

SACRAMENTO COUNTY

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

Susan Peters, Chair
Board of Supervisors
Sacramento County
700 H Street, Suite 2450
Sacramento, CA 95814

Dear Ms. Peters:

The State Controller's Office audited the costs claimed by Sacramento County 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 county claimed \$1,071,928 for the mandated program. Our audit found that \$722,845 is allowable (\$732,845 less a \$10,000 penalty for filing a late claim) and \$349,083 is unallowable. The costs are unallowable because the county overstated and understated allowable costs; claimed unallowable costs and unsupported costs; misclassified costs; claimed ineligible employees and ineligible animals; misstated animal census data; and overstated offsetting revenues. The State made no payment to the county. The State will pay \$722,845, 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/nh

cc: Julie Valverde, Director of Finance
Department of Finance
Sacramento County
Dave Dickinson, Director
Animal Care and Regulation
Sacramento County
Tara Diller, Administrative Services Manager II
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Sacramento County 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 county claimed \$1,071,928 for the mandated program. Our audit found that \$722,845 is allowable (\$732,845 less a \$10,000 penalty for filing a late claim) and \$349,083 is unallowable. The costs are unallowable because the county overstated and understated allowable costs; claimed unallowable costs and unsupported costs; misclassified costs; claimed ineligible employees and ineligible animals; misstated animal census data; and overstated offsetting revenues. The State made no payment to the county. The State will pay \$722,845, 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. The statutes expressly identify 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 non-medical 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 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 and school districts 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 county'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 county'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, Sacramento County claimed \$1,071,928 for costs of the Animal Adoption Program. Our audit found that \$722,845 is allowable (\$732,845 less a \$10,000 penalty for filing a late claim) and \$349,083 is unallowable.

For the fiscal year (FY) 2007-08 claim, the State made no payment to the county. Our audit found that \$358,042 is allowable. The State will pay that amount contingent upon available appropriations.

For the FY 2008-09 claim, the State made no payment to the county. Our audit found that \$364,803 is allowable. The State will pay that amount contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on August 29, 2013. Julie Valverde, Director of Finance, responded by letter dated September 27, 2013, agreeing to implement the recommendations; however, Ms. Valverde did not provide a response as to whether the county agreed with the audit results (Attachment). This final audit report includes the county's response.

Restricted Use

This report is solely for the information and use of Sacramento County, 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 Adjustments	Reference ¹
<u>July 1, 2007, through June 30, 2008</u>				
Direct costs:				
Training	\$ 664	\$ 664	\$ —	
Care and maintenance of dogs and cats ²	188,970	130,456	(58,514)	Finding 1
Care and maintenance of other animals ²	16,709	3,337	(13,372)	Finding 1
Increased holding period	180,081	86,816	(93,265)	Finding 2
Feral cats	12,546	5,178	(7,368)	Finding 3
Lost and found lists	2,589	2,589	—	
Maintaining non-medical records	37,484	50,052	12,568	Finding 4
Necessary and prompt veterinary care	—	10,718	10,718	Finding 5
Total direct costs	439,043	289,810	(149,233)	
Indirect costs	175,766	100,993	(74,773)	Findings 1-5
Total direct and indirect costs	614,809	390,803	(224,006)	
Less offsetting savings and other reimbursements	(54,153)	(32,761)	21,392	Finding 6
Total program costs	<u>\$ 560,656</u>	358,042	<u>\$ (202,614)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 358,042</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs:				
Training	\$ 376	\$ 376	\$ —	
Care and maintenance of dogs and cats ²	121,328	122,987	1,659	Finding 1
Care and maintenance of other animals ²	5,902	2,220	(3,682)	Finding 1
Increased holding period	189,962	102,143	(87,819)	Finding 2
Feral cats	12,488	5,835	(6,653)	Finding 3
Lost and found lists	2,623	2,623	—	
Maintaining non-medical records	55,246	54,482	(764)	Finding 4
Necessary and prompt veterinary care	—	11,053	11,053	Finding 5
Total direct costs	387,925	301,719	(86,206)	
Indirect costs	165,424	103,546	(61,878)	Findings 1-5
Total direct and indirect costs	553,349	405,265	(148,084)	
Less offsetting savings and other reimbursements	(42,077)	(30,462)	11,615	Finding 6
Subtotal	511,272	374,803	(136,469)	
Less late filing penalty ³	—	(10,000)	(10,000)	
Total program costs	<u>\$ 511,272</u>	364,803	<u>\$ (146,469)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 364,803</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments
<u>Summary: July 1, 2007, through June 30, 2009</u>			
Direct costs:			
Training	\$ 1,040	\$ 1,040	\$ —
Care and maintenance of dogs and cats ²	310,298	253,443	(56,855)
Care and maintenance of other animals ²	22,611	5,557	(17,054)
Increased holding period	370,043	188,959	(181,084)
Feral cats	25,034	11,013	(14,021)
Lost and found lists	5,212	5,212	—
Maintaining non-medical records	92,730	104,534	11,804
Necessary and prompt veterinary care	—	21,771	21,771
Total direct costs	826,968	591,529	(235,439)
Indirect costs	341,190	204,539	(136,651)
Total direct and indirect costs	1,168,158	796,068	(372,090)
Less offsetting savings and other reimbursements	(96,230)	(63,223)	33,007
Subtotal	1,071,928	732,845	(339,083)
Less late filing penalty	—	(10,000)	(10,000)
Total program costs	<u>\$ 1,071,928</u>	722,845	<u>\$ (349,083)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 722,845</u>	
<u>Recap: by object account</u>			
Direct costs:			
Salaries and benefits	\$ 464,284	\$ 420,397	\$ (43,887)
Materials and supplies ⁴	332,909	23,985	(308,924)
Contract services	29,775	43,084	13,309
Total direct costs	826,968	487,466	(339,502)
Indirect costs	341,190	308,602	(32,588)
Less offsetting savings and other reimbursements	(96,230)	(63,223)	33,007
Less late filing penalty	—	(10,000)	(10,000)
Total program costs	<u>\$ 1,071,928</u>	<u>\$ 722,845</u>	<u>\$ (349,083)</u>

¹ See the Findings and Recommendations section.

