

# **CITY OF CORONA**

Audit Report

## **ANIMAL ADOPTION PROGRAM**

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

*July 1, 2007, through June 30, 2009*



**JOHN CHIANG**  
California State Controller

November 2013



**JOHN CHIANG**  
**California State Controller**

November 7, 2013

The Honorable Jason Scott  
Mayor of the City of Corona  
400 South Vicentia Avenue  
Corona, CA 92882

Dear Mayor Scott:

The State Controller's Office audited the costs claimed by the City of Corona 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.

The city claimed \$500,199 for the mandated program. Our audit found that \$311,187 is allowable and \$189,012 is unallowable. The costs are unallowable because the city claimed unsupported hours; claimed ineligible costs, ineligible employees, and ineligible animals; misclassified costs; misstated the productive hourly rates; misstated the animal census data; and understated allowable costs. The State made no payment to the city. The State will pay \$311,187, contingent upon available appropriations.

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, CPA  
Chief, Division of Audits

JVB/kw

cc: Kerry Eden, Finance Director  
City of Corona  
Kim Sitton, Finance Manager  
City of Corona  
Elaine Fleming-Stanford, Principle Accountant  
City of Corona  
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 Corona 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.

The city claimed \$500,199 for the mandated program. Our audit found that \$311,187 is allowable and \$189,012 is unallowable. The costs are unallowable because the city claimed unsupported hours; claimed ineligible costs, ineligible employees, and ineligible animals; misclassified costs; misstated the productive hourly rates; misstated the animal census data; and understated allowable costs. The State made no payment to the city. The State will pay \$311,187, contingent upon available appropriations.

## Background

Food and Agriculture Code sections 31108, 31752-31753, 32001, and 32003 (added and amended by Chapter 752, Statutes of 1998) attempted to end the euthanasia of adoptable and treatable animals. It expressly identifies the state policy that "no adoptable animal should be euthanized if it can be adopted into a suitable home" and that "no treatable animal should be euthanized." The legislation increases the holding period for stray and abandoned dogs, cats, and other specified animals. It also requires public or private shelters to:

- Verify the temperament of feral cats;
- Post lost and found lists;
- Maintain records for impounded animals; and
- Ensure that impounded animals receive necessary and prompt veterinary care.

On January 25, 2001, 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 the 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 in claiming mandated program reimbursable costs.

## Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Animal Adoption Program for the period of July 1, 2007, through June 30, 2009.

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), Summary of Care and Maintenance Costs (Schedule 2), and in the Findings and Recommendations section of this report.

For the audit period, the City of Corona claimed \$500,199 for costs of the Animal Adoption Program. Our audit found that \$311,187 is allowable and \$189,012 is unallowable. The State made no payment to the city. The State will pay \$311,187, contingent upon available appropriations.

## **Views of Responsible Official**

We issued a draft audit report on October 17, 2013. Kim Sitton, Finance Manager, responded by email on October 28, 2013, stating that the city has no additional comments to add to the report.

## **Restricted Use**

This report is solely for the information and use of the City of Corona, 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, CPA  
Chief, Division of Audits

November 7, 2013

**Schedule 1—  
Summary of Program Costs  
July 1, 2007, through June 30, 2009**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2007 through June 30, 2008</u>				
Direct costs:				
Care and maintenance for dogs and cats <sup>2</sup>	\$ 11,707	\$ 4,273	\$ (7,434)	Finding 1
Care and maintenance for other animals <sup>2</sup>	89	21	(68)	Finding 1
Increased holding period	76,340	56,383	(19,957)	Finding 2
Lost and found lists	104,272	17,389	(86,883)	Finding 3
Maintaining non-medical records	30,783	41,904	11,121	Finding 4
Necessary and prompt veterinary care	14,302	8,294	(6,008)	Finding 5
Total direct costs	237,493	128,264	(109,229)	
Indirect costs	91,153	49,367	(41,786)	Finding 6
Total program costs	<u>\$ 328,646</u>	177,631	<u>\$ (151,015)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 177,631</u>		
<u>July 1, 2008 through June 30, 2009</u>				
Direct costs:				
Care and maintenance for dogs and cats <sup>2</sup>	\$ 3,735	\$ 5,398	\$ 1,663	Finding 1
Care and maintenance for other animals <sup>2</sup>	4,307	37	(4,270)	Finding 1
Increased holding period	42,681	37,430	(5,251)	Finding 2
Lost and found lists	18,002	16,594	(1,408)	Finding 3
Maintaining non-medical records	54,421	30,999	(23,422)	Finding 4
Necessary and prompt veterinary care	7,534	9,895	2,361	Finding 5
Total direct costs	130,680	100,353	(30,327)	
Indirect costs	40,873	33,203	(7,670)	Finding 6
Total program costs	<u>\$ 171,553</u>	133,556	<u>\$ (37,997)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 133,556</u>		
<u>Summary: July 1, 2007, through June 30, 2009</u>				
Direct costs:				
Care and maintenance for dogs and cats <sup>2</sup>	\$ 15,442	\$ 9,671	\$ (5,771)	
Care and maintenance for other animals <sup>2</sup>	4,396	58	(4,338)	
Increased holding period	119,021	93,813	(25,208)	
Lost and found lists	122,274	33,983	(88,291)	
Maintaining non-medical records	85,204	72,903	(12,301)	
Necessary and prompt veterinary care	21,836	18,189	(3,647)	
Total direct costs	368,173	228,617	(139,556)	
Indirect costs	132,026	82,570	(49,456)	
Total program costs	<u>\$ 500,199</u>	311,187	<u>\$ (189,012)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 311,187</u>		

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>Recap: by object account</u>				
Direct costs:				
Salaries and benefits	\$ 326,499	\$ 222,010	\$ (104,489)	
Materials and supplies	41,674	4,143	(37,531)	
Total direct costs	368,173	226,153	(142,020)	
Indirect costs	132,026	85,034	(46,992)	
Total program costs	<u>\$ 500,199</u>	<u>\$ 311,187</u>	<u>\$ (189,012)</u>	

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> See Schedule 2 – Summary of Care and Maintenance Costs.

