



# County of Santa Cruz

## AUDITOR - CONTROLLER'S OFFICE

GARY A. KNUTSON, AUDITOR - CONTROLLER

June 16, 2002

Regular Board Agenda: June 18, 2002

Honorable Board of Supervisors  
701 Ocean Street  
Santa Cruz, California 95060

Dear Members of the Board of Supervisors:

Subject: Compliance Review of the Contract with the Society for Prevention of Cruelty to Animals (SPCA)

As a result of a budget stalemate, misappropriations of funds, a report of budget over-runs, overdue audit reports, and a preliminary report by our office, we have conducted a budgetary compliance review of the SPCA expenses, revenues and fiduciary duties as they pertain to the contract with the Public Entities as requested (this supersedes the earlier report). Under the terms of the agreement, the SPCA agreed to a not to exceed budget limited to actual expenses, the number of authorized positions by classification to provide specific kinds of services, budgetary control language, and payment for services based upon actual expenses not to exceed the budgeted amount per year and fiduciary duties. The SPCA asserts that the contract is a fixed fee contract.

County Counsel agrees with the understanding of the agreement as underlined. Our review included the examination of payroll records, accounting records, financial statements, and selected underlying documents. The 1999-00 year was not reviewed due to a change in the SPCA's payroll methods and time limitations. These costs should be considered still in question especially in light of the independent auditor's disclaimer of opinion with regard to the statement of activities, functional expenses and cash flows.

During the past three contract years, the SPCA has experienced serious management problems having three executive directors and fiscal staff turnover. Board minutes do not clearly reflect fiscal oversight, although a sampling of Finance Committee Minutes shows they were aware of fiscal problems in late 1999. The SPCA minutes do not clearly demonstrate compliance with its bylaws and policies. The board of directors should have been more proactive and minimized its administrative problems. The accounting records had to be rebuilt at a considerable cost which has resulted in stale-dated annual financial audit reports. These reports should have been available within six months of the year end. The 1999-00 audit report was issued in November of 2001. The audit report was received on June 14, 2002, for 2000-01. These audit reports reflect a

disclaimer of opinion on the classification of the accounting detail due to missing or incomplete records. Refer to Exhibit VIII.

The SPCA has stated that the contract with the Public Entities is a fixed fee agreement and feels that it should determine the staffing patterns and level of spending without the consent of the contracting agencies. Attached as Exhibit I is a copy of the contract. During the most recent fiscal years, this was the SPCA's mode of operation. This is reflected in the staffing patterns for the most recent fiscal years reviewed. The SPCA did not obtain the required approvals from the Public Entities for the purchase of fixed assets. The SPCA misappropriated fees due to the Public Entities and spent these monies on items not contemplated in the agreement.

As a result of the SPCA's operation under the agreement and its lack of compliance:

- The SPCA did not fulfill its fiduciary duties by failing to remit animal license fees and other applicable fees to the Public Entities in the amount of \$228,942.92 including interest through June 30, 2002. This is a violation of County Code. The City of Capitola has offset its payments to the SPCA by \$4,268. Refer to Exhibit X.
- The SPCA hired administrative, client service, and animal care personnel in excess of the authorized staffing identified in the contract at an additional expense of \$171,737.30 and \$218,503.05 for the 2001-02 and 2000-01 fiscal years respectively. Refer to Exhibit II.
- The SPCA paid several personnel (mostly administrative) in excess of the maximum amount per the salary range totaling \$27,780.77 and 20,846.07 for the 2001-02 and 2000-01 fiscal years respectively. Refer to Exhibit II under the caption Questioned costs.
- The SPCA had many vacant field service worker positions and a veterinarian position resulting in salary savings in the amount of \$237,769.31 and \$222,631.10 for the 2001-02 and 2000-01 fiscal years respectively. The SPCA stated that they incurred significant overtime expense as a result of the vacancies. However, our review shows overtime expenditures of only \$26,470.03 and \$28,962.03 for the 2001-02 and 2000-01 years respectively of which approximately 50% was for field service functions. Refer to Exhibit II.
- A review of minutes of December 9, 1999 shows that the Board of Directors approved bonuses, although small, for their employees.
- The SPCA acquired fixed assets with a value in excess of \$5,000 without obtaining the prior written approval of the Public Entities in the amount of \$84,069.75. Refer to Exhibit III. \$50,000 budgeted to purchase two vans was instead used to purchase other fixed assets in 1999-00 without prior written approval of the Public Entities.
- The SPCA's audited financial statements are untimely and/or incomplete for the prior two fiscal years and fail to serve the needs of the Public Entities. The SPCA hired additional fiscal staff not provided for in the contract budget to reconstruct accounting

