

CITY OF ANTIOCH

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, 2005, through June 30, 2007*



JOHN CHIANG
California State Controller

June 2014



JOHN CHIANG
California State Controller

June 19, 2014

The Honorable Wade Harper
Mayor of the City of Antioch
City Hall
P.O. Box 5007
Antioch, CA 94531-5007

Dear Mayor Harper:

The State Controller's Office audited the costs claimed by the City of Antioch for the legislatively mandated Animal Adoption Program (Chapter 752, Statutes of 1998, and Chapter 313, Statutes of 2004) for the periods of July 1, 1998, through June 30, 2003, and July 1, 2005, 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. We did not audit the period of July 1, 2004, through June 30, 2005, because the statutory time limit within which to initiate an audit had expired.

This revised report supersedes our previous report dated December 30, 2009. We revised the audit findings at the result of a time study performed by the city. Allowable costs increased by \$370,731, from \$79,878 to \$450,309.

The city claimed \$1,148,290 for the mandated program. Our audit found that \$450,309 is allowable and \$697,981 is unallowable. The costs are unallowable primarily because the city claimed unsupported costs. The State paid the city \$478,154. The amount paid exceeds allowable costs claimed by \$27,845.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/sk

cc: Dawn Merchant, Finance Director
City of Antioch
Monika Helgemo, Supervisor of Animal Services
City of Antioch
Michael Byrne, Principal Program Budget Analyst
Mandates Unit, Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City of Antioch for the legislatively mandated Animal Adoption Program (Chapter 752, Statutes of 1998, and Chapter 313, Statutes of 2004) for the periods of July 1, 1998, through June 30, 2003, and July 1, 2005, 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. We did not audit the period of July 1, 2004, through June 30, 2005, because the statutory time limit within which to initiate the audit had expired.

The city claimed \$1,148,290 for the mandated program. Our audit found that \$450,309 is allowable and \$697,981 is unallowable. The costs are unallowable primarily because the city claimed unsupported costs. The State paid the city \$478,154. The amount paid exceeds allowable costs claimed by \$27,845.

Background

Food and Agricultural 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. The 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 periods of July 1, 1998, through June 30, 2003, and July 1, 2005, through June 30, 2007, excluding July 1, 2003, through June 30, 2005.

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 Antioch claimed \$1,148,290 for costs of the Animal Adoption Program. Our audit found that \$450,309 is allowable and \$697,981 is unallowable.

For the FY 1998-99 claim, the State made no payment to the city. Our audit found that \$24,088 is allowable. The State will pay this amount contingent upon available appropriations.

For the FY 1999-2000 claim, the State paid the city \$3,750. Our audit found that \$53,115 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$49,365, contingent upon available appropriations.

For the FY 2000-01 claim, the State paid the city \$153,074. Our audit found that \$72,341 is allowable. The State will offset \$80,733 from other mandated program payments due 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 \$77,388 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 \$100,327 is allowable. The State will pay this amount contingent upon available appropriations.

For the FY 2005-06 claim, the State paid the city \$229,080. Our audit found that \$52,344 is allowable. The State will offset \$176,736 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

For the FY 2006-07 claim, the State paid the city \$92,250. Our audit found that \$70,706 is allowable. The State will offset \$21,544 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

Views of Responsible Officials

We issued a final audit report on December 30, 2009. The city did not indicate whether it agreed or disagreed with the audit findings. The city stated, and we agreed, that it could perform a time study and/or submit actual source documents to recover reimbursable costs. Subsequently, the city performed a time study and provided documentation that supported additional costs. We reviewed the time study and additional documentation provided by the city. As a result, allowable costs increased by \$370,431, from \$79,878 to \$450,309. In an email dated June 10, 2014, Dawn Merchant, Finance Director, concurred with the revised audit results. This revised report supersedes the previous report issued December 30, 2009.

Restricted Use

This report is solely for the information and use of the City of Antioch, 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 19, 2014

**Schedule 1—
Summary of Program Costs
July 1, 1998, through June 30, 2007**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 1998, through June 30, 1999</u>				
Direct costs:				
Care and maintenance of other animals ²	\$ —	\$ 64	\$ 64	Finding 1
Holding period	18,040	6,220	(11,820)	Finding 2
Lost and found lists	10,179	1,068	(9,111)	Finding 3
Non-medical records	9,939	3,664	(6,275)	Finding 4
Veterinary care	142	3,024	2,882	Finding 5
Total direct costs	38,300	14,040	(24,260)	
Indirect costs	10,151	10,048	(103)	Finding 7
Total program costs	<u>\$ 48,451</u>	24,088	<u>\$ (24,363)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 24,088</u>		
<u>July 1, 1999, through June 30, 2000</u>				
Direct costs:				
Care and maintenance of dogs and cats ²	\$ 11,760	\$ 5,476	\$ (6,284)	Finding 1
Care and maintenance of other animals ²	—	18	18	Finding 1
Holding period	33,407	12,972	(20,435)	Finding 2
Lost and found lists	19,832	2,135	(17,697)	Finding 3
Non-medical records	20,870	7,639	(13,231)	Finding 4
Veterinary care	40,039	5,785	(34,254)	Finding 5
Procuring equipment	17,383	—	(17,383)	Finding 6
Total direct costs	143,291	34,025	(109,266)	
Indirect costs	31,845	19,090	(12,755)	Finding 7
Total program costs	<u>\$ 175,136</u>	53,115	<u>\$ (122,021)</u>	
Less amount paid by the State		(3,750)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 49,365</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Direct costs:				
Care and maintenance of dogs and cats ²	\$ 9,148	\$ 3,363	\$ (5,785)	Finding 1
Care and maintenance of other animals ²	—	18	18	Finding 1
Holding period	34,937	17,893	(17,044)	Finding 2
Lost and found lists	20,739	2,260	(18,479)	Finding 3
Non-medical records	16,101	7,727	(8,374)	Finding 4
Veterinary care	39,985	3,134	(36,851)	Finding 5
Total direct costs	120,910	34,395	(86,515)	
Indirect costs	32,164	37,946	5,782	Finding 7
Total direct and indirect costs	<u>\$ 153,074</u>	72,341	<u>\$ (80,733)</u>	
Less amount paid by the State		(153,074)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (80,733)</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Care and maintenance of dogs and cats ²	\$ 8,368	\$ 3,856	\$ (4,512)	Finding 1
Care and maintenance of other animals ²	1,244	58	(1,186)	Finding 1
Holding period	45,961	19,607	(26,354)	Finding 2
Lost and found lists	20,803	2,382	(18,421)	Finding 3
Non-medical records	36,699	7,328	(29,371)	Finding 4
Veterinary care	63,605	41,728	(21,877)	Finding 5
Total direct costs	176,680	74,959	(101,721)	
Indirect costs	7,959	2,429	(5,530)	Finding 7
Total program costs	<u>\$ 184,639</u>	77,388	<u>\$ (107,251)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 77,388</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Care and maintenance of dogs and cats ²	\$ 2,510	\$ 4,483	\$ 1,973	Finding 1
Care and maintenance of other animals ²	1,052	74	(978)	Finding 1
Holding period	52,055	21,379	(30,676)	Finding 2
Lost and found lists	21,942	2,381	(19,561)	Finding 3
Non-medical records	38,863	8,466	(30,397)	Finding 4
Veterinary care	76,403	28,846	(47,557)	Finding 5
Procuring equipment	2,671	—	(2,671)	Finding 6
Total direct costs	195,496	65,629	(129,867)	
Indirect costs	70,164	34,698	(35,466)	Finding 7
Total program costs	<u>\$ 265,660</u>	100,327	<u>\$ (165,333)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 100,327</u>		
<u>July 1, 2003, through June 30, 2004 ³</u>				
<u>July 1, 2004, through June 30, 2005 ⁴</u>				
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Care and maintenance of dogs and cats ²	\$ 16,039	\$ 5,486	\$ (10,553)	Finding 1
Care and maintenance of other animals ²	1,150	60	(1,090)	Finding 1
Holding period	52,842	19,615	(33,227)	Finding 2
Lost and found lists	23,936	2,870	(21,066)	Finding 3
Non-medical records	46,561	11,189	(35,372)	Finding 4
Veterinary care	73,114	10,033	(63,081)	Finding 5
Procuring equipment	872	630	(242)	Finding 6