**Schedule 2—  
Summary of Care and Maintenance Costs  
July 1, 2007, through June 30, 2009**

Cost Elements	Amount Claimed				Amount Allowable			Audit Adjustment <sup>1</sup>
	Salaries and Benefits <sup>2</sup>	Indirect Costs <sup>2</sup>	Materials and Supplies	Total	Salaries and Benefits	Indirect Costs	Materials and Supplies	
<b>July 1, 2007 through June 30, 2008</b>								
<i>Care and maintenance for dogs and cats:</i>								
Total care and maintenance costs	\$ 88,058	\$ 37,971	\$ 13,907		\$ 44,981	\$ 18,208	\$ 6,289	
Percentage of dogs and cats to total animals	× 100%	× 100%	× 100%		× 95.80%	× 95.80%	× 95.80%	
Total care and maintenance costs for dogs and cats	88,058	37,971	13,907		43,092	17,443	6,025	
Yearly census of dogs and cats	÷ 21,539	÷ 21,539	÷ 21,539		÷ 19,163	÷ 19,163	÷ 19,163	
Cost per dog and cat per day	4.088	1.763	0.646		2.249	0.910	0.314	
Number of eligible dogs and cats	× 901	× 901	× 901		× 410	× 410	× 410	
Number of reimbursable days	× 2	× 2	× 2		× 3	× 3	× 3	
Total care and maintenance costs for dogs and cats	7,367	3,177	1,163	11,707	2,766	1,120	387	4,273 (7,434)
<i>Care and maintenance for other animals:</i>								
Total care and maintenance costs	3,221	1,387	3,477		44,981	18,208	6,289	
Percentage of other animals to total animals	× 100%	× 100%	× 100%		× 4.20%	× 4.20%	× 4.20%	
Total care and maintenance costs for other animals	3,221	1,387	3,477		1,889	765	264	
Yearly census of other animals	÷ 365	÷ 365	÷ 365		÷ 840	÷ 840	÷ 840	
Cost per other animal per day	8.900	3.800	9.500		2.250	0.910	0.310	
Number of eligible other animals	× 1	× 1	× 1		× 1	× 1	× 1	
Number of reimbursable days	× 4	× 4	× 4		× 6	× 6	× 6	
Total care and maintenance costs for other animals	36	15	38	89	14	5	2	21 (68)
Total care and maintenance costs, FY 2007-08	\$ 7,403	\$ 3,192	\$ 1,201	\$11,796	\$ 2,780	\$ 1,125	\$ 389	\$ 4,294 (7,502)

## Schedule 2 (continued)

Cost Elements	Amount Claimed				Amount Allowable			Total	Audit Adjustment <sup>1</sup>
	Salaries and Benefits <sup>2</sup>	Indirect Costs <sup>2</sup>	Materials and Supplies	Total	Salaries and Benefits	Indirect Costs	Materials and Supplies		
<b>July 1, 2008 through June 30, 2009</b>									
<i>Care and maintenance for dogs and cats:</i>									
Total care and maintenance costs	\$ 30,775	\$ 10,928	\$ 5,906		\$ 43,198	\$ 15,340	\$ 3,727		
Percentage of dogs and cats to total animals	× 100.00%	× 100.00%	× 100.00%		× 95.80%	× 95.80%	× 95.80%		
Total care and maintenance costs for dogs and cats	30,775	10,928	5,906		41,384	14,696	3,570		
Yearly census of dogs and cats	÷ 17,257	÷ 17,257	÷ 17,257		÷ 19,163	÷ 19,163	÷ 19,163		
Cost per dog and cat per day	1.783	0.633	0.342		2.160	0.767	0.186		
Number of eligible dogs and cats	× 677	× 677	× 677		× 578	× 578	× 578		
Number of reimbursable days	× 2	× 2	× 2		× 3	× 3	× 3		
Total care and maintenance for dogs and cats	<u>2,415</u>	<u>857</u>	<u>463</u>	<u>3,735</u>	<u>3,745</u>	<u>1,330</u>	<u>323</u>	<u>5,398</u>	<u>1,663</u>
<i>Care and maintenance for other animals:</i>									
Total care and maintenance costs	1,931	686	1,477		43,198	15,340	3,727		
Percentage of other animals to total animals	× 100.00%	× 100.00%	× 100.00%		× 4.20%	× 4.20%	× 4.20%		
Total care and maintenance costs for other animals	1,931	686	1,477		1,814	644	157		
Yearly census of other animals	÷ 365	÷ 365	÷ 365		÷ 840	÷ 840	÷ 840		
Cost per other animal per day	5.290	1.879	4.047		2.160	0.767	0.187		
Number of eligible other animals	× 96	× 96	× 96		× 2	× 2	× 2		
Number of reimbursable days	× 4	× 4	× 4		× 6	× 6	× 6		
Total care and maintenance costs for other animals	<u>2,031</u>	<u>722</u>	<u>1,554</u>	<u>4,307</u>	<u>26</u>	<u>9</u>	<u>2</u>	<u>37</u>	<u>(4,270)</u>
Total care and maintenance costs, FY 2008-09	<u>\$ 4,446</u>	<u>\$ 1,579</u>	<u>\$ 2,017</u>	<u>\$ 8,042</u>	<u>\$ 3,771</u>	<u>\$ 1,339</u>	<u>\$ 325</u>	<u>\$ 5,435</u>	<u>\$ (2,607)</u>
<b>Summary: July 1, 2007, through June 30, 2009</b>									
Care and maintenance for dogs and cats	\$ 9,782	\$ 4,034	\$ 1,626	\$ 15,442	\$ 6,511	\$ 2,450	\$ 710	\$ 9,671	\$ (5,771)
Care and maintenance for other animals	<u>2,067</u>	<u>737</u>	<u>1,592</u>	<u>4,396</u>	<u>40</u>	<u>14</u>	<u>4</u>	<u>58</u>	<u>(4,338)</u>
Total care and maintenance costs	<u>\$ 11,849</u>	<u>\$ 4,771</u>	<u>\$ 3,218</u>	<u>\$ 19,838</u>	<u>\$ 6,551</u>	<u>\$ 2,464</u>	<u>\$ 714</u>	<u>\$ 9,729</u>	<u>\$ (10,109)</u>