² See Schedule 2 – Summary of Care and Maintenance Calculations. Note that the allowable care and maintenance costs include related indirect costs.

³ The county filed its FY 2008-09 annual reimbursement claim after the due date specified in Government Code section 17560. Pursuant to Government Code section 17568, the State assessed a late filing penalty equal to 10% of allowable costs not to exceed \$10,000 (for claims filed on or after August 24, 2007).

⁴ The county claimed salaries, benefits, and related indirect costs as materials and supplies in the Care and Maintenance cost components.

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

Cost Elements	Amount Claimed				Amount Allowable			Audit Adjustment ²
	Salaries and Benefits ¹	Indirect Costs ¹	Materials and Supplies	Total	Salaries and Benefits	Indirect Costs	Materials and Supplies	
July 1, 2007 through June 30, 2008								
<i>Care and maintenance for dogs and cats:</i>								
Total care and maintenance costs	\$ 990,826	\$ 770,862	\$ 221,135		\$ 527,874	\$ 410,686	\$ 60,173	
Percentage of dogs and cats to total animals	× 100.00%	× 100.00%	× 100.00%		× 88.61%	× 88.61%	× 88.61%	
Total care and maintenance costs for dogs and cats	990,826	770,862	221,135		467,749	363,909	53,319	
Total dog and cat kennel days	÷ 113,544	÷ 113,544	÷ 113,544		÷ 90,660	÷ 90,660	÷ 90,660	
Cost per dog and cat per day	8.726	6.789	1.948		5.159	4.014	0.588	
Number of eligible dogs and cats	× 5,451	× 5,451	× 5,451		× 4,455	× 4,455	× 4,455	
Number of reimbursable days ³	× 1.98517	× 1.98517	× 1.98517		× 3	× 3	× 3	
Total care and maintenance costs for dogs and cats	94,425	73,465	21,080	188,970	68,950	53,647	7,859	130,456 (58,514)
<i>Care and maintenance for other “eligible” animals:</i>								
Total care and maintenance costs	990,826	770,862	221,135		527,874	410,686	60,173	
Percentage of other “eligible” animals to total animals	× 100.00%	× 100.00%	× 100.00%		× 11.39%	× 11.39%	× 11.39%	
Total care and maintenance costs for other “eligible” animals	990,826	770,862	221,135		60,125	46,777	6,854	
Total other “eligible” animal kennel days	÷ 113,544	÷ 113,544	÷ 113,544		÷ 11,659	÷ 11,659	÷ 11,659	
Cost per other “eligible” animal per day	8.726	6.789	1.948		5.157	4.012	0.588	
Number of eligible other “eligible” animals	× 648	× 648	× 648		× 57	× 57	× 57	
Number of reimbursable days ³	× 1.47657	× 1.47657	× 1.47657		× 6	× 6	× 6	
Total care and maintenance costs for other “eligible” animals	8,349	6,496	1,864	16,709	1,764	1,372	201	3,337 (13,372)
Total care and maintenance costs, FY 2007-08	\$ 102,774	\$ 79,961	\$ 22,944	\$ 205,679	\$ 70,714	\$ 55,019	\$ 8,060	\$ 133,793 (71,886)

Schedule 2 (continued)

Cost Elements	Amount Claimed				Amount Allowable				Audit Adjustment ²
	Salaries and Benefits ¹	Indirect Costs ¹	Materials and Supplies	Total	Salaries and Benefits	Indirect Costs	Materials and Supplies	Total	
July 1, 2008 through June 30, 2009									
<i>Care and maintenance for dogs and cats:</i>									
Total care and maintenance costs	\$ 682,149	\$ 473,411	\$ 226,341		\$ 568,962	\$ 394,858	\$ 44,218		
Percentage of dogs and cats to total animals	× 100.00%	× 100.00%	× 100.00%		× 92.58%	× 92.58%	× 92.58%		
Total care and maintenance costs for dogs and cats	682,149	473,411	226,341		526,745	365,560	40,937		
Total dog and cat kennel days	÷ 127,575	÷ 127,575	÷ 127,575		÷ 100,879	÷ 100,879	÷ 100,879		
Cost per dog and cat per day	5.347	3.711	1.774		5.222	3.624	0.406		
Number of eligible dogs and cats	× 5,667	× 5,667	× 5,667		× 4,431	× 4,431	× 4,431		
Number of reimbursable days ³	× 1.97652	× 1.97652	× 1.97652		× 3	× 3	× 3		
Total care and maintenance for dogs and cats	59,891	41,567	19,870	121,328	69,416	48,174	5,397	122,987	1,659
<i>Care and maintenance for other "eligible" animals:</i>									
Total care and maintenance costs	682,149	473,411	226,341		568,962	394,858	44,218		
Percentage of other "eligible" animals to total animals	× 100.00%	× 100.00%	× 100.00%		× 7.42%	× 7.42%	× 7.42%		
Total care and maintenance costs for other "eligible" animals	682,149	473,411	226,341		42,217	29,298	3,281		
Total other "eligible" animal kennel days	÷ 127,575	÷ 127,575	÷ 127,575		÷ 8,086	÷ 8,086	÷ 8,086		
Cost per other "eligible" animal per day	5.347	3.711	1.774		5.221	3.623	0.406		
Number of eligible other "eligible" animals	× 707	× 707	× 707		× 40	× 40	× 40		
Number of reimbursable days ³	× 0.77067	× 0.77067	× 0.77067		× 6	× 6	× 6		
Total care and maintenance costs for other "eligible" animals	2,913	2,022	967	5,902	1,253	870	97	2,220	(3,682)
Total care and maintenance costs, FY 2008-09	\$ 62,804	\$ 43,589	\$ 20,837	\$ 127,230	\$ 70,669	\$ 49,044	\$ 5,494	\$ 125,207	\$ (2,023)
Summary: July 1, 2007, through June 30, 2009									
Care and maintenance for dogs and cats	\$ 154,316	\$ 115,032	\$ 40,950	\$ 310,298	\$ 138,366	\$ 101,821	\$ 13,256	\$ 253,443	\$ (56,855)
Care and maintenance for other "eligible" animals	11,262	8,518	2,831	22,611	3,017	2,242	298	5,557	(17,054)
Total care and maintenance costs	\$ 165,578	\$ 123,550	\$ 43,781	\$ 332,909	\$ 141,383	\$ 104,063	\$ 13,554	\$ 259,000	\$ (73,909)

¹ The salaries, benefits, and related indirect costs were claimed in the Materials and Supplies object account.

