



**JOHN CHIANG**  
California State Controller

February 28, 2014

James Francis, Director/CFO  
City of Folsom  
Office of Management and Budget  
50 Natoma Street  
Folsom, CA 95630

Dear Mr. Francis:

The State Controller's Office reviewed the costs claimed by the City of Folsom 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. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to gaining an understanding of the animal service contract that the City of Folsom has with its service provider, Sacramento County. We determined reimbursable costs based on information provided in our audit of the costs claimed by Sacramento County under the Animal Adoption Program during the same period. Our final report for that audit was issued on November 7, 2013.

The city claimed \$14,868 for the mandated program. Our review found that \$8,886 is allowable (\$9,294 less a \$408 penalty for filing a late claim) and \$5,982 is unallowable. The costs are unallowable because the city claimed reimbursement for costs it did not incur, as described in the attached Summary of Program Costs and the Finding and Recommendation.

For the fiscal year (FY) 2007-08 claim, the State made no payment to the city. Our review found that \$5,214 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 city. Our review found that \$3,672 is allowable (\$4,080 less a \$408 penalty for filing a late claim). The State will pay that amount, contingent upon available appropriations.

If you disagree with the review finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

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

Attachments

RE: S13-MCC-944

cc: Scott Denny, Financial Analyst  
City of Folsom  
Michael Byrne, Principal Program Budget Analyst  
Mandates Unit, California Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Care and maintenance of dogs and cats	\$ 2,218	\$ 1,531	\$ (687)
Care and maintenance of other animals	751	150	(601)
Increased holding period	4,815	2,321	(2,494)
Feral cats	335	138	(197)
Lost-and-found list costs	69	69	—
Maintaining non-medical records	803	783	(20)
Necessary and prompt veterinary care	—	222	222
Total program costs	<u>\$ 8,991</u>	5,214	<u>\$ (3,777)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 5,214</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Care and maintenance of dogs and cats	\$ 975	\$ 988	\$ 13
Care and maintenance of other animals	130	49	(81)
Increased holding period	3,809	2,048	(1,761)
Feral cats	250	117	(133)
Lost-and-found list costs	53	53	—
Maintaining non-medical records	660	645	(15)
Necessary and prompt veterinary care	—	180	180
Subtotal	5,877	4,080	(1,797)
Less late filing penalty <sup>2</sup>	—	(408)	(408)
Total program costs	<u>\$ 5,877</u>	3,672	<u>\$ (2,205)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 3,672</u>	

## Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>Summary: July 1, 2007, through June 30, 2009</u>			
Direct costs:			
Care and maintenance of dogs and cats	\$ 3,193	\$ 2,519	\$ (674)
Care and maintenance of other animals	881	199	(682)
Increased holding period	8,624	4,369	(4,255)
Feral cats	585	255	(330)
Lost-and-found list costs	122	122	—
Maintaining non-medical records	1,463	1,428	(35)
Necessary and prompt veterinary care	—	402	402
Subtotal	14,868	9,294	(5,574)
Less late filing penalty	—	(408)	(408)
Total program costs	<u>\$ 14,868</u>	8,886	<u>\$ (5,982)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 8,886</u>	

<sup>1</sup> See Attachment 2, Finding and Recommendation.

<sup>2</sup> The district filed its fiscal year 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).

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

### **FINDING— Unallowable program costs**

The city claimed \$14,868 for the Animal Adoption Program for the review period. We determined that \$9,294 is allowable and \$5,574 is unallowable. The costs are unallowable because of corresponding audit adjustments made during our mandated cost audit of Sacramento County's Animal Adoption claims.

The following table summarizes the claimed, allowable, and unallowable costs by reimbursable component:

Reimbursable Components	Amount Claimed	Amount Allowable	Review Adjustment
Direct costs:			
Care and maintenance of dogs and cats	\$ 3,193	\$ 2,519	\$ (674)
Care and maintenance of other animals	881	199	(682)
Increased holding period	8,624	4,369	(4,255)
Feral cats	585	255	(330)
Lost-and-found lists	122	122	—
Maintaining non-medical records	1,463	1,428	(35)
Necessary and prompt veterinary care	—	402	402
<b>Total program costs</b>	<b>\$ 14,868</b>	<b>\$ 9,294</b>	<b>\$ (5,574)</b>

On January 25, 1981, the Commission on State Mandates (CSM) adopted the statement of decision for the Animal Adoption Program. The CSM determined that Chapter 752, Statutes of 1998, imposed a state mandate reimbursable upon local agencies 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 State Controller's Office (SCO) issues claiming instructions to assist local agencies in claiming mandated program reimbursable costs.