<sup>1</sup> See Finding 1 – Overstated care and maintenance costs.

<sup>2</sup> The salaries, benefits, and related indirect costs were claimed in the Material and Supplies object account.

# Findings and Recommendations

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

The city claimed \$19,838 (\$15,442 for dogs and cats, and \$4,396 for other animals) for the Care and Maintenance cost component for the audit period. We determined that \$9,729 (\$9,671 for dogs and cats, and \$58 for other animals) is allowable and \$10,109 is unallowable. The costs are unallowable because the city misstated allowable hours; overstated the productive hourly rates; misstated related indirect costs; claimed materials and supplies not attributed to the care and maintenance function; understated the number of reimbursable days; misstated the yearly census of dogs, cats, and other animals; and overstated the number of eligible dogs, cats, and other animals that died during the increased holding period or were ultimately euthanized.

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

Fiscal Year	Amount Claimed			Amount Allowable			Audit Adjustment
	Dogs & Cats	Other Animals	Total Claimed	Dogs & Cats	Other Animals	Total Allowable	
2007-08	\$ 11,707	\$ 89	\$ 11,796	\$ 4,273	\$ 21	\$ 4,294	\$ (7,502)
2008-09	3,735	4,307	8,042	5,398	37	5,435	(2,607)
Totals	<u>\$ 15,442</u>	<u>\$ 4,396</u>	<u>\$ 19,838</u>	<u>\$ 9,671</u>	<u>\$ 58</u>	<u>\$ 9,729</u>	<u>\$ (10,109)</u>

A detail of the care and maintenance cost calculations are presented in Schedule 2 - Summary of Care and Maintenance Costs.

**Parameters and Guidelines**

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.

### *Exclusions*

The parameters and guidelines for both section IV.B.3 (a) and section IV.B.3 (b) state that 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 irremediably 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.

### *Methods for Claiming Costs*

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 time study method to claim costs using a time study performed in 2009 for care and maintenance activities. We applied the results of the time study using the Actual Cost method.

### *Time Study Method*

The parameters and guidelines specify the following steps for claiming costs using the Time Study Method:

Under the time study method, a random sample of impounded stray or abandoned dogs and cats and other animals are observed to determine the amount of time to provide care and maintenance during a reimbursable day.

The time study shall be developed using one representative month each quarter and be supported with actual source documentation. Time studies shall be conducted on a more frequent basis if there are significant variations of time expended from month to month. The time study shall identify hours devoted to each specific category. If the time study supports a fixed-cost approach such as an animal day (i.e., dog-day, cat-day, etc.), the eligible claimant shall document the analysis supporting the method used.

Time records used to support the time study shall:

- a) Reflect an after-the-fact distribution of each employee's actual activity;
- b) Account for the total activity for which each employee is compensated;
- c) Account for the total labor hours of the month;
- d) Be signed and dated by the employee not later than the end of the pay period that follows the pay period covered by the report; and
- e) Document, by signature or initials and date, supervisor approval.

#### *Actual Cost Method*

The parameters and guidelines specify that under the actual cost method, actual reimbursable care and maintenance costs per animal per day are computed for an annual claim period, as follows:

- a) Determine the total annual cost of care and maintenance for all dogs, cats and other animals impounded at a facility. Total cost of care and maintenance includes labor, materials, supplies, indirect costs, and contract services.
- b) Determine the average daily census of all dogs, cats and other animals. For purposes of claiming reimbursement under IV.B.3, average daily census is defined as the average number of all dogs and cats at a facility housed on any given day, in 365-day period and the average number of all other animals at a facility housed on any given day, in a 365-day period.
- c) Multiply the average daily census of dogs, cats and other animals by 365 = the yearly census of dogs and cats and the yearly census of other animals.
- d) Divide the total annual cost of care by the yearly census of dogs and cats to calculate the cost per dog and cat per day and by the yearly census of other animals to calculate the cost per other animal per day.
- e) Multiply the cost per animal per day by the number of impounded stay or abandoned dogs, cats and other animals that die during the increased holding period or are ultimately euthanized by each reimbursable day.

#### **Care and Maintenance Formula**

The parameters and guidelines provide for a formula-driven methodology to determine allowable mandated costs for the care and maintenance of dogs, cats, and other animals using the actual cost method. The use of the actual cost method requires a claimant to calculate the total amount of eligible costs incurred to provide care and maintenance for the animals housed in its shelter. This total is divided by the annual census of animals housed in the shelter to determine a cost per animal per day.

The next element of the formula is to multiply the cost per animal per day, by the number of impounded stray or abandoned animals that died of natural causes during the increased holding period or were ultimately euthanized, by each reimbursable 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 ruling in the case of *Purifoy v. Howell* filed March 26, 2010.

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

Schedule 2, Summary of Care and Maintenance Costs, summarizes the adjustments 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, related indirect costs, and materials and supplies) and animal census data used to determine the cost per animal per day. The schedule also shows changes to the number of eligible animals and the number of reimbursable days that were used to determine reimbursable costs for the audit period.