records. It is very concerning that after spending considerable funds to rebuild the accounting records that the SPCA did not receive an unqualified (clean) audit report. The audit reports indicated no disclosure of related party transactions even though related party transactions did exist. We did not observe any management letters advising the Board of Directors of areas of improvement and concerns. In our opinion a management letter should have been issued given the disclaimer of opinion by the auditor. The total questioned cost of these four audits is \$25,121. The 1999-00 audit report was delivered on November 3, 2001 and the 2000-01 audit report was delivered on June 14, 2002 at 4:00 p.m. In future agreements with contracting agencies, we should consider changing the type of audit reports from financial to contract compliance and/or financial that address the conditions of the agreements. In some instances, the financial audit reports do not provide essential information. In addition, the audits should be filed with the County Auditor-Controller and the oversight department.

- In the course of our review, we also noted that a member of the Board of Directors provided professional services, although the amount is immaterial, and that a relative provided computer support services for the SPCA for which this was the lowest bid. Section 18 of the agreement-Conflicts of Interest provides: "SPCA and its employees, and members including officers of its governing Board shall avoid any actual, apparent or potential conflicts of interest pertaining to services provided under this agreement." Accounting Standards require that related party transactions be disclosed in the notes to the financial statements. The computer maintenance account includes the following payments to related parties:

• Consulting (00-01)	\$	10,482.02
• Consulting (01-02)		<u>15,069.60</u>
Total related parties	\$	<u>25,531.62</u>

- The SPCA has stated that the salary ranges per the contract by employee classification are inadequate. As part of our review, we examined payroll records and prepared an analysis of the average amounts paid for field service, client service, and animal care employees during the current fiscal year. Per Exhibit IV, the employees in each classification were generally paid below the mid-point of the ranges. The SPCA states the reason for being lower is due to the high turnover and the practice of hiring at the entry level step within the relative range.
- The SPCA has an operating lease for computer equipment. The agreement was entered into in February 2000 and expires in February 2003. At the end of the lease the equipment (a number of PC's and network lines and software) reverts to the lessor. The cost of equipment was \$30,914 and the sum of the lease payments is equal to \$40,008. We question the wisdom of not entering into a capital lease whereby at the end of the lease the lessee becomes the owner. There is nothing unique about the equipment under the lease according to County ISD staff. The terms for extending the lease are not stated in the agreement. This is not a good business practice. This lease arrangement was not approved by the Public Entities or contemplated in the budgets.

- The SPCA acquired a new telephone system without the prior approval of the Public Entities at a cost of \$39,872.52. In addition, they have an annual maintenance agreement with ITT and have paid over \$4,000 during this fiscal year. The SPCA uses three cell phone providers, uses pagers, and has paid fees for an answering service in excess of \$6,100 through April 2002. The SPCA uses the answering service in lieu of calls going through the 911 Center even though they pay for those services with 911.
- The SPCA contracted with a professional recruiter to conduct an executive recruitment at a cost of \$8,380, plus travel, lodging, and meal expenses. The Executive Director worked for a period of seven months.
- Under their employment agreement, the SPCA provided the Executive Team with an "Audi" under a lease of which 50% of its expense was charged to the contract. The lease payments were classified as "Recruiting" and "Trailer Rental" expenses. The SPCA claims these were posted into different sub-accounts but reports filed with the County showed the use of the above titles. The automobile was recorded as an expense in 1999-00 in two separate accounts in the amounts of \$2,264.30 and \$507.03 respectively, and had payments totaling \$4,114.40 in the former account for 2000-01.
- Contrary to SPCA policy, a credit card was held in the name of the SPCA by the former Executive Team (whose contract was not renewed). They used it for 20 months for personal and business purposes and still owe the SPCA for personal expenses.
- The SPCA incurred expenses unanticipated in the budget, materially in excess of the budgeted amounts provided as shown in Exhibits V, VI, and VII.
- The SPCA has the following weaknesses in internal control:
  - Lacks a fixed asset inventory control. There was no record of a physical inventory of the fixed assets having been taken.
  - Year end accruals are not being recorded in the proper year.
  - Management is not reviewing monthly bank reconciliations.
  - Expenses have been misclassified.
  - A separate ledger should be maintained to account for only contract expenses.