² See Finding 1 – Misstated care and maintenance costs.

³ The county used a weighted average to determine the number of reimbursable days claimed.

Findings and Recommendations

FINDING 1— Misstated care and maintenance costs

The county claimed \$332,909 for the Care and Maintenance cost components during the audit period. We determined that \$259,000 is allowable and \$73,909 is unallowable. The costs are unallowable because the county claimed expenditures and employees that were not attributed to the care and maintenance function; overstated the yearly census of dogs, cats, and other animals; overstated the number of eligible dogs, cats, and other animals; and overstated the claimed costs per animal per day in each fiscal period. We recalculated the yearly census of dogs, cats, and other animals; the number of eligible stray dogs, cats, and other animals that died during the increased holding period or were ultimately euthanized; and the number of reimbursable days for this component.

The following table summarizes the claimed, allowable, and audit adjustment for the audit period separately for dogs and cats and other animals by fiscal year:

	Amount Claimed			Amount Allowable			Audit Adjustment
	Dogs and Cats	Other Animals	Total	Dogs and Cats	Other Animals	Total	
<u>FY 2007-08</u>							
Direct costs:							
Salaries and benefits	\$ -	\$ -	\$ -	\$ 68,950	\$ 1,764	\$ 70,714	\$ 70,714
Materials and supplies	188,970	16,709	205,679	7,859	201	8,060	(197,619)
Total direct costs	188,970	16,709	205,679	76,809	1,965	78,774	(126,905)
Related indirect costs	-	-	-	53,647	1,372	55,019	55,019
Total, FY 2007-08	188,970	16,709	205,679	130,456	3,337	133,793	(198,791)
<u>FY 2008-09</u>							
Direct costs:							
Salaries and benefits	-	-	-	69,416	1,253	70,669	70,669
Materials and supplies	121,328	5,902	127,230	5,397	97	5,494	(121,736)
Total direct costs	121,328	5,902	127,230	74,813	1,350	76,163	(51,067)
Related indirect costs	-	-	-	48,174	870	49,044	49,044
Total, FY 2008-09	121,328	5,902	127,230	122,987	2,220	125,207	(53,090)
<u>Total</u>							
Direct costs:							
Salaries and benefits	-	-	-	138,366	3,017	141,383	141,383
Materials and supplies	310,298	22,611	332,909	13,256	298	13,554	(319,355)
Total direct costs	310,298	22,611	332,909	151,622	3,315	154,937	(177,972)
Related indirect costs	-	-	-	101,821	2,242	104,063	104,063
Total	\$ 310,298	\$ 22,611	\$ 332,909	\$ 253,443	\$ 5,557	\$ 259,000	\$ (73,909)

The care and maintenance formula calculations of claimed, allowable, and unallowable costs by fiscal year are presented in Schedule 2—Summary of Care and Maintenance Costs.

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 county 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.

Care and Maintenance Formula

The county 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, cats, and other animals. The use of this 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 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 county 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.

Salaries, Benefits, and Related Indirect Costs

During the audit period, the county claimed an estimated percentage of total salaries and benefits for various employee classifications. During audit fieldwork, the county provided salary and benefit amounts paid to those employee classifications directly involved with the care and maintenance of the animals. We reviewed the duty statements for such classifications to assist in determining the percentage of the daily workload devoted to caring for and maintaining animals. In addition, shelter management provided information relating to the level of involvement of each classification.

For the audit period, the county claimed a percentage of total salaries and benefits for the following classifications: 70% for Animal Care Attendants (ACA), 70% for Office Assistant IIs (OAI), 70% for Senior Animal Control Officers (SRACO), and 90% for Supervising Animal Control Officers (SUPACO). We reviewed the employee job descriptions for the various classifications and determined that costs for an OAI are unallowable because this classification is not involved in the care and maintenance of animals. The duty statements also showed that the SRACO is primarily involved in field enforcement and the SUPACO is a supervisory position responsible for field and shelter operations. Therefore, we concluded that the SRACO and SUPACO would not typically be involved in the day-to-day activities of care and maintenance of animals. Accordingly, we reduced the claimed percentage for each classification. Based on input from animal shelter management, we determined a reimbursable percentage to be: 80% for ACAs, 50% for SRACOs, and 10% for a SUPACO. Audit adjustments for salaries and benefits consist of unallowable hours claimed and adjustments for allowable positions salary and benefit amounts.

Fiscal Year 2007-08

The county claimed salary costs based on a percentage of total annual salaries and benefits for all of the positions allocated to the kennel unit from the department's Personnel Worksheet by Program Budget for FY 2006-07. The county claimed benefit costs using the average benefit rate per classification from the county's Personnel Budget Schedule (PBR). Consequently the county claimed benefit costs twice.

The county included salaries and benefits of \$990,826 in its calculation of allowable costs for the care and maintenance of dogs, cats, and other animals. We determined that \$527,874 is allowable and \$462,952 is unallowable (\$136,969 for unallowable hours and \$325,983 for overstated salaries and benefits). We calculated allowable costs using the reimbursable percentage for the allowable classifications and the claimed number of positions performing care and maintenance activities. We applied the reimbursable percentage and number of positions to the average annual salary and average benefit rate from the county PBR per fiscal year.