### **Audit Adjustment – Direct and Indirect Costs**

#### *Time Study Results*

During the audit period, the city claimed salaries and benefits for various employee classifications based on estimates. In order to substantiate salary and benefit costs related to the care and maintenance of animals, the city conducted a time study for the months of November 2008, February 2009, June 2009, and September 2009. The time study involved four employees with the following job classifications: Animal Control Supervisor, Animal Control Officer I (2), and an Animal Attendant. The city time studied the following four animal shelter activities:

- Cleaning: Cleaning of animals.
- Cleaning Cages: Daily cleaning of kennels and cat cages, and grounds maintenance.
- Feeding: Feeding the animals.
- Care: Exercising the animals. Extended care for animals that have been injured, or have a congenital or hereditary condition until the animal becomes “adoptable.” This may include walking, bandaging, wound treatment, or stabilizing the pet.

The time study identified the following hours by job classification for the care and maintenance cost component:

Care and Maintenance Time Study Hours							
Job Title	Nov. 2008	Feb. 2009	June 2009	Sept. 2009	Total Hours	Annualized Hours	Percentage per Job Title
Animal Control Supervisor	6.26	4.51	5.25	-	16.02	48.06	3.0%
Animal Control Officer I	29.75	36.00	36.75	49.50	152.00	456.00	28.0%
Animal Control Officer I	32.25	17.75	26.75	29.50	106.25	318.75	19.0%
Animal Attendant	41.59	68.13	83.25	78.50	271.47	814.41	50.0%
Totals	109.85	126.39	152.00	157.50	545.74	1,637.22	100.0%

We determined that the results of the city's time study are reasonable and adequately supported. We determined allowable salaries and benefits using the annualized hours and applied them to the percentage of effort for the employee classifications identified. Based on the results of the time study we determined that the claimed hours were overstated in Fiscal Year (FY) 2007-08 were understated in FY 2008-09.

#### *Misstated Productive Hourly Rates*

For the audit period, the city did not provide documentation supporting the either the salary amounts used to calculate the productive hourly rate (PHR) or the benefit percentages. Therefore, we asked the city to provide the actual annual salary and benefit amounts for shelter staff. We calculated a PHR rate for the employees involved in the time study using the total salaries and benefits paid to each employee, as determined by the city's payroll system, and an annual productive hourly base of 1,800 hours. As a result, we determined that PHRs were predominately overstated for the audit period.

The PHR calculation also affected the following reimbursable components by the following amounts:

Reimbursable Component	Audit Adjustment
Increased holding period	\$ (1,093)
Lost and found lists	(2,380)
Maintaining non-medical records	(565)
Total	\$ (4,038)

#### *Salaries and Benefits*

The city included \$123,985 (\$91,279 for FY 2007-08 and \$32,706 for FY 2008-09) of salaries and benefits in its calculation of allowable costs for the Care and Maintenance cost component. We determined that \$88,179 (\$44,981 for FY 2007-08 and \$43,198 for FY 2008-09) is allowable and \$35,806 is unallowable. The costs are unallowable because both the hours and the PHRs were overstated.

- FY 2007-08: The city included \$91,279 in its calculation of allowable costs for the care and maintenance of dogs, cats, and other animals. We applied the time study results to the allowable PHRs

and determined that \$44,981 is allowable and \$46,298 is unallowable. The costs are unallowable because the city overstated the hours by \$44,566 and the PHRs by \$1,732.

- FY 2008-09: The city included \$32,706 in its calculation of allowable costs for the care and maintenance of dogs, cats, and other animals. We applied the time study results to the allowable PHRs and determined that \$43,198 is allowable. The city understated costs by \$10,492 because the city understated the hours by \$13,452 and overstated the PHRs by \$2,960.

#### *Related Indirect Costs*

The city included \$50,972 (\$39,358 for FY 2007-08 and \$11,614 for FY 2008-09) of related indirect costs in its calculation of allowable costs for the Care and Maintenance cost component. We determined that \$33,548 (\$18,208 for FY 2007-08 and \$15,340 for FY 2008-09) is allowable and \$17,424 is unallowable. The costs are unallowable because the city misstated allowable hours, overstated the PHRs, and overstated the indirect cost rate for FY 2007-08 (See Finding 6).

#### *Materials and Supplies*

The city included \$24,767 (\$17,384 for FY 2007-08 and \$7,383 for FY 2008-09) of materials and supplies in its calculation of allowable costs for the Care and Maintenance cost component. We determined that \$10,016 (\$6,289 for FY 2007-08 and \$3,727 for FY 2008-09) is allowable and \$14,751 is unallowable. The costs are unallowable because the city incorrectly included Necessary and Prompt Veterinary Care costs in the Care and Maintenance cost component (see Finding 5).

### **Audit Adjustments – Animal Data**

#### *Yearly Animal Census*

The yearly census 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 and maintenance 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 reimbursable days.

The city did not support the claimed yearly animal census amounts used to calculate reimbursable costs. As complete animal statistics were unavailable, we provided the city the opportunity to perform a time study to determine the average daily census. The city performed a 15-day time study in which it tracked the number of animals in the shelter each day. The city's study resulted in an average of 35.2 dogs per day, 17.3 cats per day, and 2.3 other animals per day in the shelter.