On November 7, 2013, the SCO issued a final report for our audit of Sacramento County's Animal Adoption Program claims for the period of July 1, 2007, through June 30, 2009. A copy of the audit report is on the SCO's website ([www.sco.ca.gov](http://www.sco.ca.gov)) under the "State Mandate Information" quick link. The audit report identifies the criteria used in determining reimbursable costs.

For the review period, the city filed Animal Adoption claims with the State totaling \$14,868. However, the City of Folsom does not own or operate an animal shelter. Instead, the city contracted with Sacramento County for animal services. In turn, the county billed the city for these services.

Sacramento County incurs all of the costs (both mandated and non-mandated) to operate its animal shelter. Allowable animal adoption costs incurred by the county for mandated activities comprised, on average, approximately 7% of the total costs incurred each year to operate its animal shelter. Accordingly, the county filed Animal Adoption claims with the State in order to receive reimbursement for these costs. The Animal Adoption Program claims for both the City of Folsom and Sacramento County were prepared by an external mandated cost consultant. The city and the county used different consultants to prepare their claims; however, the city's consultant used amounts reported by the county's consultant to claim the mandate-related costs. The city's claims were based on the premise that the costs billed from its contract with the county funded a portion of the county's mandated costs.

In its Animal Adoption Program claims, Sacramento County determined the extent of mandate-related expenditures that it incurred to provide animal services to the city by calculating the percentage of animals that originated from the city compared with the animal population in the county's shelter as a whole. In turn, the county used this percentage and multiplied it times the mandated costs claimed to determine the amount of offsetting revenue that it received from the city, and offset this amount on its claims.

Reimbursement from the State for mandated costs incurred by a local agency cannot be more than the mandated costs incurred. Either the county is entitled to reimbursement for 100% of its mandated costs incurred or it shares a portion of the reimbursement with one or more of its contracting partners. Our audit of the costs claimed by Sacramento County for the Animal Adoption Program for the same period determined that the city incurred Animal Adoption program costs of \$9,294. Accordingly, that same amount was offset against the county's allowable costs in our audit report.

### **Calculation of Allowable Percentages of the County's Costs**

We used a consistent methodology to determine allowable costs for the claims filed by the cities that contracted with the county during the audit period. 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 various cities for each fiscal year. We determined that the percentage used by the county in its claims were materially correct.

In order to determine the percentage of offsets to be reduced for the contracting cities, we performed an analysis of the percentage of allowable costs for each cost component of the county's claims for FY 2007-08 and FY 2008-09. 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.

The following table summarizes the analysis of the percentage of allowable costs for Sacramento County's claims by fiscal year:

<u>Reimbursable Component</u>	<u>Amount Claimed by Sacramento County<sup>1</sup></u>	<u>Amount Allowable per Audit<sup>1</sup></u>	<u>Percentage Allowable</u>
<u>FY 2007-08</u>			
Care and maintenance of dogs and cats	\$ 188,970	\$ 130,456	69.04%
Care and maintenance of other animals	16,709	3,337	19.97%
Increased holding period	180,081	86,816	48.21%
Feral cats	12,546	5,178	41.27%
Lost-and-found lists	2,589	2,589	100.00%
Maintaining non-medical records	30,040	29,299	97.53%
Necessary and prompt veterinary care	—	10,718	n/a
<u>FY 2008-09</u>			
Care and maintenance of dogs and cats	\$ 121,328	\$ 122,987	101.37%
Care and maintenance of other animals	5,902	2,220	37.61%
Increased holding period	189,962	102,143	53.77%
Feral cats	12,488	5,835	46.72%
Lost-and-found lists	2,623	2,623	100.00%
Maintaining non-medical records	32,915	32,151	97.68%
Necessary and prompt veterinary care	—	10,053	n/a

<sup>1</sup> Related indirect costs have been included in each reimbursable component.

We adjusted the City of Folsom's Animal Adoption Program claims based on the results of the Sacramento County Animal Adoption audit. We informed Scott Denny, Financial Analyst, of the review finding via email on February 5, 2014. The district did not provide a response to the finding.

#### Recommendation

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