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2005, through June 30, 2006 (continued)</u>				
Total direct costs	214,514	49,883	(164,631)	
Indirect costs	14,566	2,461	(12,105)	Finding 7
Total program costs	<u>\$ 229,080</u>	52,344	<u>\$ (176,736)</u>	
Less amount paid by the State		(229,080)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (176,736)</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Care and maintenance of dogs and cats ²	\$ 16,188	\$ 6,678	\$ (9,510)	Finding 1
Care and maintenance of other animals ²	20,467	73	(20,394)	Finding 1
Holding period	24,825	22,333	(2,492)	Finding 2
Lost and found lists	—	2,993	2,993	Finding 3
Non-medical records	15,705	10,407	(5,298)	Finding 4
Veterinary care	3,804	6,873	3,069	Finding 5
Total direct costs	80,989	49,357	(31,632)	
Indirect costs	11,261	21,349	10,088	Finding 7
Total program costs	<u>\$ 92,250</u>	70,706	<u>\$ (21,544)</u>	
Less amount paid by the State		(92,250)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (21,544)</u>		
<u>Summary: July 1, 1998, through June 30, 2007</u>				
Direct costs:				
Care and maintenance of dogs and cats ²	\$ 64,013	\$ 29,342	\$ (34,671)	Finding 1
Care and maintenance of other animals ²	23,913	365	(23,548)	Finding 1
Holding period	262,067	120,019	(142,048)	Finding 2
Lost and found lists	117,431	16,089	(101,342)	Finding 3
Non-medical records	184,738	56,420	(128,318)	Finding 4
Veterinary care	297,092	99,423	(197,669)	Finding 5
Procuring equipment	20,926	630	(20,296)	Finding 6
Total direct costs	970,180	322,288	(647,892)	
Indirect costs	178,110	128,021	(50,089)	Finding 7
Total program costs	<u>\$ 1,148,290</u>	450,309	<u>\$ (697,981)</u>	
Less amount paid by the State		(478,154)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (27,845)</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>Summary by Object Account: July 1, 1998, through June 30, 2003, and July 1, 2005, through June 30, 2007</u>				
Direct costs:				
Salaries and benefits	\$ 669,865	\$ 216,831	\$ (453,034)	
Materials and supplies	20,396	26,209	5,813	
Contract services	279,919	79,248	(200,671)	
Total direct costs	970,180	322,288	(647,892)	
Indirect costs	178,110	128,021	(50,089)	
Total program costs	<u>\$ 1,148,290</u>	450,309	<u>\$ (697,981)</u>	
Less amount paid by the State		(478,154)		
Allowable costs claimed in excess of (less than) amount paid			<u>\$ (27,845)</u>	

¹ See the Findings and Recommendations section.

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

³ The Animal Adoption program was suspended for FY 2003-04.

⁴ At the time this audit was initiated, the statutory limitation had passed to audit the claim for FY 2004-05.

**Schedule 2—
Summary of Care and Maintenance Costs
July 1, 1998, through June 30, 2003,
and July 1, 2005, through June 30, 2007**

Category	Amounts Claimed Contract Services		Actual Costs Claimed	Allowable Per Audit		Total Costs Allowable	Audit Adjustment ¹
	Dogs & Cats	Other Animals		Salaries and Benefits	Materials and Supplies		
<u>July 1, 1998, through June 30, 1999</u>							
Total care and maintenance costs	\$ —	\$ —		\$ 74,181	\$ 8,978		
Total animal census	÷ —	÷ —		÷ 50,651	÷ 50,651		
Cost per day	\$ —	\$ —		\$ 1.46	\$ 0.18		
Care and Maintenance of Other 'Eligible' Animals							
Cost per day (at 50%)	\$ —	\$ —		\$ 0.73	\$ 0.09		
Number of eligible other animals	× —	× —		× 13	× 13		
Reimbursable days	× —	× —		× 6	× 6		
Total care and maintenance costs for other animals	\$ —	\$ —	\$ —	\$ 57	\$ 7	\$ 64	\$ 64
Total care and maintenance costs	\$ —	\$ —	\$ —	\$ 57	\$ 7	\$ 64	\$ 64
<u>July 1, 1999, through June 30, 2000</u>							
Total care and maintenance costs	\$ 72,310	\$ —		\$ 85,715	\$ 17,378		
Total animal census	÷ 54,750	÷ —		÷ 69,387	÷ 69,387		
Cost per day	\$ 1.32	\$ —		\$ 1.24	\$ 0.25		
Care and Maintenance of Dogs and Cats:							
Cost per day	\$ 1.32	\$ —		\$ 1.24	\$ 0.25		
Number of eligible dogs and cats	× 2,226	× —		× 1,225	× 1,225		
Reimbursable days	× 4	× —		× 3	× 3		
Total care and maintenance costs for dogs and cats	\$ 11,760	\$ —	\$ 11,760	\$ 4,557	\$ 919	\$ 5,476	\$ (6,284)
Care and Maintenance of Other 'Eligible' Animals:							
Cost per day	\$ —	\$ —		\$ 1.24	\$ 0.25		
Number of eligible other animals	× —	× —		× 2	× 2		
Reimbursable days	× —	× —		× 6	× 6		
Total care and maintenance costs for other animals	\$ —	\$ —	\$ —	\$ 15	\$ 3	\$ 18	\$ 18
Total care and maintenance costs	\$ 11,760	\$ —	\$ 11,760	\$ 4,572	\$ 922	\$ 5,494	\$ (6,266)