We calculated the average daily annual census for dogs and cats and other animals as follows:

Two Week Time Study - Animal Census	
Dogs	35.2
Cats	+ 17.3
Subtotal - dogs and cats	52.5
Days in period	x 365
Yearly census of dogs and cats	<u>19,163</u>
Other animals	2.3
Days in period	x 365
Yearly census of "other" animals	<u>840</u>

The following table summarizes the claimed, allowable, and difference for the yearly animal census of dogs and cats and other animals by fiscal year:

Fiscal Year	Yearly Animal Census Data								
	Amount Claimed			Amount Allowable			Difference		
	Dogs and Cats	Other Animals	Total	Dogs and Cats	Other Animals	Total	Dogs and Cats	Other Animals	Total
2007-08	21,539	365	21,904	19,163	840	20,003	(2,376)	475	(1,901)
2008-09	17,257	365	17,622	19,163	840	20,003	1,906	475	2,381

*Eligible Animals*

The next step of the Care and Maintenance formula is adding the number of stray and abandoned animals that died of natural causes during the holding period plus those animals that were euthanized after the required holding period. The city’s animal data included only euthanized animals; therefore, the animals that died during the holding period are not represented in the calculation. In addition, we excluded the following animals from the population of eligible animals:

- Dogs, cats, and other animals that were classified as owner sign-off (OSO—surrendered).
- Dogs, cats, and other animals that were not classified (blanks).
- Dogs, cats, and other animals that were euthanized for humane reasons (usually on day 1).
- Dogs, cats, and other animals that were suffering from a serious illness or severe injury (usually euthanized on day 1).

We sorted the data for the dogs, cats, and other animals by animal ID to remove any animals reported more than once.

The following table summarizes the claimed, allowable, and difference of the eligible dogs, cats, and other animals by fiscal year:

Fiscal Year	Eligible Animals								
	Amount Claimed			Amount Allowable			Difference		
	Dogs & Cats	Other Animals	Total	Dogs & Cats	Other Animals	Total	Dogs & Cats	Other Animals	Total
2007-08	901	1	902	410	1	2,214	(491)	-	(491)
2008-09	677	96	773	578	2	2,124	(99)	(94)	(193)

### **Audit Adjustment – Reimbursable Days**

The parameters and guidelines identify the number of reimbursable days for dogs and cats to be the difference between three days from the day of capture, and four or six business days from the day after impoundment. For other animals, the parameters and guidelines identify the number of reimbursable days to be four or six business days from the day after impoundment.

The city claimed two days for dogs and cats, and four days for other animals. Every animal will have a different holding period requirement, depending on the day of impoundment and the type of animal, so an exact number of reimbursable days cannot be determined. We determined an average increased holding period of three days for dogs and cats, and six days for other animals. This calculation takes into consideration that the required holding period does not include Saturday as a business day. This is consistent with the Appellate Court decision, dated March 26, 2010, in the case of *Purifoy v. Howell*, which determined that Saturday is not considered a business day.

### **Recommendation**

No recommendation is applicable for this finding because the activity is no longer a state-mandated reimbursable program. On July 28, 2009, the Legislature adopted Assembly Bill 12, 4<sup>th</sup> Extraordinary Session, which suspended the requirements of Chapter 752, Statutes of 1998, stating that shelters may revert back to the 72-hour holding period.

**FINDING 2—  
Unallowable  
increased holding  
period costs**

The city claimed \$119,021 for the Increased Holding Period cost component for the audit period. We determined that \$93,813 is allowable and \$25,208 is unallowable. The costs are unallowable because the city understated the shelter hours and overstated the employee positions (\$24,115), and misstated the employee productive hourly rates (\$1,093).

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

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
<u>Salaries and benefits:</u>			
2007-08	\$ 76,340	\$ 56,383	\$ (19,957)
2008-09	42,681	37,430	(5,251)
Total	<u>\$ 119,021</u>	<u>\$ 93,813</u>	<u>\$ (25,208)</u>

The parameters and guidelines (section IV.B.5 – Agencies 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:

- Making the animal available for owner redemption on one weekday evening until at least 7:00 p.m. or one weekend day; or
- 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 owners to reclaim their animals by appointment at a mutually agreeable time when the agency would otherwise be closed.

**Audit Adjustment – Understated Shelter Hours and Overstated Employee Positions**

*Hours of Operation*

The parameters and guidelines state that a shelter using the holding period of four business days after the day of impoundment must either “make the animal available for owner redemption on one weekday evening until at least 7:00 p.m., or, one weekend day.” Reimbursement is limited to one of the days—either the increased Wednesday hours or all of the Saturday hours. As the Saturday hours are longer than the increased Wednesday hours, reimbursement is allowable for the hours that the shelter is open to the public on Saturdays.

For FY 2007-08 the city claimed reimbursement for 364 hours (7 Saturday hours × 52 weeks) per employee classification. For FY 2008-09 the city claimed 208 hours (4 Saturday hours × 52 weeks) per employee classification. During the audit, the city provided documentation that

supported that the shelter was open for seven hours each Saturday in FY 2007-08. In addition, the city provided documentation which supported that the shelter was open for seven hours from July to September 2008, and for four hours from October 2008 through June 2009.

*Staffing Requirements – Time Study*

The city claimed hours for an Animal Control Supervisor, Animal Control Officers I and II, and a Senior Office Assistant who worked each Saturday. However, the city did not take into account the difference between the regular staffing needs and the increased staffing needs to comply with the requirement of this component. As a result, the city overstated the number of eligible employee positions and did not properly calculate the number of reimbursable hours per each position.

The city conducted a time study for the Increased Holding Period cost component for the months of November 2008, February 2009, June 2009, and September 2009. The time study involved the following job classifications: Animal Control Manager, Animal Control Supervisor, Animal Control Officer II (3), Animal Control Officer I (2), Animal Attendant, Senior Administrative Assistant, and Senior Office Assistant. The city tracked which employees worked on Saturdays and which employees worked on Sundays. Consequently, the time study cannot be applied to the Increased Holding Period cost component because the activity is not repetitive in nature; however, the time study does identify the additional employees (job classifications) who worked on Saturdays for the purpose of providing the public access to the shelter on one weekend day.