The county included indirect costs of \$770,862 in its calculation of allowable costs. We determined that the indirect cost rate claimed is allowable, and that related indirect costs of \$410,686 is allowable and \$360,176 is unallowable.

Fiscal Year 2008-09

The county included salaries and benefits in its calculation of allowable costs for all of the positions allocated to the kennel unit from the department's Personnel Worksheet by Program Budget for FY 2007-08. The county calculated claimed costs based on the average annual salary and average benefit rate from the county PBR per classification.

The county included total annual salaries and benefits of \$682,149 in its calculation of allowable costs for the care and maintenance of dogs, cats, and other animals. We determined that \$568,962 is allowable and \$113,187 is unallowable. We calculated allowable costs using the reimbursable percentage for the allowable classifications and the claimed number of positions performing care and maintenance activities. We applied the reimbursable percentage and number of positions to the average annual salary and average benefit rate from the county PBR per fiscal year.

The county included indirect costs on salaries and benefits totaling \$473,411 in its calculation of allowable costs. We determined that the indirect cost rate claimed is allowable, and that related indirect costs of \$394,859 is allowable and \$78,552 is unallowable.

Materials and Supplies

During the audit period, the county claimed materials and supplies consisting of non-medical lab costs, custodial supplies, drugs and pharmacy supplies, medical services, and food. During the course of the audit, we revised the costs claimed by adding in costs for laundry and dry cleaning supplies for kennel attendants' uniforms. Costs claimed for drugs, pharmacy supplies, and medical services are not allowable because they are not part of the Care and Maintenance cost component.

Fiscal Year 2007-08

The county included costs for materials and supplies of \$221,135 in its calculation of allowable costs for the care and maintenance of dogs, cats, and other animals. We determined that \$60,173 is allowable and \$160,962 is unallowable (ineligible costs of \$184,377 and unclaimed costs of \$23,415). The ineligible costs were for drugs, pharmacy supplies, and medical services. The unclaimed costs were a result of adding in allowable costs for laundry and dry cleaning supplies and certain care and maintenance related items from the county's "other operating expenses" account.

Fiscal Year 2008-09

The county included costs for materials and supplies of \$226,341 in its calculation of allowable costs for the care and maintenance of dogs, cats, and other animals. We determined that \$44,218 is allowable and \$182,123 is unallowable (ineligible costs of \$200,687 and unclaimed costs of \$18,564). The ineligible costs were for drugs, pharmacy supplies, medical services, and overstated food costs. The unclaimed costs were a result of adding allowable costs for laundry and dry cleaning supplies and certain care and maintenance related items from the county's "other operating expenses" account.

Animal Census Data

The yearly census refers to the total number of days that all animals were housed in the county'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.

To calculate the yearly census, we used data from the county's Chameleon software system and added the number of days held for every animal impounded for each fiscal year. Our review of the Chameleon database revealed that the county overstated the eligible animal populations for each fiscal period. In addition, the county incorrectly combined the total animal yearly census for dogs, cats, and other animals.

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

Fiscal Year	Animal Census Claimed			Animal Census Allowable			Difference
	Dogs and Cats	Other Animals	Total	Dogs and Cats	Other Animals	Total	
2007-08	113,544	113,544	227,088	90,660	11,659	102,319	(124,769)
2008-09	127,575	127,575	255,150	100,879	8,086	108,965	(146,185)
Total	241,119	241,119	482,238	191,539	19,745	211,284	(270,954)

Eligible Animals

The county claimed costs based on the total number of increased days held for dogs, cats, and other animals that were euthanized.

To verify that the county used the correct animal population, we used data from the county's Chameleon software system and ran a query of all of the animals that fit the following reimbursement criteria:

Eligible dogs and cats:

- Died during the increased holding period: Died on days 4, 5, and 6.
- Ultimately euthanized: Euthanized on day 7 and later.

Eligible other animals:

- Died during the increased holding period: Died on days 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 and later.

The following table summarizes the claimed, allowable, and unallowable populations of eligible dogs and cats and other animals for the audit period by fiscal year:

Fiscal Year	Eligible Animals Claimed			Eligible Animals Allowable			Difference
	Dogs and Cats	Other Animals	Total Claimed	Dogs and Cats	Other Animals	Total Allowable	
2007-08	5,451	648	6,099	4,455	57	4,512	(1,587)
2008-09	5,667	707	6,374	4,431	40	4,471	(1,903)
Total	11,118	1,355	12,473	8,886	97	8,983	(3,490)

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 county did not accurately report the number of reimbursable days when calculating claimed costs.

Every animal that enters the shelter will have a different holding period requirement that depends on the impound day and type of animal; therefore, an exact number of reimbursable days cannot be determined. In order to determine the number of allowable reimbursable days, we prepared an analysis to determine what the average increased holding period would be based on the shelter's operating hours during the audit period. This calculation takes into consideration that the required holding period does not include Saturday as a business day. This determination 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 the mandated program.

We determined that the average increased holding period for dogs and cats to be three reimbursable days and the average increased holding period for other animals to be six reimbursable days.

Recommendation

No recommendation is applicable as the activity no longer imposes a reimbursable state-mandated program on local agencies. The Legislature adopted Assembly Bill 12, 4th Extraordinary Session, on July 28, 2009. This legislation suspended the requirements of Chapter 752, Statutes of 1998, stating that shelters may revert back to the 72-hour holding period.

County's response

No recommendation was applicable, therefore no response provided.

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

The county claimed \$370,043 in salaries and benefits for the Increased Holding Period cost component during the audit period. We determined that \$188,959 is allowable and \$181,084 is unallowable. The costs are unallowable because the county overstated the hours and the number of allowable employee positions. Unallowable related indirect costs total \$133,507.