Schedule 2 (continued)

Category	Amounts Claimed		Actual Costs Claimed	Allowable Per Audit		Total Costs Allowable	Audit Adjustment ¹
	Dogs & Cats	Other Animals		Salaries and Benefits	Materials and Supplies		
July 1, 2000, through June 30, 2001							
Total care and maintenance costs	\$ 90,494	\$ —		\$ 81,329	\$ 16,675		
Total animal census	÷ 66,795	÷ —		÷ 94,158	÷ 94,158		
Cost per day	<u>\$ 1.35</u>	<u>\$ —</u>		<u>\$ 0.86</u>	<u>\$ 0.18</u>		
Care and Maintenance of Dogs and Cats:							
Cost per day	\$ 1.35	\$ —		\$ 0.86	\$ 0.18		
Number of eligible dogs and cats	× 1,688	× —		× 1,078	× 1,078		
Reimbursable days	× 4	× —		× 3	× 3		
Total care and maintenance costs for dogs and cats	<u>\$ 9,148</u>	<u>\$ —</u>	<u>\$ 9,148</u>	<u>\$ 2,781</u>	<u>\$ 582</u>	<u>\$ 3,363</u>	<u>\$ (5,785)</u>
Care and Maintenance of Other 'Eligible' Animals:							
Cost per day	\$ —	\$ —		\$ 0.86	\$ 0.18		
Number of eligible other animals	× —	× —		× 3	× 3		
Reimbursable days	× —	× —		× 6	× 6		
Total care and maintenance costs for other animals	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 15</u>	<u>\$ 3</u>	<u>\$ 18</u>	<u>\$ 18</u>
Total care and maintenance costs	<u>\$ 9,148</u>	<u>\$ —</u>	<u>\$ 9,148</u>	<u>\$ 2,796</u>	<u>\$ 585</u>	<u>\$ 3,381</u>	<u>\$ (5,767)</u>
July 1, 2001, through June 30, 2002							
Total care and maintenance costs	\$ 120,060	\$ 121,666		\$ 106,355	\$ 19,525		
Total animal census	÷ 81,030	÷ 27,375		÷ 65,339	÷ 65,339		
Cost per day	<u>\$ 1.48</u>	<u>\$ 4.44</u>		<u>\$ 1.63</u>	<u>\$ 0.30</u>		
Care and Maintenance of Dogs and Cats:							
Cost per day	\$ 1.48	\$ —		\$ 1.63	\$ 0.30		
Number of eligible dogs and cats	× 1,412	× —		× 666	× 666		
Reimbursable days	× 4	× —		× 3	× 3		
Total care and maintenance costs for dogs and cats	<u>\$ 8,368</u>	<u>\$ —</u>	<u>\$ 8,368</u>	<u>\$ 3,257</u>	<u>\$ 599</u>	<u>\$ 3,856</u>	<u>\$ (4,512)</u>
Care and Maintenance of Other 'Eligible' Animals:							
Cost per day	\$ —	\$ 4.44		\$ 1.63	\$ 0.30		
Number of eligible other animals	× —	× 70		× 5	× 5		
Reimbursable days	× —	× 4		× 6	× 6		
Total care and maintenance costs for other animals	<u>\$ —</u>	<u>\$ 1,244</u>	<u>\$ 1,244</u>	<u>\$ 49</u>	<u>\$ 9</u>	<u>\$ 58</u>	<u>\$ (1,186)</u>
Total care and maintenance costs	<u>\$ 8,368</u>	<u>\$ 1,244</u>	<u>\$ 9,612</u>	<u>\$ 3,306</u>	<u>\$ 608</u>	<u>\$ 3,914</u>	<u>\$ (5,698)</u>

Schedule 2 (continued)

Category	Amounts Claimed		Actual Costs Claimed	Allowable Per Audit		Total Costs Allowable	Audit Adjustment ¹
	Dogs & Cats	Other Animals		Salaries and Benefits	Materials and Supplies		
July 1, 2002, through June 30, 2003							
Total care and maintenance costs	\$ 139,775	\$ 17,125		\$ 119,233	\$ 24,267		
Total animal census	÷ 77,015	÷ 2,555		÷ 70,291	÷ 70,291		
Cost per day	<u>\$ 1.81</u>	<u>\$ 6.70</u>		<u>\$ 1.70</u>	<u>\$ 0.35</u>		
Care and Maintenance of Dogs and Cats:							
Cost per day	\$ 1.81	\$ —		\$ 1.70	\$ 0.35		
Number of eligible dogs and cats	× 1,383	× —		× 729	× 729		
Reimbursable days	× 1	× —		× 3	× 3		
Total care and maintenance costs for dogs and cats	<u>\$ 2,510</u>	<u>\$ —</u>	<u>\$ 2,510</u>	<u>\$ 3,718</u>	<u>\$ 765</u>	<u>\$ 4,483</u>	<u>\$ 1,973</u>
Care and Maintenance of Other 'Eligible' Animals							
Cost per day	\$ —	\$ 6.70		\$ 1.70	\$ 0.35		
Number of eligible other animals	× —	× 157		× 6	× 6		
Reimbursable days	× —	× 1		× 6	× 6		
Total care and maintenance costs for other animals	<u>\$ —</u>	<u>\$ 1,052</u>	<u>\$ 1,052</u>	<u>\$ 61</u>	<u>\$ 13</u>	<u>\$ 74</u>	<u>\$ (978)</u>
Total care and maintenance costs	<u>\$ 2,510</u>	<u>\$ 1,052</u>	<u>\$ 3,562</u>	<u>\$ 3,779</u>	<u>\$ 778</u>	<u>\$ 4,557</u>	<u>\$ 995</u>
July 1, 2005, through June 30, 2006							
Total care and maintenance costs	\$ 682,879	\$ 28,453		\$ 133,797	\$ 38,336		
Total animal census	÷ 85,410	÷ 2,920		÷ 86,201	÷ 86,201		
Cost per day	<u>\$ 8.00</u>	<u>\$ 9.74</u>		<u>\$ 1.55</u>	<u>\$ 0.44</u>		
Care and Maintenance of Dogs and Cats:							
Cost per day	\$ 8.00	\$ —		\$ 1.55	\$ 0.44		
Number of eligible dogs and cats	× 2,006	× —		× 919	× 919		
Reimbursable days	× 1	× —		× 3	× 3		
Total care and maintenance costs for dogs and cats	<u>\$ 16,039</u>	<u>\$ —</u>	<u>\$ 16,039</u>	<u>\$ 4,273</u>	<u>\$ 1,213</u>	<u>\$ 5,486</u>	<u>\$ (10,553)</u>
Care and Maintenance of Other 'Eligible' Animals							
Cost per day	\$ —	\$ 9.74		\$ 1.55	\$ 0.44		
Number of eligible other animals	× —	× 118		× 5	× 5		
Reimbursable days	× —	× 1		× 6	× 6		
Total care and maintenance costs for other animals	<u>\$ —</u>	<u>\$ 1,150</u>	<u>\$ 1,150</u>	<u>\$ 47</u>	<u>\$ 13</u>	<u>\$ 60</u>	<u>\$ (1,090)</u>
Total care and maintenance costs	<u>\$ 16,039</u>	<u>\$ 1,150</u>	<u>\$ 17,189</u>	<u>\$ 4,320</u>	<u>\$ 1,226</u>	<u>\$ 5,546</u>	<u>\$ (11,643)</u>