Based on the information from the time study, we identified an Animal Control Manager, a Senior Administrative Assistant, and a Senior Office Assistant as the extra employees needed on one weekend day to make animals available to the public.

The following table summarizes the hours claimed, the allowable hours, and the difference for each fiscal year in the audit period:

Fiscal Year	Hours Claimed			Hours Allowable					
	Total hours the shelter is open each Saturday	Number of Employees	Total	Shelter Hours - Saturday	Hours per Saturday	Weeks Per Year	Number of Employees	Total	Difference
2007-08	364	4.5	1,638	10 am to 5 pm	7	52	3	1,092	(546)
Total, FY 2007-08			1,638					1,092	(546)
2008-09									
July to Sept.	52	4.5	234	10 am to 5 pm	7	13	3	273	39
Oct. to June	156	4.5	702	10 am to 2 pm	4	39	3	468	(234)
Total, FY 2008-09	208		936					741	(195)
Total			2,574					1,833	(741)

**Audit Adjustment – Employee Productive Hourly Rates and Benefit Rates**

As described in Finding 1, the city misstated employee productive hourly rates. We applied the productive hourly rates we calculated to the allowable hours and determined that salary and benefit costs were overstated by \$1,093.

Recommendation

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

**FINDING 3—  
Unallowable lost and found lists**

The city claimed \$122,274 for the Lost and Found List cost component for the audit period. We determined that \$33,983 is allowable and \$88,291 is unallowable. The costs are unallowable because the city did not support the hours claimed, misstated the employee positions (\$85,911), and misstated the employee productive hourly rates (\$2,380).

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

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
<u>Salaries and benefits:</u>			
2007-08	\$ 104,272	\$ 17,389	\$ (86,883)
2008-09	18,002	16,594	(1,408)
Total	<u>\$ 122,274</u>	<u>\$ 33,983</u>	<u>\$ (88,291)</u>

The parameters and guidelines (section I.V.B.6 – Lost and Found Lists) state that the following activities are reimbursable beginning January 1, 1999, for providing owners of lost animals and those who find lost animals with all of the following:

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

### **Audit Adjustment – Unsupported Hours and Misstated Employee Positions**

The city claimed 2,488 hours for FY 2007-08 and 414 hours for FY 2008-09 for the following positions to perform lost and found list activities: Animal Control Supervisor, Animal Control Manager, Animal Control Officers I and II, Senior Office Assistant, Office Assistant, and Senior Administrative Assistant. As the claimed costs were unsupported, the city conducted a time study for the months of November 2008, February 2009, June 2009, and September 2009 for the Lost and Found List cost component. The time study captured two different activities associated with lost and found lists and six employees with the following job classifications: Animal Control Manager, Animal Control Supervisor, Animal Control Officer I (2), Senior Administrative Assistant, and Senior Office Assistant.

The city tracked the following lost and found activities:

- (G1) – Lost and Found Duties (Record Keeping): Maintain lost and found report for the general public. Referral to animals listed on our lost and found board. Referral to other agencies, rescue groups or private individuals that may have lost or found a pet.

Updating information in the city's computer system for animals listed as lost or stolen. Give information to the general public that have found a dog that is identified by a tag or microchip from the city's computer system. Records kept in the note section with date and person that has found the dog and the staff that spoke with them. Includes recovery.

- (G2) – Petfinder – Web Duties: Update website daily or as needed to place all animals that are impounded at the shelter (must include location found, sex, general description, and photo). Microchip scan found pets and take photos and place on website for private individuals as requested when they choose to keep the animal in their care.

Based on the information provided in the job duty statements in relation to the level of involvement of each classification, we determined that the hours and employee classifications identified in the time study are reasonable and supported.

The time study results indicated that the city spends 435 hours each year on lost and found list activities. We applied the time study results to the employee positions involved in the time study and determined that the city overstated costs in FY 2007-08 by \$85,942, and understated costs in FY 2008-09 by \$31.

**Audit Adjustment – Employee Productive Hourly Rates and Benefit Rates**

As described in Finding 1, the city misstated employee productive hourly rates. We applied the productive hourly rates we calculated to the allowable hours and determined that salary and benefit costs were overstated by \$2,380.

Recommendation

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

**FINDING 4—  
Unallowable  
maintaining non-  
medical records**

The city claimed \$85,204 for the Maintaining Non-Medical Records cost component for the audit period. We determined that \$72,903 is allowable and \$12,301 is unallowable. The costs are unallowable because the city could not support the hours claimed and misstated the employee positions (\$11,736), and misstated the employee productive hourly rates (\$565).

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

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
<u>Salaries and benefits:</u>			
2007-08	\$ 30,783	\$ 41,904	\$ 11,121
2008-09	54,421	30,999	(23,422)
Total	<u>\$ 85,204</u>	<u>\$ 72,903</u>	<u>\$ (12,301)</u>

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.

## **Audit Adjustment – Unsupported Hours and Misstated Employee Positions**

### *Time Study Results*

The city claimed 679 hours for FY 2007-08 and 1,225 hours for FY 2008-09 for the following positions to perform maintaining non-medical record activities: Animal Control Manager, Animal Control Supervisor, Animal Control Officers I and II, Senior Administrative Assistant, Senior Office Assistant, and Office Assistant. As the claimed costs were unsupported, the city conducted a time study for the months of November 2008, February 2009, June 2009, and September 2009 for the Maintaining Non-Medical Records cost component. The time study tracked the activity of maintaining mandate records for all animals in care and preparing annual reports as required. The time study involved six employees with the following job classifications: Animal Control Manager, Animal Control Supervisor, Animal Control Officer I (2), Animal Attendant, and Senior Administrative Assistant.