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

	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
<u>FY 2007-08</u>			
Salaries and benefits	\$ 180,081	\$ 86,816	\$ (93,265)
Related indirect costs	<u>140,103</u>	<u>67,543</u>	<u>(72,560)</u>
Total, FY 2007-08	<u>320,184</u>	<u>154,359</u>	<u>(165,825)</u>
<u>FY 2008-09</u>			
Salaries and benefits	189,962	102,143	(87,819)
Related indirect costs	<u>131,834</u>	<u>70,887</u>	<u>(60,947)</u>
Total, FY 2008-09	<u>321,796</u>	<u>173,030</u>	<u>(148,766)</u>
<u>Total</u>			
Salaries and benefits	370,043	188,959	(181,084)
Related indirect costs	<u>271,937</u>	<u>138,430</u>	<u>(133,507)</u>
Total	<u>\$ 641,980</u>	<u>\$ 327,389</u>	<u>\$ (314,591)</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 for either:

- Making the animal available for owner redemption on one weekday evening until at least 7 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.

Hours of Operation

The county provided documentation identifying the hours of operation for its animal shelter. During the audit period, the shelter was open Tuesday through Friday from 8 a.m. to 5 p.m., except on Wednesdays, when the shelter was open until 7 p.m. On Saturdays, the shelter was open from 8 a.m. to 4:30 p.m. The shelter meets the requirements of the mandate by making animals available for owner redemption on the weekend day. Based on the shelter's hours of operation, we calculated allowable hours based on the actual hours the shelter was open each Saturday.

Staffing Requirements

The county claimed hours for an Animal Care Attendants (ACA), Office Assistant I's, Office Assistant II's, and a Clerical Supervisor. However, the county did not account for the difference between the regular staffing needed and the increased staffing needed to comply with the mandate. As a result, the county overstated the number of employees claimed.

We inquired about the number of employees and the classifications of staff working when the shelter is closed to the public (Sundays and Mondays) and the staffing needed when the shelter is open on Saturdays. Based on discussions and information obtained from shelter management, we determined the employee classifications and the number of employees on duty to make animals available for owner redemption.

The county claimed the entire clerical staff and an additional nine employees for the ACA classification for each fiscal year of the audit period. We acknowledged that additional shelter employees were on duty when the shelter was open on Saturdays; however, the nine ACAs performed reimbursable activities that are already included in other cost components of the county's claims (e.g. care and maintenance, feral cats, lost-and-found lists, maintaining non-medical records, and necessary and prompt veterinary care). Shelter management stated that it takes two additional ACAs to open up on Saturdays. According to the ACA work schedules for the audit period the shelter has five ACAs on duty on Sundays and Mondays when the shelter is not open to the public, and seven ACAs on duty when open to the public on Saturday. In addition, the duty statement for the ACA classification states that duties include assisting the public in searching for lost pets. Therefore, we allowed costs for two additional ACAs and the entire clerical staff.

Recommendation

No recommendation is applicable as the activity no longer imposes a reimbursable state-mandated program on local agencies.

County's response

No recommendation was applicable, therefore no response provided.

**FINDING 3—
Overstated feral cat
costs**

The county claimed \$25,034 in salaries and benefits for the Feral Cat cost component during the audit period. We determined that \$11,013 is allowable and \$14,021 is unallowable. The costs are unallowable because the county overstated the number of cats that received a feral cat test and claimed unallowable employee positions during the audit period. Unallowable related indirect costs total \$10,351.

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

	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
<u>FY 2007-08</u>			
Salaries and benefits	\$ 12,546	\$ 5,178	\$ (7,368)
Related indirect costs	<u>9,761</u>	<u>4,028</u>	<u>(5,733)</u>
Total, FY 2007-08	<u>22,307</u>	<u>9,206</u>	<u>(13,101)</u>
<u>FY 2008-09</u>			
Salaries and benefits	12,488	5,835	(6,653)
Related indirect costs	<u>8,667</u>	<u>4,049</u>	<u>(4,618)</u>
Total, FY 2008-09	<u>21,155</u>	<u>9,884</u>	<u>(11,271)</u>
<u>Total</u>			
Salaries and benefits	25,034	11,013	(14,021)
Related indirect costs	<u>18,428</u>	<u>8,077</u>	<u>(10,351)</u>
Total	<u>\$ 43,462</u>	<u>\$ 19,090</u>	<u>\$ (24,372)</u>

The parameters and guidelines (section IV.B.6–Feral Cats) identify the following reimbursable activity:

Beginning January 1, 1999— Verifying whether a cat is feral or tame by using a standardized protocol within the first three days of the required holding period if an apparently feral cat has not been reclaimed by its owner or caretaker.

Feral Cat Protocol

The county’s feral cat protocol states that all cats impounded at the shelter are to be immediately tested, regardless of the cat’s behavior. In the first assessment, the Animal Control Officer (ACO) observes the cat’s behavior during a series of stimulus tests. If the cat does not react positively to stimulus, the cat is held as feral. One stimulus involves the ACO talking to the cat and watching its reaction to see if it responds to the human voice. If the cat does not respond, it is held as feral. The next stimulus consists of the ACO pointing a pen inside the cage to observe the cat’s reaction. If the cat swats at the pen or moves away abruptly, then the cat is held as feral. The first initial assessment takes approximately one minute to perform and observe. The second assessment may occur at any time during the legal holding period during

the cage-cleaning process, prior to euthanasia. In this last assessment the ACO observes whether the suspected feral cat refuses to move from the feral den, or if the cat continues to exhibit feral behavior. The entire assessment process takes approximately three minutes to perform.

The time claimed by the county for feral cat tests is estimated and unsupported. However, we concurred with the amount of time claimed by the county to perform these tests because it is reasonable and consistent with the amount of time supported by other claimants to perform feral cat tests.

Employee Job Duties

The feral cat protocol was established in 2002 using the ACO classification; however, the county did not have an ACO classification until FY 2004-05. In addition, during the audit fieldwork, the shelter manager stated that the ACA classification performs the first assessment 90% of the time and that the remaining assessments were either performed by an ACO, Senior Animal Control Officer (SRACO), or a Supervising Animal Control Officer (SUPACO). While the shelter manager stated that SRACOs and/or SUPACOs performed some of the subsequent tests, the county did not provide any evidence supporting an allocated percentage of time spent by these employee classifications.