The SPCA accounting records are very troublesome because of misclassifications and combining of expenses that impair the fair presentation of financial data. In addition, there is not a clean audit trail of those expenses only related to the contract budget. If your Board and the other Public Entities choose to hold the SPCA to the contract conditions, the SPCA could be liable for \$715,117, including the misappropriated fees due the Public Entities. A recap is provided on Exhibit IX. Your Board is prohibited by State Constitution from paying for services not provided, therefore the amount attributed to salary savings, subject to a 10% budget realignment permitted under the terms of the agreement must be disallowed. However, your Board and the other Public Entities could probably allow much of the unauthorized expenses if a finding of public purpose is determined to have existed. Our office did not make any allowance for the 10% budget realignment permitted by the contract.

If your Board finds it appropriate to extend or to otherwise continue to contract with the SPCA, I strongly recommend the agreement be based on a budget subject to actual and allowable expenses and subject to an annual compliance audit by this office. In addition, the SPCA must establish a separate ledger to account for contract expenses, separate and distinct from non-contract expenses under any form of contract renewal. If the SPCA wants to pay for a financial audit it should be at their expense. The expenditure of public funds requires a higher standard of accountability. Even fee for service agreements should be subject to a actual cost report. Even though the SPCA has spent considerable effort to improve upon accounting controls and reporting, which now appear to be adequate with some additional controls, there is no assurance they will receive a unqualified audit opinion for 2001-02 or that it will be maintained without increased and costly public oversight.

One kind of increased public oversight the Public Entities have expressed interest is to designate this office as the chief fiscal officer to perform the accounting duties under agreement to pay only those expenses related to a contract budget. In my opinion, this would be a terrible precedent to establish but may be the only method to provide proper accountability for the Public Entities for this contractor.

Based upon this review through April 2002, the SPCA has been overpaid and I cannot approve the June payment without a final determination of allowable expenses unless your Board of Supervisors finds public purpose in those expenses that were not authorized under the agreement.

Last week, your Board considered the formation of a Joint Powers Authority. If your Board proceeds to assume all the animal control duties, it seems that this could be best accomplished in a phased-in approach over a sixty to ninety day period to best serve the public, the Public Entities, and the SPCA.

It is recommended that your Board of Supervisors:

- accept this report,
- consider which of the unauthorized or questioned expenses to allow, if any, before any additional amounts can be paid under the terms of this agreement,
- consider a phased in approach in the transfer of duties from the SPCA to the Joint Powers Authority,
- direct the CAO, Auditor-Controller, and County Counsel to work on suitable audit language for future contracts.

Respectfully submitted,



Gary A. Knutson  
Auditor-Controller

cc: County Administrative Officer  
Society for Prevention of Cruelty to Animals  
City of Santa Cruz, City of Capitol, and City of Scotts Valley  
County Counsel

SEP 30 1999

## AGREEMENT

COUNCIL AND  
CITY MANAGERANIMAL CONTROL SERVICES

THIS AGREEMENT, made this 1st day of October 1999, between the CITY OF SANTA CRUZ, a municipal corporation; the CITY OF CAPITOLA, a municipal corporation; the CITY OF SCOTTS VALLEY, a municipal corporation; The Regents of the University of California, on behalf of its Santa Cruz campus, and the COUNTY OF SANTA CRUZ, a political subdivision of the State of California, hereinafter called "PUBLIC ENTITIES," and the SANTA CRUZ COUNTY ANIMAL WELFARE ASSOCIATION, a non-profit charitable corporation, hereinafter called "SPCA".

WITNESSETH:

WHEREAS, SPCA is experienced in maintaining an animal care facility and agrees to maintain an animal care facility in a humane and clean manner, satisfactory to the PUBLIC ENTITIES and in conformity with health regulations of the State of California and the PUBLIC ENTITIES, and to pay all expenses of such animals, and in restraining animals from trespass and becoming a public nuisance; and

WHEREAS, SPCA is interested in the humane treatment and proper handling of animals and is experienced in training and educating the public in humane treatment and responsible ownership of animals; and

WHEREAS, SPCA is experienced in the enforcement of laws regulating the ownership, handling, treatment, and disposition of dogs and other animals, and is well equipped to properly and efficiently administer laws, ordinances, and regulations of the State of California and of the PUBLIC ENTITIES concerning the regulating, licensing, impounding, and disposition of dogs and other animals within the jurisdictions of the PUBLIC ENTITIES;

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. Animal Care Facility

SPCA agrees to operate and maintain an animal care facility for the PUBLIC ENTITIES on its premises at 2200 Seventh Avenue, Santa Cruz, California, in order to provide for the impoundment of animals in an efficient manner, satisfactory both in location and operation to the PUBLIC ENTITIES and to provide services to PUBLIC ENTITIES as follows:

- A. The SPCA Executive Team and his/her designees shall perform the duties of Poundmaster of the PUBLIC ENTITIES and shall enforce all laws relating to the care, treatment, and impounding of animals in a manner in accordance with the provisions of the laws of the PUBLIC ENTITIES and the State of California.
- B. In addition, the SPCA shall provide for the quarantine of biting animals in accordance with the provisions of the laws of the PUBLIC ENTITIES and the State of California, said laws including but not being limited to Health and Safety Code Sections 1900-2000 and Administrative Code of California, Title 17,

Revision Date: September 17, 1999

Section 2606. Quarantined animals shall be released at the end of the quarantine period unless obviously ill. The County Health Officer shall be immediately notified if a quarantined animal becomes obviously ill or dies. Performance of quarantine duties shall be under the supervision of the County Health Officer.

- C. SPCA shall establish, provide, and maintain suitable facilities, buildings, enclosures, equipment, supplies, and vehicles to administer and enforce the terms and conditions of this agreement for the care and impounding of animals. The SPCA shall not charge or increase fees to the PUBLIC ENTITIES for additions or improvements to facilities without advance written consent of the PUBLIC ENTITIES.
- D. SPCA shall provide for the animal care facility to be open for public service and operation at least eight (8) hours, six (6) days each week, including Saturdays and Sundays. SPCA shall provide staff coverage on closed days sufficient to provide for the receipt of animals on an emergency basis.
- E. SPCA shall assume all expenses of said animal care facility and all expenses incurred in the relief of animals from suffering. The cost of holding any adoptable animal beyond thirty days will not be charged to the Public Entities.
- F. SPCA shall provide on its premises at 2200 Seventh Avenue, Santa Cruz, California, within the existing facility's footprint, and on or before December 1, 1999, a veterinary clinic to accommodate the spay and neuter of cats and dogs prior to their adoption, and to provide for the veterinary care of animals under its care.
- G. SPCA shall undertake a Master Plan process, which shall commence during fiscal year 1999-00, to plan for any proposed future re-model or reconfiguration of the facilities located at 2200 Seventh Avenue, Santa Cruz, California. During this process, consideration shall be given to the development of noise control measures which could be undertaken to be responsive to siting of the facility in a residential area. The plan shall be completed prior to June 30, 2002.
- H. SPCA shall, in consultation with the PUBLIC ENTITIES, undertake the process of developing goals and programs to deliver an enhanced customer service approach to serving the residents of the County of Santa Cruz. SPCA shall, at the expense of and upon the request of the PUBLIC ENTITIES, provide to each person seeking service a customer satisfaction survey, which would be returned, postage paid, to the PUBLIC ENTITIES.

## 2. Humane Education

SPCA agrees to provide humane education at ~~its~~ own expense. SPCA will:

- A. Promote and assist citizen and school humane groups whose object is the furthering of humane treatment and responsible ownership of animals.

- B. **Offer** lectures and other presentations on responsible ownership of animals to interested schools and other organizations in Santa Cruz County.
- C. Through appropriate means bring responsible ownership and animal regulation laws to public attention.

### 3. Field Services

- A. The SPCA shall enforce laws, regulations, and ordinances in the unincorporated area of Santa Cruz County, in the City of Santa Cruz, and in the City of Scotts Valley and shall provide the facilities, equipment and personnel for said enforcement. In the course of such enforcement, the SPCA shall issue citations for violations of the laws, regulations, and ordinances, file complaints with Municipal Court when necessary, and testify as may be necessary with respect to all such citations and complaints. SPCA personnel shall respond to service requests in the order of priority and within the response times specified on Exhibits A and B.
- B. The SPCA shall pick up and dispose of all dead dogs and cats and other small dead animals which are located on or adjacent to public streets in the unincorporated area of Santa Cruz County; in the City of Santa Cruz, and in the City of Scotts Valley, and which can be lifted by one officer. The SPCA shall pick up dead marine mammals which are in these same areas and which can be lifted by one officer in those instances where such mammals are not picked up by another agency, such as the US Department of Fish and Game. The **SPCA** shall put to death and dispose of injured or sick skunks and other injured or sick wildlife when necessary as determined by the SPCA.
- C. SPCA shall assume all routine expenses of enforcement of said laws, together with the routine expenses incurred in the relief of suffering of animals and in impounding animals.
- D. Any of the PUBLIC ENTITIES may at any time authorize the SPCA to provide additional patrol personnel and vehicles at the entity's own expense for use in its jurisdiction. The SPCA shall provide for the purchase of one animal transport van during 1999-00, and for a second animal transport van during 2001-02 with funds authorized in this contract.
- E. SPCA shall provide humane traps for cats, dogs, opossums, raccoons, skunks, and small rodents to persons who agree to take the necessary steps to secure their environment from encroaching wildlife and who agree to abide by the trap rental agreement. SPCA shall provide instructions on trap use as well as general information about wildlife, their habitat, and the California Fish and Game Codes related to trapping and predation of these animals.
- F. The SPCA shall provide up to 300 targeted patrols for the County (the County shall determine the number of targeted patrols required after consultation with SPCA), a minimum of 300 targeted patrols for the City of Santa Cruz, and a minimum of 36 targeted patrols for the City of Scotts Valley for each year of the