Schedule 2 (continued)

Category	Amounts Claimed Contract Services		Actual Costs Claimed	Allowable Per Audit		Total Costs Allowable	Audit Adjustment ¹
	Dogs & Cats	Other Animals		Salaries and Benefits	Materials and Supplies		
<u>July 1, 2006, through June 30, 2007</u>							
Total care and maintenance costs	\$ 803,387	\$ 93,193		\$ 148,272	\$ 34,718		
Total animal census	÷ 85,410	÷ 469		÷ 75,137	÷ 75,137		
Cost per day	<u>\$ 9.41</u>	<u>\$ 198.71</u>		<u>\$ 1.97</u>	<u>\$ 0.46</u>		
Care and Maintenance of Dogs and Cats:							
Cost per day	\$ 9.41	\$ —		\$ 1.97	\$ 0.46		
Number of eligible dogs and cats	× 1,721	× —		× 916	× 916		
Reimbursable days	× 1	× —		× 3	× 3		
Total care and maintenance costs for dogs and cats	<u>\$ 16,188</u>	<u>\$ —</u>	<u>\$ 16,188</u>	<u>\$ 5,414</u>	<u>\$ 1,264</u>	<u>\$ 6,678</u>	<u>\$ (9,510)</u>
Care and Maintenance of Other 'Eligible' Animals							
Cost per day	\$ —	\$ 198.71		\$ 1.97	\$ 0.46		
Number of eligible other animals	× —	× 103		× 5	× 5		
Reimbursable days	× —	× 1		× 6	× 6		
Total care and maintenance costs for other animals	<u>\$ —</u>	<u>\$ 20,467</u>	<u>\$ 20,467</u>	<u>\$ 59</u>	<u>\$ 14</u>	<u>\$ 73</u>	<u>\$ (20,394)</u>
Total care and maintenance costs	<u>\$ 16,188</u>	<u>\$ 20,467</u>	<u>\$ 36,655</u>	<u>\$ 5,473</u>	<u>\$ 1,278</u>	<u>\$ 6,751</u>	<u>\$ (29,904)</u>
<u>Summary: July 1, 1998, through June 30, 2003; and July 1, 2005, through June 30, 2007</u>							
Care and maintenance							
Dogs and cats	\$ 64,013	\$ —	\$ 64,013	\$ 24,000	\$ 5,342	\$ 29,342	\$ (34,671)
Other 'eligible' animals	—	23,913	23,913	303	62	365	(23,548)
Total care and maintenance costs	<u>\$ 64,013</u>	<u>\$ 23,913</u>	<u>\$ 87,926</u>	<u>\$ 24,303</u>	<u>\$ 5,404</u>	<u>\$ 29,707</u>	<u>\$ (58,219)</u>

Findings and Recommendations

**FINDING 1—
Overstated care and
maintenance costs**

The city claimed direct costs totaling \$87,926 (\$64,013 for dogs and cats and \$23,913 for other animals) during the audit period for the Care and Maintenance cost component. We found that \$29,707 (\$29,342 for dogs and cats and \$365 for other animals) is allowable and \$58,219 is unallowable. The costs are unallowable because the city claimed costs that were unsupported, misstated animal census data, misstated the cost per animal per day, overstated the number of eligible animals, and understated the number of reimbursable days for all 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	Amount	Audit	Amount	Amount	Audit
	Claimed	Allowable	Adjustment	Claimed	Allowable	Adjustment
1998-99	\$ -	\$ -	\$ -	\$ -	\$ 64	\$ 64
1999-2000	11,760	5,476	(6,284)	-	18	18
2000-01	9,148	3,363	(5,785)	-	18	18
2001-02	8,368	3,856	(4,512)	1,244	58	(1,186)
2002-03	2,510	4,483	1,973	1,052	74	(978)
2005-06	16,039	5,486	(10,553)	1,150	60	(1,090)
2006-07	16,188	6,678	(9,510)	20,467	73	(20,394)
Total	\$ 64,013	\$ 29,342	\$ (34,671)	\$ 23,913	\$ 365	\$ (23,548)

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 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 stray or abandoned dogs, cats and other animals that die during the increased holding period or are ultimately euthanized by each reimbursable day.

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

Care and Maintenance Formula

The 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; i.e., 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 7.

To calculate the cost of care per animal per day in its claims for the audit period, the city allocated a percentage of 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 supported. We noted that the city used the same animal census data in its claim for fiscal year (FY) 2006-07 that it used for FY 2005-06. In addition, the city used 112% of total expenditures incurred by the Animal Control Department for FY 2006-07 and 91% of total expenditures incurred for FY 2005-06 in its computations for claimed care and maintenance costs. The city then multiplied the cost per animal per day by an unsupported number of eligible animals, and then by either 1 or 4 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 services and supplies) and animal census data used to determine the cost per animal per day. The table also shows the changes to the number of eligible animals and the number of reimbursable days that we used to determine reimbursable costs for each year of the audit period.