The county claimed three minutes per feral cat test performed by an ACO in FY 2007-08 and by an ACA in FY 2008-09. The county provided duty statements for the ACO and ACA employee classifications. Based on the description of activities performed and discussions with shelter management, we determined that the ACO classification would not typically be involved in feral cat testing. Therefore, we determined allowable costs for feral cat testing based on the ACA classification performing this activity.

Eligible Cats

The county overstated the number of cats that received feral cat tests during the audit period. The county applied the three minutes to perform feral cat tests to the entire population of cats rather than applying the time spent on each assessment to the proper animal population. We used data from the county's Chameleon software system to determine the total number of cats that entered the shelter, and the total number of cats classified as feral. We allowed one minute for all cats that entered the shelter, and two additional minutes for those cats that were classified and held as feral.

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

Fiscal Year	Hours Claimed		Hours Allowable				Total Hours	Difference
	Cats and Cats - Feral	Hours Worked ¹	Assessment No. 1		Assessment No. 2			
			Cats and Cats - Feral	Hours Worked ²	Cats - Feral	Hours Worked ³		
2007-08	7,642	382	7,325	122	1,746	58	180	(202)
2008-09	8,133	407	7,844	131	1,772	59	190	(217)
Total	15,775	789	15,169	253	3,518	117	370	(419)

¹ The county claimed three minutes per cat.

² The county's protocol supports one minute for the first assessment.

³ The county's protocol supports two additional minutes for the second assessment for cats held as feral.

Recommendation

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

County's response

The County will ensure that claimed costs only include eligible costs, that costs are based on actual costs and that costs are properly supported.

**FINDING 4—
Misstated maintaining
non-medical record
costs**

The county claimed \$92,730 in direct costs during the audit period for the Maintaining Non-Medical Records cost component. We determined that \$104,534 is allowable. The county understated costs by \$11,804 because it understated contract services by \$13,309 and overstated salaries and benefits by \$1,505. The understated costs occurred because the county understated the allowable pro-rata percentage of Chameleon software renewal license costs in FY 2007-08. The overstated costs were a result of the county overstating the number of animal records processed. Unallowable related indirect costs total \$1,106.

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

	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
<u>FY 2007-08</u>			
Direct costs:			
Salaries and benefits	\$ 30,040	\$ 29,299	\$ (741)
Contract services	7,444	20,753	13,309
Total direct costs	37,484	50,052	12,568
Related indirect costs	23,371	22,795	(576)
Total, FY 2007-08	98,339	122,899	24,560
<u>FY 2008-09</u>			
Direct costs:			
Salaries and benefits	32,915	32,151	(764)
Contract services	22,331	22,331	-
Total direct costs	55,246	54,482	(764)
Related indirect costs	22,843	22,313	(530)
Total, FY 2008-09	133,335	131,277	(2,058)
<u>Total</u>			
Direct costs:			
Salaries and benefits	62,955	61,450	(1,505)
Contract services	29,775	43,084	13,309
Total direct costs	92,730	104,534	11,804
Related indirect costs	46,214	45,108	(1,106)
Total	<u>\$231,674</u>	<u>\$ 254,176</u>	<u>\$ 22,502</u>

The parameters and guidelines (section IV.B.8 – Maintaining Non-Medical Records Food and Agricultural Code section 32003) 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.

The parameters and guidelines (section IV.B.8 – Maintaining Non-Medical Records) identify the following reimbursable activity:

The cost of software license renewal contracts, to the extent these costs are not claimed as an indirect cost under these parameters and guidelines, is eligible for reimbursement under Section V (A) (2) of these parameters and guidelines. If the computer software is utilized in some way that is not directly related to the maintenance of records specified in this section, only the pro rata portion of the software license renewal contract that is used for compliance with this section is reimbursable.

Time Study

The county performed a time study for this cost component over the one-month period of November 16, 2007, through December 15, 2007 to calculate claimed hours. The county studied the time required to process records for incoming animals and the final disposition of animals. These activities were performed by the following employee classifications: Office Assistant II, Animal Care Attendant, Animal Control Officer, Senior Animal Control Officer, and Supervising Animal Control Officer. The county's time study results showed that 2.14 minutes were spent processing incoming animal records and 2.06 minutes were spent processing records for the final disposition of animals. To determine allowable salaries and benefits, we applied the results of the county's time study to the employee classifications that performed the activities based on the percentage of involvement and number of allowable animal records.

Number of Animal Records Processed

We applied the time study results to the number of animal records processed. For purposes of the maintaining non-medical records cost component, the allowable number of animals is the total number of animals housed at the facility during the fiscal year, without exclusions. We used data from the county's Chameleon software system to determine the allowable animal population.

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

Fiscal Year	Number of Non-Medical Records		Difference
	Records Claimed	Records Allowable	
2007-08	14,564	14,206	(358)
2008-09	15,038	14,697	(341)
Total	29,602	28,903	(699)

Contract Services

The county claimed a percentage of the costs for the annual license renewal fees for its Chameleon software system used during the audit period. For FY 2007-08, the county claimed costs for license renewal fees totaling \$7,444 (25% of \$29,774). However, the county claimed costs based on costs incurred for FY 2008-09. During fieldwork we obtained the invoice for FY 2007-08 totaling \$27,670. The county claimed costs based on 25% of the system being used for mandated activities. We asked animal shelter management to make an approximation as close to the actual percentage that the system was used for mandated activities. The county replied that a more realistic percentage would be 75%; we accepted the county's proposal of 75%. We applied the applicable percentage of 75% and determined allowable costs to be \$20,753 (75% of \$27,670). For FY 2008-09, the county claimed costs for license renewal fees totaling \$22,331 (75% of \$29,774); we determined that those costs are allowable as claimed.

Recommendation

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

County's response

The County will ensure that claimed costs only include eligible costs, that costs are based on actual costs and that costs are properly supported.