The city had employees track the average time it takes to process non-medical records in 15-minute increments. The time study resulted in total annualized hours of 733.89, which we multiplied by 60 to attain the minutes per year of 44,033. We then divided the minutes per a year by the number of animals impounded (4,313 per the animal statistics report submitted by city for FY 2008-09). We used the animal statistics for FY 2008-09 because doing so is consistent with the time period in which the time study was conducted. The city's time study determined an average of 10 minutes spent by an employee for processing incoming and outgoing records for the disposition of animals.

Based on the information provided in the job duty statements in relation to the level of involvement of each classification, we determined that the hours and employee classifications identified in the time study are reasonable and supported.

### *Number of Animal Records Processed*

To apply the time study results, we needed to determine the number of animal records processed each fiscal year. The city provided monthly activity reports from the Animal Control Bureau that showed the number of animals impounded in each of the fiscal years in the audit period. As a result, we applied the average of 10 minutes for processing an animal record to the number of animals impounded by the employee's job position percentage identified in the time study to determine the allowable hours for each position.

The following table summarizes the allowable hours, percentage of hours per job position, and the allocated hours per position for each fiscal year in the audit period:

	Fiscal Year		Total
	2007-08	2008-09	
<u>Allowable Hours:</u>			
Total animal records	5,385	4,313	
Minutes per record	10	10	
Allowable hours	898	719	1,617
<u>Percentage of Hours per Position:</u>			
AC Supervisor	29%	29%	58%
AC Manager	3%	3%	6%
Sr. ACO	0%	0%	0%
ACO I	66%	66%	132%
Admin. Secretary	0%	0%	0%
Sr. Admin. Assist.	2%	2%	4%
Percentage allocated	100%	100%	
<u>Allocated Hours per Position:</u>			
AC Supervisor	260.42	208.51	468.93
AC Manager	26.94	21.57	48.51
Sr. ACO	-	-	-
ACO I	592.68	474.54	1,067.22
Admin. Secretary	-	-	-
Sr. Admin. Assist.	17.96	14.38	32.34
Total hours	898.00	719.00	1,617.00

We applied the time study results to the employee positions involved in the time study and determined that the city understated costs by \$10,292 in FY 2007-08, and overstated costs by \$22,028 in FY 2008-09.

#### **Audit Adjustment – Employee Productive Hourly Rates and Benefit Rates**

As described in Finding 1, the city misstated employee productive hourly rates. We applied the productive hourly rates we calculated to the allowable hours and determined that salary and benefit costs were overstated by \$565.

#### Recommendation

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**

The city claimed \$21,836 for the Necessary and Prompt Veterinary Care cost component for the audit period. We determined that \$18,145 is allowable and \$3,691 is unallowable. The costs are unallowable because the city did not claim salaries and benefits for the audit period (\$14,760), and did not pro-rate the materials and supplies (\$18,451).

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
<u>Salaries and benefits:</u>			
2007-08	\$ -	\$ 6,279	\$ 6,279
2008-09	-	8,481	8,481
Total, salaries and benefits	-	14,760	14,760
<u>Materials and supplies:</u>			
2007-08	14,302	2,015	(12,287)
2008-09	7,534	1,414	(6,120)
Total, materials and supplies	21,836	3,429	(18,407)
Total	<u>\$ 21,836</u>	<u>\$ 18,189</u>	<u>\$ (3,647)</u>

The parameters and guidelines (section IV.B.9–Necessary and Prompt Veterinary Care) identify the following reimbursable activities:

Beginning January 1, 1999 – 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 period 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.”

### Population Exclusions

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 where 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.

### Veterinary Care Exclusions

Eligible claimants are *not* entitled to reimbursement for providing the following veterinary procedures:

- Emergency treatment given to injured cats and dogs;
- Administration of rabies vaccination to dogs;
- Implantation of microchip identification;
- Spay or neuter surgery and treatment; [and]
- Euthanasia.

## **Audit Adjustment – Allowable Salaries and Benefits**

### *Time Study Results – Wellness Exam and Wellness Vaccine*

The city did not claim any salaries and benefits for the audit period. The city conducted a time study for the week of November 1, 2010, through November 7, 2010. The time study for this cost component involved two Animal Control Officer Is and two Animal Control Officer IIs. The time study included activities for conducting an initial physical examination of the animal to determine the animal’s baseline health and for administering a wellness vaccine to “adoptable” or “treatable” animals. The city kept track of the number of animals and time needed to conduct a wellness exam and wellness vaccine. The city has a veterinarian who comes to the shelter approximately once a week. The veterinarian has provided appropriate training to the shelter staff involved with the wellness exam and the wellness vaccine. Therefore, we determined that the shelter staff who participated in the time study are qualified to make a determination in regards to an animal being “adoptable,” “treatable,” or “non-rehabilitatable,” as required by the program’s parameters and guidelines.

With regards to the wellness exam, the time study showed that it takes an Animal Control Officer I an average of 10 minutes to perform the wellness exam, and he or she performs this activity 61% of the time. In addition, it takes an Animal Control Officer II an average of 17 minutes to perform the wellness exam, and he or she performs this activity 39% of the time.

With regards to the wellness vaccine, the time study was completed only by the Animal Control Officer I, who spends an average of 9 minutes to administer the wellness vaccine.

#### *Number of Eligible Animals*

The city uses kennel cards instead of a computer system to keep track of the animal statistics. The city provided photocopies of the kennel cards for the animals that were euthanized for each fiscal year in the audit period. In addition, the city provided us with the kennel card data that was compiled onto a spreadsheet. We used the spreadsheets to determine the number of “eligible” animals.