Salaries and Benefits

During the course of the audit, we requested that the city provide the actual salary amounts paid to those employees in classifications directly involved with the care and maintenance function. We also requested the duty statements for such classifications and held discussions with the Animal Shelter Manager 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 Services Supervisor	2%
Animal Control Officer	8%
Animal Care Attendant	90%

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 contains a listing of all duties performed. In response to our inquiries, the Shelter Manager provided percentage estimates of time spent on all duties, which appears reasonable. Time spent on care and maintenance activities comprised 90%, 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 time performing care and maintenance for each stray animal brought into the shelter. We accepted the Shelter Manager’s statement that ACOs spent about 8% of their time (144 hours per year) performing care and

maintenance activities. Using this data, we found that ACOs spent two or three minutes performing basic care and maintenance activities for stray animals during the audit period. Based on our observations and inquiries, we concurred with the city's assessment.

Animal Services Supervisor

The Animal Services Supervisor walks through the shelter twice each day to check on each animal and makes note of any issues for follow-up by shelter staff. The Supervisor will also occasionally take animals out of their cages for "social time" with other animals.

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 city provided us with actual salary and benefit information from its payroll system for FY 2005-06 and FY 2006-07. Using this data and the percentage involvement of the various employee classifications in care and maintenance activities, we found that salaries and benefits incurred for care and maintenance comprised 25% of total salary and benefit costs incurred in FY 2006-07 and 22% of salary and benefit costs incurred in FY 2005-06. By combining this data together for both fiscal years, we found that salary and benefit costs incurred for care and maintenance activities averaged 24% of total salaries and benefits paid. Therefore, we used the 24% amount in order to allocate amounts paid for care and maintenance activities in the earlier years of the audit period.

The following table summarizes the calculation of allowable salaries and benefits for each fiscal year of the audit period that we used in the care and maintenance formula.

Fiscal Year	Total Salary and Benefit Costs (a)	Care and Maintenance Costs (b)	Percentage for Care and Maintenance (c) = (b)/(a)
2006-07	\$ 592,011	\$ 148,272	25%
2005-06	596,588	133,797	22%
2002-03	496,804	119,233	24%
2001-02	443,147	106,355	24%
2000-01	338,869	81,329	24%
1999-2000	357,147	85,715	24%
1998-99	309,087	74,181	24%
Total	\$ 3,133,653	\$ 748,882	

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 details of costs posted within expenditure account 62200 (Operating Supplies) that were incurred for the care and maintenance of animals during FY 2006-07. However, the city did not provide this information for the other years of the audit period.

In the absence of details provided by the city for years subsequent to FY 2006-07, we performed an allocation process to provide a reasonable approximation of costs incurred for materials and supplies for the earlier years of the audit period. The city provided expenditure reports for each year of the audit period, so we knew the total amounts posted each year to the Operating Supplies line-item account. We found that costs incurred specifically for care and maintenance comprised 53.69% of total expenditures posted to the Operating Supplies account in FY 2006-07. We then adjusted each year's percentage of costs incurred for care and maintenance within the Operating Supplies account based on changes to animal population data each year relative to the animal population in FY 2006-07.

Using this methodology, the percentage of costs incurred within the Operating Supplies account for care and maintenance ranged from 48.3% to 59.4% of total costs incurred. We also found that the city did not include costs incurred for utilities in its calculations of care and maintenance costs. Therefore, we applied the same percentages of care and maintenance costs incurred within the Operating Supplies account to costs incurred for electricity (expenditure line-item account 64100) and gas (expenditure line-item account 64200).

Using the methodology described above, the following table summarizes the amounts of materials and supplies costs that we used in the care and maintenance formula by fiscal year.

Fiscal Year	Expenditure Category						Total
	Cleaning	Food	Pet Carriers	Litter	Misc. Expenses	Utilities	
1998-99	\$ 2,069	\$ 1,628	\$ 332	\$ 1,179	\$ 177	\$ 3,593	8,978
1999-2000	5,247	4,128	840	2,988	448	3,727	17,378
2000-01	4,721	3,715	756	2,689	403	4,391	16,675
2001-02	5,311	4,179	851	3,025	453	5,706	19,525
2002-03	7,148	5,624	1,145	4,071	610	5,669	24,267
2005-06	12,117	9,534	1,942	6,900	1,034	6,809	38,336
2006-07	10,446	8,219	1,673	5,949	893	7,538	34,718
	<u>\$ 47,059</u>	<u>\$ 37,027</u>	<u>\$ 7,539</u>	<u>\$ 26,801</u>	<u>\$ 4,018</u>	<u>\$ 37,433</u>	<u>\$ 159,877</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 holding period days.

The city was able to provide the actual animal census information from its Chameleon database system for all years of the audit period.

The following table summarizes the claimed, allowable, and difference for animal census information by fiscal year.

Fiscal Year	Animal Census		
	Census Claimed	Census Allowable	Difference
1998-99	-	50,651	50,651
1999-2000	54,750	69,387	14,637
2000-01	66,795	94,158	27,363
2001-02	108,405	65,339	(43,066)
2002-03	79,570	70,291	(9,279)
2005-06	88,330	86,201	(2,129)
2006-07	85,879	75,137	(10,742)
Total	483,729	511,164	27,435

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). To verify the eligible animal population for each year of the audit period, 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	-	-	-	-	13	13	13
1999-2000	2,226	-	2,226	1,225	2	1,227	(999)
2000-01	1,688	-	1,688	1,078	3	1,081	(607)
2001-02	1,412	70	1,482	666	5	671	(811)
2002-03	1,373	157	1,530	729	6	735	(795)
2005-06	2,006	118	2,124	919	5	924	(1,200)
2006-07	1,721	103	1,824	916	5	921	(903)
Total	10,426	448	10,874	5,533	39	5,572	(5,302)

Reimbursable Days

The city was inconsistent in the number of reimbursable days used in its claims. The city used four days for FY 1999-2000 through FY 2001-02 and one day for FY 2002-03 through FY 2006-07. 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 2—
Overstated increased
holding period costs**

The city claimed direct costs totaling \$262,067 for the Increased Holding Period cost component during the audit period. We found that \$120,019 is allowable and \$142,048 is unallowable. 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	\$ 18,040	\$ 6,220	\$ (11,820)
1999-2000	33,407	12,972	(20,435)
2000-01	34,937	17,893	(17,044)
2001-02	45,961	19,607	(26,354)
2002-03	52,055	21,379	(30,676)
2005-06	52,842	19,615	(33,227)
2006-07	24,825	22,333	(2,492)
Total	<u>\$ 262,067</u>	<u>\$ 120,019</u>	<u>\$ (142,048)</u>

Hours of Operation

During the audit period, the shelter was open to the public on Saturdays for 7 hours. City staff confirmed that its animal shelter used 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 when the shelter was closed. Based on the staffing schedule provided, the Animal Services Supervisor and three Animal Control Officers were on duty when the shelter was open to the public compared to when the shelter was closed. However, shelter management stated that the Animal Control Officers were primarily out in the field on Saturday and were not in the shelter to make animals available for owner redemption or adoption. Therefore, the Animal Services Supervisor was the additional staff that performed the mandated activities on Saturdays.

