



JOHN CHIANG
California State Controller

March 29, 2013

Rene Visé
Director of Administrative Services
City of Santa Maria
110 E. Cook Street
Santa Maria, CA 93454-5109

Dear Mr. Visé:

The State Controller's Office reviewed the costs claimed by the City of Santa Maria for the legislatively mandated Animal Adoption Program (Chapter 752, Statutes of 1998, and Chapter 313, Statutes of 2004) for the period of 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 that the City of Santa Maria had with its service provider, Santa Barbara County. We determined reimbursable costs based on information provided in our audit costs claimed by Santa Barbara County for the Animal Adoption Program during the same period.

The city claimed \$160,627 for the mandated program. Our review found that \$60,905 is allowable and \$99,722 is unallowable. The costs are unallowable because the contracting county that provides animal services to the city overstated its allowable Animal Adoption Program costs; therefore, the proportionate amount of Animal Adoption costs claimed by the city is also overstated. The State made no payments to the city. The State will pay allowable costs claimed, totaling \$60,905, contingent upon available appropriations, as described in the attached Summary of Program Costs and Finding and Recommendation.

For the fiscal year (FY) 2007-2008 claim, the State made no payment to the city. Our review found that \$25,938 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2008-2009 claim, the State made no payment to the city. Our review found that \$34,967 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/nh

Attachments

RE: S13-MCC-935

cc: Richard J. Hayden, City Manager
City of Santa Maria
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, 2007, through June 30, 2009

Cost Elements	Actual Costs Claimed	Allowable Per Review	Review Adjustment ¹
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Training staff	\$ 3,658	\$ 1,340	\$ (2,318)
Care and maintenance of dogs, cats, and other animals	4,555	1,668	(2,887)
Increased holding period	12,569	4,603	(7,966)
Feral cat testing	1,075	394	(681)
Lost-and-found lists costs	36,216	13,262	(22,954)
Maintaining non-medical records	12,619	4,621	(7,998)
Necessary and prompt veterinary care	137	50	(87)
Total program costs	<u>\$ 70,829</u>	25,938	<u>\$ (44,891)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 25,938</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Training staff	\$ 4,013	\$ 1,561	\$ (2,452)
Care and maintenance of dogs, cats, and other animals	4,098	1,596	(2,502)
Increased holding period	14,209	5,533	(8,676)
Feral cat testing	1,021	398	(623)
Lost-and-found lists costs	44,480	17,321	(27,159)
Maintaining non-medical records	21,876	8,519	(13,357)
Necessary and prompt veterinary care	101	39	(62)
Total program costs	<u>\$ 89,798</u>	34,967	<u>\$ (54,831)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 34,967</u>	
<u>Summary July 1, 2007, through June 30, 2009</u>			
Direct costs:			
Training staff	\$ 7,671	\$ 2,901	\$ (4,770)
Care and maintenance of dogs, cats, and other animals	8,653	3,264	(5,389)
Increased holding period	26,778	10,136	(16,642)
Feral cat testing	2,096	792	(1,304)
Lost-and-found lists costs	80,696	30,583	(50,113)
Maintaining non-medical records	34,495	13,140	(21,355)
Necessary and prompt veterinary care	238	89	(149)
Total program costs	<u>\$ 160,627</u>	60,905	<u>\$ (99,722)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 60,905</u>	

¹ See Attachment 2, Finding and Recommendation.

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

**FINDING—
Unallowable Program
Costs**

The city claimed \$160,627 under the Animal Adoption Program during the review period. We determined that \$60,905 is allowable and \$99,722 is unallowable. The costs are unallowable because of the corresponding audit adjustments made during our mandated-cost Animal Adoption Program audit at Santa Barbara County.

On January 25, 1981, the Commission on State Mandates (CSM) adopted the statement of decision for the Animal Adoption Program. The CSM determined that the test claim legislation imposed a state mandate upon local agencies reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on February 28, 2002, corrected them on March 29, 2002, and last amended them on January 26, 2006. In compliance with Government Code section 17558, the SCO issued claiming instructions to assist local agencies in claiming mandated program reimbursable costs.

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

Fiscal Year	Amount Claimed	Amount Allowable	Review Adjustment
2007-08	\$ 70,829	\$ 25,938	\$ (44,891)
2008-09	89,798	34,967	(54,831)
Total	<u>\$ 160,627</u>	<u>\$ 60,905</u>	<u>\$ (99,722)</u>

On November 15, 2012, the State Controller's Office (SCO) issued a final report for our audit of Santa Barbara County's claims for July 1, 2001 through June 30, 2009, excluding July 1, 2003, through June 30, 2005. A copy of the audit report is on the SCO's website (www.sco.ca.gov) under the State Mandate Information quick link. The audit report identifies the criteria used in determining reimbursable costs.

Santa Barbara County incurs all of the costs (both mandated and non-mandated) to operate its three animal shelters located in Santa Barbara, Lompoc, and Santa Maria. In addition, the county provides animal control services pursuant to contracts with various cities within the county. The county filed mandated cost claims under the Animal Adoption Program during each year of the audit period. On each claim, the county recorded offset amounts which represented revenues received from its contracting cities that funded mandated activities at the county's shelters. The county provided each of the contracting entities an individual total that the cities could claim under the Animal Adoption Program. County staff did not prepare or assist the contracting cities in filing their Animal Adoption claims. The county provided only the

amounts the contracting entities could claim; these are the amounts the county offset against its Animal Adoption claims for the audit period.

For the review period, the City of Santa Maria filed Animal Adoption claims with the State totaling \$160,627. The City of Santa Maria does not own or operate an animal shelter. Instead, the city contracted with Santa Barbara County for animal services. In turn, the county billed the city for these services.

Calculation of Offsetting Reimbursement

We requested that the county determine the extent to which contract reimbursements received by the county for animal control services were used for mandated activities. The county used a consistent methodology to calculate offsetting reimbursement amounts at the conclusion of the audit. The county determined the amounts to be offset on its claims each year based on the total population of each contracting city to the total population of all contracting entities serviced. In addition, the county based its offset calculations on the total of the cost components the county determined the contracting entities were entitled to claim.

The county provided us with specific dollar amounts to be offset against its claims for the audit period totaling \$217,486. The total offset amount represented the extent to which contract reimbursements received by the county were used for mandated activities for the six cities that contract with the county for animal control services. Of this amount, \$60,905 represented the offset applicable to the City of Santa Maria. Because the county incurs all the costs for the animal services provided, we used the county's methodology to arrive at the offset per city per year.

The county determined that 36.62% of the contract reimbursements received from the city for FY 2007-08, and 38.94% received from the city for FY 2008-09 relate to reimbursable mandated costs. Consequently, we applied these percentages to costs claimed by the city in determining allowable costs.

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 costs claimed by Santa Barbara County determined that the City of Santa Maria is entitled to \$60,905 (\$25,938 for FY 2007-08, and \$34,967 for FY 2008-09) in total reimbursement, which is based on costs that Santa Barbara County incurred for the mandated program. Accordingly, this amount was offset against the county'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.