



JOHN CHIANG
California State Controller

November 26, 2012

James B. Vanderpool
City Manager
City of Buena Park
6650 Beach Boulevard, 2nd Floor
Buena Park, CA 90622

Dear Mr. Vanderpool:

The State Controller's Office reviewed the costs claimed by the City of Buena Park for the legislatively mandated Animal Adoption Program (Chapter 752, Statutes of 1998, and Chapter 313, Statutes of 2004) for the period of July 1, 2008, 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 of Buena Park 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 \$49,272 for the mandated program. Our review disclosed that \$12,686 is allowable and \$36,586 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. The State made no payment to the city. The State will pay allowable costs claimed, totaling \$12,686, contingent upon available appropriations.

We informed Sung Hyun, Finance Director, of the review results via e-mail on June 28, 2012. Mr. Hyun did not respond to the finding.

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
Chief, Division of Audits

JVB/sk

Attachments

RE: S12-MCC-930

cc: Sung Hyun, Finance Director
City of Buena Park
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, 2008, through June 30, 2009**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Review</u>	<u>Review Adjustment ¹</u>
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Care and maintenance of dogs and cats	\$ 36,987	\$ 2,269	\$ (34,718)
Care and maintenance of other animals	476	64	(412)
Increased holding period	11,809	2,634	(9,175)
Lost-and-found list costs	—	105	105
Maintaining non-medical records	—	1,408	1,408
Necessary and prompt veterinary care	—	1,466	1,466
Total direct costs	49,272	7,946	(41,326)
Indirect costs	—	4,740	4,740
Total program costs	<u>\$ 49,272</u>	12,686	<u>\$ (36,586)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 12,686</u>	

¹ See Attachment 2, Finding and Recommendation.

Attachment 2— Finding and Recommendation July 1, 2008, through June 30, 2009

**FINDING—
Unallowable Program
Costs**

The city claimed \$49,272 under the Animal Adoption Program for fiscal year (FY) 2008-09. We determined that \$12,686 is allowable and \$36,586 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).

On June 15, 2012, the State Controller's Office (SCO) issued a final report for our audit of the SEAACA's claims for FY 2001-02, FY 2002-03, FY 2006-07, 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 FY 2008-09, the City of Buena Park filed an Animal Adoption claim with the State totaling \$49,272. The City of Buena Park 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 FY 2008-09 Animal Adoption program claim, the SEAACA determined that 6.38% of the animals impounded at its shelter originated from the City of Buena Park. 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 costs claimed by the SEAACA for FY 2008-09 determined that the City of Buena Park is entitled to \$12,686 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.

The following table summarizes how the allowable costs were calculated for the city:

Reimbursable Components	SEAACA Allowable Animal Adoption Costs	Percentage	Allowable per Review
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Care and maintenance of dogs and cats	\$ 35,565	6.38%	\$ 2,269
Care and maintenance of other animals	1,008	6.38%	64
Increased holding period	41,278	6.38%	2,634
Lost-and-found list costs	1,647	6.38%	105
Maintaining non-medical records	22,072	6.38%	1,408
Necessary and prompt veterinary care	22,980	6.38%	1,466
Total direct costs	124,550	6.38%	7,946
Indirect costs	74,285	6.38%	4,740
Total direct and indirect costs	<u>\$ 198,835</u>		<u>\$ 12,686</u>

Recommendation

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