The parameters and guidelines specifically state that reimbursement is limited to “stray and abandoned animals . . . that die during the holding period or are ultimately euthanized.” As noted in Finding 1, we determined the average holding period to be six days; therefore, reimbursement is limited to the following population of animals:

- Stray animals that died during the holding period: Animals that died on days 2, 3, 4, 5, or 6 (animals that died on day 1 are not included in this calculation because they were most likely irremediably suffering from a serious illness or injury or were so severely injured to move and it may have been more humane to dispose of the animal).
- Stray animals that were ultimately euthanized: Animals euthanized on day 7 and later.

The city’s animal data included euthanized animals only; therefore, the animals that died during the holding period are not represented in the calculation. This calculation is consistent with the Appellate Court ruling in the case of *Purifoy v. Howell*, which determined that Saturday is not considered a business day for the purposes of this mandated program. We filtered the animal data spreadsheets provided by the city using this criterion and determined the number of reimbursable “eligible” animals.

The following table summarizes the total allowable “eligible” animals and the allowable hours for performing a wellness exam and administering a wellness vaccine per job title for the audit period by fiscal year:

Fiscal Year	Wellness Exam					Wellness Vaccine
	Eligible Animals	Animals per Job Title:		Hours per Job Title:		Hours per Job Title:
		ACO I	ACO II	ACO I	ACO II	ACO I
		61%	39%	10 minutes	17 minutes	9 minutes
2007-08	410	250	160	42	45	62
2008-09	578	353	225	59	64	87
<b>Total</b>	<b>988</b>	<b>603</b>	<b>385</b>	<b>101</b>	<b>109</b>	<b>149</b>

We applied the allowable hours (as identified on the table above) by the audited productive hourly rate and determined that \$14,760 in salaries and benefits is allowable.

**Audit Adjustment – Materials and supplies not pro-rated**

The city claimed veterinarian care costs of \$21,836 for the audit period. The city did not claim the pro-rata portion; instead, the city claimed 100% of the veterinarian costs incurred. The pro-rata portion is the percentage of stray and abandoned animals that died during the holding period, plus those that were ultimately euthanized, to the total number of animals housed at the shelter during each fiscal year. Also, of the \$21,836 in materials and supplies claimed, we determined that \$20,758 is allowable and \$1,078 is not allowable because it was for ineligible activities such as spay and neuter surgeries, rabies vaccinations, and euthanasia drugs.

In addition, as described in Finding 1, the city claimed \$14,751 in materials and supplies related to the Necessary and Prompt Veterinary Care cost component in the Care and Maintenance cost component. We reclassified these costs under the Necessary and Prompt Veterinary Care cost component. Also, during our testing of the Care and Maintenance cost component invoices, we found an additional \$1,519 in invoices for Western Medical Supply for FY 2007-08 that were not claimed in any costs component, but are allowable in the Necessary and Prompt Veterinary Care cost component.

We applied the pro-rata percentage of 7.61% in FY 2007-08 and 13.40% in FY 2008-09 to the total allowable necessary and prompt veterinary care costs and determined that \$3,429 is allowable (\$2,015 in FY 2007-08 and \$1,414 in FY 2008-09).

The following table summarizes the pro-rata calculation, the allowable necessary and prompt veterinary care costs, and the audit adjustment for each fiscal year in the audit period:

Fiscal Year	Materials and Supplies Claimed	Eligible Animals	Total Animals Housed at the Shelter	Pro-Rata %	Amount Allowable			Total Necessary and Prompt Veterinary Care Costs (not pro-rated)	Allowable Materials and Supplies (Pro-rated)	Audit Adjustment
					Allowable Material and Supply Costs Claimed (not pro-rated)	Re-classified Allowable Care and Maintenance Costs (not pro-rated)	Additional N&P Vet Care Invoices found during testing (not pro-rated)			
2007-08	\$ 14,302	410	5,385	7.61%	\$ 13,859	\$ 11,095	\$ 1,519	\$ 26,473	\$ 2,015	\$ (12,287)
2008-09	7,534	578	4,313	13.40%	6,899	3,656	-	10,555	1,414	(6,120)
<b>Total</b>	<b>\$ 21,836</b>				<b>\$ 20,758</b>	<b>\$ 14,751</b>	<b>\$ 1,519</b>	<b>\$ 37,028</b>	<b>\$ 3,429</b>	<b>\$ (18,407)</b>

**Recommendation**

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

**FINDING 6—  
Misstated indirect costs**

The city claimed \$49,456 in unallowable indirect costs for the audit period. The costs are unallowable because of related unallowable salaries and benefits (as described in Findings 2 through 4) and because the FY 2007-08 indirect cost rate was incorrectly calculated.

The city calculated an indirect cost rate of 43.12% for FY 2007-08. We determined that the rate is overstated because the city used the FY 2008-09 citywide cost allocation charge on the FY 2007-08 indirect cost rate proposal (ICRP). Therefore, we applied the FY 2007-08 citywide cost allocation charge to the FY 2007-08 ICRP and determined that the rate should have been 40.48%, as follows:

	<u>FY 2007-08</u>
Rate allowable	40.48%
Rate claimed	<u>43.12%</u>
Difference	<u>(2.64%)</u>

The following table summarizes the unallowable indirect costs for each fiscal year in the audit period:

Fiscal Year	Allowable Salaries and Benefits	Allowable Indirect Cost Rate	Allowable Indirect Costs	Claimed Indirect Costs	Audit Adjustment
2007-08	\$ 121,955	40.48%	\$ 49,367	\$ 91,153	\$ (41,786)
2008-09	93,504	35.51%	33,203	40,873	(7,670)
	<u>\$ 215,459</u>		<u>\$ 82,570</u>	<u>\$ 132,026</u>	<u>\$ (49,456)</u>

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

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.

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

We recommend that the city ensure that indirect costs are properly calculated and applied to allowable direct costs incurred in performing mandated activities.

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