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							Totals
	1998-99	1999-2000	2000-01	2001-02	2002-03	2005-06	2006-07	
<u>Claimed hours</u>								
Employee positions:								
Animal Control Officer	1	-	-	-	1	1	1	
Secretary	-	1	1	-	1	1	-	
Customer Service Representative	-	-	-	1	1	1	-	
Animal Care Attendants	-	-	-	1	1	1	1	
Total employee positions	1	1	1	2	4	4	2	
x Hours claimed	24	24	24	32	32	32	12	
x Weeks per year	26	52	52	52	52	52	52	
Total hours claimed ¹	624	1,248	1,248	1,664	1,664	1,666	624	8,738
<u>Allowable hours</u>								
Employee positions:								
Animal Services Supervisor	1	1	1	1	1	1	1	
Total employee positions	1	1	1	1	1			
x Hours allowable per position	7	7	7	7	7	7	7	
x Weeks per year	26	52	52	52	52	52	52	
Total hours allowable	182	364	364	364	364	364	364	2,366

¹ An extra two hours was included in the FY 2005-06 claim.

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 3—
Overstated lost and
found lists costs**

The city claimed direct costs totaling \$117,431 for the Lost-and-Found Lists component during the audit period. We found that \$16,089 is allowable and \$101,342 is unallowable. The costs are unallowable because the city estimated the costs to comply with the five reimbursable activities outlined for the lost-and-found cost component. The city estimated that staff spent 730 hours per year (365 hours for FY 1998-99) on the reimbursable activities during each year of the audit period. The time was claimed for 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	\$ 10,179	\$ 1,068	\$ (9,111)
1999-2000	19,832	2,135	(17,697)
2000-01	20,739	2,260	(18,479)
2001-02	20,803	2,382	(18,421)
2002-03	21,942	2,381	(19,561)
2005-06	23,936	2,870	(21,066)
2006-07	-	2,993	2,993
Total	\$ 117,431	\$ 16,089	\$ (101,342)

Time Study

The city conducted a time study to determine the average amount of time staff spent performing the lost-and-found activities. The time study was conducted over a four-week period from December 1, 2010, to December 31, 2010. The employee classifications of Animal Care Attendants, Animal Control Officers, Secretary II, and Volunteer Coordinator participated in the time study. The time study focused on the time it takes staff to update the lost and found list for the public.

The time study found that shelter employees spent a total of 95 hours per year to perform the mandated activities of the Lost-and-Found Lists component. These hours were applied to one employee per classification per year to determine allowable costs.

The following table summarizes the results of the time study relating to the involvement of various staff in the reimbursable activities.

<u>Shelter Staff</u>	<u>Average Minutes per Time Study</u>	<u>Annual Minutes per Year</u>	<u>Average Hours per Year</u>
Animal Care Attendants	243	2,916	49
Animal Control Officers	77	924	15
Secretary II	127	1,524	25
Volunteer Coordinator	29	348	6
Total	476	5,712	95

We applied the time study yearly average by each employee’s productively hourly rate and benefit rate to determine the allowable costs.

The following table summarizes the claimed hours, allowable hours, and difference to employee hours based on the results of the time study:

	<u>Fiscal Year</u>						<u>Total</u>	
	<u>1998-99¹</u>	<u>1999-2000</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2005-06</u>		<u>2006-07</u>
Claimed hours	365	730	730	730	730	730	-	4,015.0
Allowable hours	47.5	95	95	95	95	95	95	617.5
Difference	(317.5)	(635)	(635)	(635)	(635)	(635)	95	(3,397.5)

¹ Reimbursement for FY 1998-99 began on January 1, 1999.

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 4—
Overstated
maintaining non-
medical records costs**

The city claimed direct costs totaling \$184,738 during the audit period under the Non-Medical Records cost component. We found that \$56,420 is allowable and \$128,318 is unallowable. The costs are unallowable because the city estimated the time that it took its animal shelter staff to process non-medical animal records. The allowable costs are based on a time study that the city conducted to determine the amount of time spent by various employee classifications processing non-medical animal records.

The following tables summarize the claimed, allowable, and unallowable costs for salaries and benefits for the Non-Medical Records cost component by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
1998-99 ¹	\$ 9,939	\$ 3,664	\$ (6,275)
1999-2000	20,870	7,639	(13,231)
2000-01	16,101	7,727	(8,374)
2001-02	36,699	7,328	(29,371)
2002-03	38,863	8,466	(30,397)
2005-05	46,561	11,189	(35,372)
2006-07	15,705	10,407	(5,298)
	<u>\$ 184,738</u>	<u>\$ 56,420</u>	<u>\$ (128,318)</u>

¹ Reimbursement for FY 1998-99 began on January 1, 1999.

Time Study

The city conducted a time study to determine the average amount of time that staff spent performing the reimbursable activities. The time study was conducted over a four-week period from December 1, 2010, through December 31, 2010, to determine the time required to process records for incoming animals and the final disposition of animals within the city's animal database system.

The reimbursable activities were performed by the employees in the classifications of Animal Care Attendant, Animal Control Officer, Secretary II, and Volunteer Coordinator. The city maintained time study logs which tracked the shelter staff's start and stop time for each animal's record entered into the database system. The city's time study results showed that 3.98 minutes were spent processing records for incoming animals and for the final disposition of animals.