**FINDING 5—
Allowable necessary
and prompt
veterinary care costs**

The county did not claim any costs under the Necessary and Prompt Veterinary Care cost component. We determined that allowable direct costs total \$21,771. Allowable salaries and benefits are based on a time study that the county conducted for the activity of administering wellness vaccines, and the allowable materials and supplies are for the vaccines administered to the eligible animals. Allowable related indirect costs total \$8,312.

The following tables summarize the claimed, allowable, and audit adjustment for the audit period by fiscal year:

	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
<u>FY 2007-08</u>			
Direct costs:			
Salaries and benefits	\$ -	\$ 5,265	\$ 5,265
Materials and supplies	-	5,453	5,453
Total direct costs	-	10,718	10,718
Related indirect costs	-	4,096	4,096
Total, FY 2007-08	-	25,532	25,532
<u>FY 2008-09</u>			
Direct costs:			
Salaries and benefits	-	6,075	6,075
Materials and supplies	-	4,978	4,978
Total direct costs	-	11,053	11,053
Related indirect costs	-	4,216	4,216
Total, FY 2008-09	-	26,322	26,322
<u>Total</u>			
Direct costs:			
Salaries and benefits	-	11,340	11,340
Materials and supplies	-	10,431	10,431
Total direct costs	-	21,771	21,771
Related indirect costs	-	8,312	8,312
Total	<u>\$ -</u>	<u>\$ 51,854</u>	<u>\$ 51,854</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.

Time Study

During the course of the audit, the county submitted summarized results from a time study performed in July and August of 2009 (FY 2009-10) for the activity of administering a wellness vaccine. Participating in the time study were the employee classifications of an Animal Control Officer (ACO) and an Animal Care Attendant (ACA). To determine allowable salaries and benefits, we applied the results of the county's time study to the total dogs and cats that died during the increased holding period or were ultimately euthanized, using the employee classifications identified in the time study. Based on the results of the time study, we determined that \$11,340 is allowable for the audit period.

Materials and Supplies

During audit fieldwork, we inquired about the cost of the wellness vaccines that were administered. The county provided invoices for vaccine costs administered to dogs and cats during the audit period. To determine the allowable amount for vaccine costs we calculated the allowable pro-rata percentage based on the number of animals that died during the increased holding period or were ultimately euthanized (numerator) to the total population of animals housed at the facility (denominator). We applied the allowable pro-rata percentages per fiscal year and determined allowable costs to be \$10,431 for the audit period.

Recommendation

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

County's response

The County will ensure that claimed costs only include eligible costs, that costs are based on actual costs and that costs are properly supported.

**FINDING 6—
Overstated offsetting
reimbursements**

The county offset \$96,230 on its mandated cost claims during the audit period. We determined that the county should only have offset \$63,223 on its mandated cost claims for the audit period. The county overstated offsetting reimbursements by \$33,007 because the Animal Adoption Program costs were overstated. Therefore, the proportionate share of revenue received from the contracting cities related to the Animal Adoption Program was also overstated.

The following table summarizes the overstated offsetting reimbursement adjustment for the audit period by fiscal year:

<u>Fiscal Year</u>	<u>Amount Offset</u>	<u>Amount that should have been offset</u>	<u>Audit Adjustment</u>
2007-08	\$ (54,153)	\$ (32,761)	\$ 21,392
2008-09	(42,077)	(30,462)	11,615
Total	<u><u>\$ (96,230)</u></u>	<u><u>\$ (63,223)</u></u>	<u><u>\$ 33,007</u></u>

The parameters and guidelines (section VII–Offsetting Savings and Other Reimbursements) state the following:

Any offsetting savings that the claimant experiences as a direct result of this mandate must be deducted from the costs claimed. Additionally, reimbursement for this mandate received from any source shall be identified and deducted from this claim.

Amount Offset

During the audit period, the county offset \$96,230 on its Animal Adoption claims, which accounts for the proportionate share of mandated costs claimed by the City of Citrus Heights and the City of Folsom. We verified that these two contracting cities also filed Animal Adoption mandated cost claims with the State totaling \$96,230.

To calculate the offset amounts for the Care and Maintenance cost components, the county applied the claimed cost per animal per day to the number of eligible animals from each city. For the remaining cost components, the county allocated the mandated costs claimed by the city’s respective percentage of animals impounded at the shelter. We determined that the county’s methodology to offset these costs is reasonable. However, because we identified several findings as a result of this audit, corresponding adjustments also need to be made to the contracting cities claims.

Calculation of Allowable Percentages of the County’s Claims

We used a similar methodology to determine allowable costs for the claims filed by the contracting cities. We first reviewed the methodology that was used by the county to determine the applicable percentage of animals housed at the county’s shelter that originated within the two contracting cities for each fiscal year. We determined that the percentages used by the county in its claims were materially correct.

We then performed an analysis of the percentage of allowable costs for each component of the county's claims for each fiscal year in the audit period. We did this by simply dividing allowable costs into claimed costs for each cost component to determine the percentage of costs claimed that were ultimately allowable. We then used these percentages to determine the extent to which the costs claimed by the contracting cities were also allowable.

The following table summarizes the calculation for the percentage of allowable costs that is used to determine allowable costs for the contracting cities for the audit period by fiscal year:

Reimbursable Component	Animal Adoption costs claimed by the county ¹	Amount Allowable per audit ¹	Percentage Allowable
<u>FY 2007-08</u>			
Training ²	\$ 1,181	\$ 1,181	0.00%
Care and maintenance for dogs and cats	188,970	130,456	69.04%
Care and maintenance for other animals	16,709	3,337	19.97%
Increased holding period	320,184	154,359	48.21%
Feral cats	22,309	9,206	41.27%
Lost and found lists	4,603	4,603	100.00%
Maintaining non-medical records ²	53,411	52,094	97.53%
<u>FY 2008-09</u>			
Training ²	637	637	0.00%
Care and maintenance for dogs and cats	121,328	122,987	101.37%
Care and maintenance for other animals	5,902	2,220	37.61%
Increased holding period	321,797	173,030	53.77%
Feral cats	21,155	9,884	46.72%
Lost and found lists	4,443	4,443	100.00%
Maintaining non-medical records ²	55,758	54,464	97.68%

¹ Related indirect costs have been included in each reimbursable component (instead of being reported on a separate line).

