claims, the SEAACA determined the percent of animals impounded at its shelter that originated from the city (7.09% in FY 2001-02, 7.13% in FY 2002-03, 8.15% in FY 2007-08, and 5.81% in FY 2008-09). The SEAACA multiplied this percentage by the mandated costs claimed to determine the amount of offsetting reimbursement it received from the city, and offset this amount on its claim. However, as requested by the SEAACA, we recalculated the offsetting reimbursement to be based on the allowable costs determined during our audit.

Reimbursement from the State for mandated costs incurred by a local agency cannot be more than the total mandated costs incurred. Either the agency is entitled to reimbursement for 100% of its mandated costs incurred or it shares a portion of the reimbursement with one or more of its contracting partners. Our audit of the Animal Adoption Program costs claimed by the SEAACA determined that the city is entitled to \$47,686 in total reimbursement, which is based on costs that the SEAACA incurred for the mandated program. Accordingly, this amount was offset against the SEAACA's allowable costs in our audit report.

Recommendation

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