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

<u>Employee Classification</u>	<u>Non-Medical Records</u>			<u>Percentage of Records Processed by Employee</u>
	<u>Number of Records</u>	<u>Total Minutes Per Time Study</u>	<u>Average Minutes Per Record</u>	
Animal Care Attendants	52	479	-	21%
Animal Control Officers	137	435	-	57%
Secretary II	7	29	-	3%
Customer Service Rep.	46	21	-	19%
Total	242	964	3.98	100%

To determine allowable salaries and benefits, we applied the results of the city’s time study (3.98 minutes per non-medical record) to the employee productive hourly rates and multiplied the result by the percentage that the employees in various classifications performed the reimbursable activities.

Number of Animal Records Processed

To apply the time study averages, we obtained the raw data from the city’s Chameleon Database for each fiscal year claimed, and sorted the data by the intake date, and counted the number of records that appeared.

As a result, we applied the time study average of 3.98 minutes for processing the animal impound or disposition by the number of animal records processed by each employee’s productively hourly rate and determined that \$56,420 is allowable.

The following table summarizes the claimed and allowable animal records and hours based on the results of the time study:

	<u>Fiscal Year</u>						
	<u>1998-99 ¹</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2005-06</u>	<u>2006-07</u>
<u>Total Animal Records</u>							
Allowable	2,169	4,406	4,126	3,632	4,007	4,464	2,116
Claimed	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown
Difference	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>Total hours</u>							
Allowable	144.0	292.0	274.0	241.0	266.0	296.0	167.2
Claimed	361.0	777.0	544.0	1,293.0	1,293.0	1,420.0	1,080.0
Difference	<u>(217.0)</u>	<u>(485.0)</u>	<u>(270.0)</u>	<u>(1,052.0)</u>	<u>(1,027.0)</u>	<u>(1,124.0)</u>	<u>(912.8)</u>

¹ Reimbursement for FY 1998-99 began on January 1, 1999.

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 5—
Unallowable
necessary and prompt
veterinary care costs**

The city claimed direct costs totaling \$297,092 (\$105,098 in salaries and benefits and \$191,994 in contract services) for the Necessary and Prompt Veterinary Care cost component during the audit period. We found that \$99,423 is allowable (\$79,248 in contract services and \$20,175 in materials and supplies) and \$197,669 is unallowable. The costs were unallowable because the city claimed estimated salary and benefit costs that were not supported and claimed ineligible contract services costs.

In the original audit report, we found that contract services costs totaling \$79,248 were allowable. Subsequently, the city provided support for materials and supplies costs related to the wellness vaccines given to dogs and cats upon entering the animal shelter. Based on the additional documentation provided by the city, additional costs totaling \$20,175 for materials and supplies are allowable.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
<u>Salaries and benefits:</u>			
2002-03	\$ 42,232	\$ -	\$ (42,232)
2005-06	62,866	-	(62,866)
Subtotal, salaries and benefits	105,098	-	(105,098)
<u>Materials and supplies:</u>			
1998-99 ¹	-	3,024	3,024
1999-2000	-	3,432	3,432
2000-01	-	3,134	3,134
2001-02	-	2,026	2,026
2002-03	-	2,242	2,242
2005-06	10,248	3,129	(7,119)
2006-07	-	3,188	3,188
Subtotal, materials and supplies	10,248	20,175	9,927
<u>Contract Services:</u>			
1998-99 ¹	142	-	(142)
1999-2000	40,039	2,353	(37,686)
2000-01	39,984	-	(39,984)
2001-02	63,606	39,702	(23,904)
2002-03	34,171	26,604	(7,567)
2005-06	-	6,904	6,904
2006-07	3,804	3,685	(119)
Subtotal, salaries and benefits	181,746	79,248	(102,498)
Total	\$ 297,092	\$ 99,423	\$ (197,669)

¹ Reimbursement for FY 1998-99 began on January 1, 1999.

Salaries and Benefits

During the audit, the city claimed salaries and benefit costs totaling \$105,098 in its claims for FY 2002-03 and FY 2005-06. The entire amount was unallowable because the costs claimed were based on estimates of time to perform the reimbursable activities and the city did not provide documentation supporting the costs claimed. The city decided not to perform a time study for this activity; therefore, the costs claimed remain unallowable.

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

Fiscal Year	Salaries and Benefits		
	Amount Claimed	Amount Allowable	Audit Adjustment
2002-03	42,232	-	(42,232)
2005-06	62,866	-	(62,866)
	<u>\$ 105,098</u>	<u>\$ -</u>	<u>\$ (105,098)</u>

Materials and Supplies

The city claimed \$10,248 in materials and supplies costs in its claim for FY 2005-06. Those costs were reclassified as contract services costs in the original audit report. We asked the city about materials and supplies costs incurred under this component during the audit period. Based on our inquiries, the city provided copies of vaccine invoices from FY 2011-12 that supported the types of wellness vaccines administered and the cost per dosage for dogs and cats. However, the city was unable to provide vaccine invoices or any related cost information for any of the years during the audit period. So, we used the FY 2011-12 data that the city provided and adjusted the costs incurred for vaccines by using the Consumer Price Index (CPI).

We were informed that two wellness vaccines (Duramune Max and Bronchi Shield) are administered to dogs, and two wellness vaccines (Fel-O-Guard and Nobivac) are administered to cats. Based on information provided by the shelter, we used the raw data from the shelter's Chameleon Database to determine the number of eligible dogs and cats who received the wellness vaccines for each year of the audit period. We applied the cost per vaccine, based on FY 2011-12 data, to the eligible number of dogs and cats for each year of the audit period and then adjusted each year's total by the applicable CPI factor to calculate allowable costs. Using this methodology, we found that the city incurred materials and supplies costs totaling \$20,175 for the audit period.

The following table summarizes the calculations of allowable costs for materials and supplies by fiscal year.

Description	Fiscal Year							Amount Allowable
	1998-99	1999-2000	2000-01	2001-02	2002-03	2005-06	2006-07	
<u>Dog vaccines:</u>	\$ 4.20	\$ 4.20	\$ 4.20	\$ 4.20	\$ 4.20	\$ 4.20	\$ 4.20	\$ 4.20
Eligible dogs	355	398	339	225	221	204	183	
Subtotal	1,491	1,672	1,424	945	928	857	769	
CPI factor	0.7055	0.7276	0.7590	0.7816	0.8020	0.8793	0.9091	
Total - dog vaccines	1,052	1,217	1,081	739	744	754	699	
<u>Cat vaccines:</u>	\$ 3.66	\$ 3.66	\$ 3.66	\$ 3.66	\$ 3.66	\$ 3.66	\$ 3.66	\$ 3.66
Eligible cats	764	832	739	450	510	738	748	
Subtotal	2,796	3,045	2,705	1,647	1,867	2,701	2,738	
CPI factor	0.7055	0.7276	0.7590	0.7816	0.8020	0.8793	0.9091	
Total - cat vaccines	1,973	2,216	2,053	1,287	1,497	2,375	2,489	
Total allowable costs	<u>\$ 3,024</u>	<u>\$ 3,432</u>	<u>\$ 3,134</u>	<u>\$ 2,026</u>	<u>\$ 2,242</u>	<u>\$ 3,129</u>	<u>\$ 3,188</u>	<u>\$ 20,175</u>

Contract Services

The city claimed contract services costs totaling \$181,746 under the cost component. In the original audit report, we found that \$79,248 was allowable and \$102,498 was unallowable. The city did not provide any information supporting additional contract services costs for this revised audit report.