² The county does not pass along either the training costs or the Chameleon software costs to the contracting cities.

Calculation of Offsetting Reimbursements for the City of Citrus Heights

For FY 2007-08 and FY 2008-09, the City of Citrus Heights contracted with Sacramento County for its animal control services and filed Animal Adoption claims with the State totaling \$81,362. We determined that the city's contract revenues funded mandate-related activities performed by the county totaling \$53,929 during the audit period.

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

Reimbursable Component	City of Citrus Heights			
	Amount Claimed	Percentage Allowable	Allowable Amount	Audit Adjustment
<u>FY 2007-08</u>				
Care and maintenance for dogs and cats	\$ 14,300	69.04%	\$ 9,873	\$ (4,427)
Care and maintenance for other animals	1,135	19.97%	227	(908)
Increased holding period	23,765	48.21%	11,457	(12,308)
Feral cats	1,656	41.27%	683	(973)
Lost and found lists	342	100.00%	342	-
Maintaining non-medical records	3,964	97.53%	3,866	(98)
Necessary and prompt veterinary care ¹	-	7.42%	1,099	1,099
Total, FY 2007-08	<u>45,162</u>		<u>27,547</u>	<u>(17,615)</u>
<u>FY 2008-09</u>				
Care and maintenance for dogs and cats	8,859	101.37%	8,980	121
Care and maintenance for other animals	130	37.61%	49	(81)
Increased holding period	21,720	53.77%	11,679	(10,041)
Feral cats	1,428	46.72%	667	(761)
Lost and found lists	300	100.00%	300	-
Maintaining non-medical records	3,763	97.68%	3,676	(87)
Necessary and prompt veterinary care ¹	-	6.75%	1,031	1,031
Total, FY 2008-09	<u>36,200</u>		<u>26,382</u>	<u>(9,818)</u>
Total	<u>\$ 81,362</u>		<u>\$ 53,929</u>	<u>\$ (27,433)</u>

¹ The percentage shown represents the percentage of city animals impounded in the county's shelter.

Accordingly, we will issue a review letter for the City of Citrus Heights' Animal Adoption claims by the amounts identified.

Calculation of Offsetting Reimbursements for the City of Folsom

For FY 2007-08 and FY 2008-09, the City of Folsom contracted with Sacramento County for its animal control services and filed Animal Adoption claims with the State totaling \$14,868. We determined that the city's contract revenues funded mandate-related activities performed by the county totaling \$9,294 during the audit period.

The following table summarizes the claimed, allowable, and audit adjustment amounts for the city's claims by fiscal year:

Reimbursable Component	City of Folsom			
	Amount Claimed	Percentage Allowable	Amount Allowable	Audit Adjustment
<u>FY 2007-08</u>				
Care and maintenance for dogs and cats	\$ 2,218	69.04%	\$ 1,531	\$ (687)
Care and maintenance for other animals	751	19.97%	150	(601)
Increased holding period	4,815	48.21%	2,321	(2,494)
Feral cats	335	41.27%	138	(197)
Lost and found lists	69	100.00%	69	-
Maintaining non-medical records	803	97.53%	783	(20)
Necessary and prompt veterinary care ¹	-	1.50%	222	222
Total, FY 2007-08	<u>8,991</u>		<u>5,214</u>	<u>(3,777)</u>
<u>FY 2008-09</u>				
Care and maintenance for dogs and cats	975	101.37%	988	13
Care and maintenance for other animals	130	37.61%	49	(81)
Increased holding period	3,809	53.77%	2,048	(1,761)
Feral cats	250	46.72%	117	(133)
Lost and found lists	53	100.00%	53	-
Maintaining non-medical records	660	97.68%	645	(15)
Necessary and prompt veterinary care ¹	-	1.18%	180	180
Total, FY 2008-09	<u>5,877</u>		<u>4,080</u>	<u>(1,797)</u>
Total	<u>\$ 14,868</u>		<u>\$ 9,294</u>	<u>\$ (5,574)</u>

¹ The percentage shown represents the percentage of city animals impounded in the county's shelter.

Accordingly, we will issue a review letter for the City of Folsom's Animal Adoption claims by the amounts identified.

Recommendation

We recommend that the county offset all revenue received from the contracting cities for mandated activities on its Animal Adoption mandated cost claims.

County's response

The County will ensure that claimed costs only include eligible costs, that costs are based on actual costs and that costs are properly supported.

**Attachment—
County’s Response to
Draft Audit Report**

Internal Services

Department of Finance

Auditor-Controller Division

Ben Lamera,
Assistant Auditor-Controller



Bradley J. Hudson,
County Executive

David Villanueva,
Chief Deputy County Executive

Julie Valverde,
Director of Finance

County of Sacramento

September 27, 2013

Jim Spano, Chief
Mandated Cost Bureau
State Controller's Office, Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

Dear Mr. Spano:

Enclosed please find the County of Sacramento's responses to the draft audit report for the mandated Animal Adoption Program for the period of July 1, 2007 through June 30, 2009.

If you have any questions, do hesitate to contact me at (916) 874-7248.

Sincerely,


Julie Valverde
Director of Finance

enclosure

COUNTY OF SARAMENTO REPSONSES
TO THE AUDIT OF THE MANDATED ANIMAL ADOPTION PROGRAM

Finding 1: No recommendation was applicable, therefore no response provided

Finding 2: No recommendation was applicable, therefore no response provided

Finding 3: The County will ensure that claimed costs only include eligible costs, that costs are based on actual costs and that costs are properly supported.

Finding 4: The County will ensure that claimed costs only include eligible costs, that costs are based on actual costs and that costs are properly supported.

Finding 5: The County will ensure that claimed costs only include eligible costs, that costs are based on actual costs and that costs are properly supported.

Finding 6: The County will ensure that claimed costs only include eligible cost, that costs are based on actual costs and that costs are properly supported.

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

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