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

Fiscal Year	Contract Services		
	Amount Claimed	Amount Allowable	Audit Adjustment
1998-99	\$ 142	\$ -	\$ (142)
1999-2000	40,039	2,353	(37,686)
2000-01	39,985	-	(39,985)
2001-02	63,605	39,702	(23,903)
2002-03	34,171	26,604	(7,567)
2005-06	-	6,904	6,904
2006-07	3,804	3,685	(119)
	<u>\$ 181,746</u>	<u>\$ 79,248</u>	<u>\$ (102,498)</u>

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 6—
Unallowable
procuring equipment
costs**

The city claimed costs totaling \$20,926 (\$530 in salaries and benefits, and \$20,396 in materials and supplies) under the procuring equipment cost component. During the audit, the city did not provide any documentation supporting the salaries and benefits claimed and only provided documentation supporting \$630 in materials and supplies costs. The city did not provide any information supporting additional materials and supplies costs for this revised audit report.

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

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
1999-2000	\$ 17,383	\$ -	\$ (17,383)
2002-03	2,671	-	(2,671)
2005-06	872	630	(242)
	<u>\$ 20,926</u>	<u>\$ 630</u>	<u>\$ (20,296)</u>

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 7—
Understated indirect
cost rates and
overstated indirect
costs**

The city claimed \$178,110 for indirect costs during the audit period. We found that \$128,021 is allowable and \$50,089 is unallowable. The costs are unallowable primarily because of the unallowable salaries and benefits identified in Findings 1 through 6. However, the city understated its indirect cost rates for every year of the audit period except FY 2001-02 and FY 2005-06, when it used the 10% of direct labor option to claim indirect costs.

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	\$ 11,009	91.27%	\$ 10,048	\$ 10,151	\$ (103)
1999-2000	27,318	69.88%	19,090	31,845	(12,755)
2000-01	30,676	123.70%	37,946	32,164	5,782
2001-02 *	24,291	10.00%	2,429	7,959	(5,530)
2002-03	36,005	96.37%	34,698	70,164	(35,466)
2005-06 *	24,608	10.00%	2,461	14,566	(12,105)
2006-07	41,206	51.81%	21,349	11,261	10,088
Total	<u>\$ 195,113</u>		<u>\$ 128,021</u>	<u>\$ 178,110</u>	<u>\$ (50,089)</u>

* For FY 2001-02 and FY 2005-06, the city opted to use 10% of direct labor as its indirect cost rate. The amounts shown under salaries and benefits for these years are net of employee benefits.

Understated 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, instead of preparing an Indirect Cost Rate Proposal (ICRP), the city chose the 10% of direct labor option included in the parameters and guidelines.
- For FY 2002-03, 50% of labor costs for the Animal Services Supervisor and Animal Licensing Technician and 75% of labor costs for a Secretary II were claimed as indirect. Costs incurred for operating supplies were excluded from the calculation. In addition, the ICRP was based on total costs incurred by the Animal Shelter totaling \$576,669, while actual costs incurred for FY 2002-03 totaled \$693,798.
- For FY 2005-06, instead of preparing an ICRP, the city chose the 10% of direct labor option for indirect costs.

- For 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, all services and supplies costs were included as indirect.

In addition to the inconsistent methodology used to calculate indirect costs, the city provided no support for the indirect salaries and wages calculations for the Animal Services Supervisor, Animal Licensing Technician, and Secretary II in its FY 2002-03 ICRP, and some of the services and supplies costs claimed as indirect in the city's ICRPs were already included 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 with the Animal Control Department. We also concluded that 100% of salary and benefit costs incurred for the Animal Services Supervisor and Secretary II (less direct costs included for these employee classifications in other cost components of the claim) were indirect. In addition, costs appearing in the services and supplies line item accounts of Operating Supplies, Fuel, Contracts, Equipment Rental/Maintenance, Parts and Service, and Vehicle Rental were classified as direct costs. The rest of the allowable costs incurred were classified as indirect. Using these indirect costs for labor and materials and supplies, 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 understated by \$59,866 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	91.27%	26.60%	64.67%
1999-2000	69.88%	42.97%	26.91%
2000-01	123.70%	44.81%	78.89%
2001-02	10.00%	10.00%	0.00%
2002-03	96.37%	45.16%	51.21%
2005-06	10.00%	10.00%	0.00%
2006-07	51.81%	45.12%	6.69%

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

Fiscal Year	Indirect Cost Rate Difference	Total Direct Cost Allowable	Adjustment for Rate Difference
1998-99	64.67%	\$ 11,009	\$ 7,120
1999-2000	26.91%	27,318	7,351
2000-01	78.89%	30,676	24,200
2001-02	0.00%	32,623	-
2002-03	51.21%	36,005	18,438
2005-06	0.00%	37,994	-
2006-07	6.69%	41,206	2,757
Totals		<u>\$ 216,831</u>	<u>\$ 59,866</u>

Overstated Indirect Costs Related to Overstated Salaries and Benefits

Indirect costs were overstated by \$109,955 for the audit period as a result of the unallowable salaries and benefits identified in Findings 1 through 6.

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

Fiscal Year	Adjustment for Rate Differences	Adjustment For Unallowable Costs	Total Audit Adjustment
1998-99	\$ 7,120	\$ (7,223)	(103)
1999-2000	7,351	(20,106)	(12,755)
2000-01	24,200	(18,418)	5,782
2001-02	-	(5,530)	(5,530)
2002-03	18,438	(53,904)	(35,466)
2005-06	-	(12,105)	(12,105)
2006-07	2,757	7,331	10,088
Total	<u>\$ 59,866</u>	<u>\$ (109,955)</u>	<u>\$ (50,089)</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 county ensure that its indirect cost rates are properly calculated and are applied to the same direct cost base that was used to calculate the rate.

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

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