agreement. During **the** quarterly contract administration meetings, the representatives of ~~the~~ Public Entities and the SPCA shall discuss problem areas and agree jointly to deploy additional targeted patrols to **these areas**. Targeted patrols will take precedence over service Categories **3 and 4** in Exhibit **A**. The patrols may take place on a cooperative basis, and every attempt will be made to **team appropriate** personnel from the Public Entities and the **SPCA** to ensure comprehensive enforcement and personnel safety.

4. **Term:** This agreement shall be effective on October 1, 1999, and shall continue in effect through June 30, 2002, unless sooner terminated as hereinafter provided. The contract period ~~for~~ fiscal year **1999-00** is nine months, October 1 through June 30. The contract period for fiscal **years** 2000-01 and 2001-02 is twelve months each year, July 1 - June 30. This agreement **shall, as of its effective date**, supersede any existing agreement between the PUBLIC ENTITIES and SPCA.

5. Consideration

- A. In consideration of the services to be performed by the SPCA as herein set forth and in accordance with Exhibit **C**, attached hereto and incorporated by reference, the PUBLIC ENTITIES agree to pay SPCA the following amounts:

	10/1-6/30 1999-00	7/1-6/30 2000-01	7/1-6/30 2001-02
County of Santa Cruz	\$762,604		
City of <b>Santa Cruz</b>	\$238,773		
City of Scotts Valley	\$43,460		
City of Capitola	\$26,944		
<b>UCSC</b>	<b>\$2,748</b>		
Total.	<b>\$1,074,529</b>	\$1,417,930	\$1,517,725

The contract shares among the PUBLIC ENTITIES for fiscal years 2000-01 and 2001-02 is ~~the~~ decision of the PUBLIC ENTITIES and shall be calculated using the standard formula, which **assigns** shares based on population, shelter statistics, and field **services** delivered for the prior calendar year.

- B. The Public Entities shall take **all necessary** steps to ensure that payments to the **SPCA** are made **promptly** after receipt of completed invoices submitted by the SPCA.
- C. If ~~the~~ Public Entities and the **SPCA agree** to continue **this** agreement for a term beyond ~~that~~ established herein, the Public Entities shall take **all necessary steps** to **avoid an** interruption in payment between the two contract periods.
- D. In accordance with Exhibit D ("Budget,") attached hereto and incorporated herein **by this reference, SPCA shall be** permitted to make transfers within the categories of "Personnel", "Operating" and "**Capital Outlay**". Transfers between the categories of "Personnel", "Operating", and "Capital Outlay" which are ~~more~~

than 10% of the total budget may be made only upon the written approval of the County Administrative Officer after consultation with the other jurisdictions. Transfers between budget categories totaling more than 15% of the budget may be made only upon execution of a contract amendment.

- E. The Public Entities shall reimburse the SPCA for actual costs on the basis of appropriate monthly claims submitted to each of the Public Entities in accordance with the Budget and the list of Positions and Salaries.

- F. The Public Entities **shall** not reduce or delay payments to the SPCA due to questions regarding submitted expenditures, budgetary items, operations, positions, salaries, or other contract issues without first reviewing them with the SPCA at a quarterly contract administration meeting. Any resultant adjustments shall be made in subsequent payments after written notice to the SPCA.

- G. **SPCA** shall submit evidence of incorporation by the State of California to the County in order for payments to be made to SPCA. Payments to SPCA shall not be made if articles of incorporation and a valid tax ID number have not been submitted.

- H. SPCA shall budget all necessary expenses, such **as** salary increases, to provide an accurate picture of necessary expenditures and operating costs.

- I. SPCA shall provide **staffing** in accordance with Exhibit **E** (Positions), which shall provide the number of full-time equivalent positions, classifications, and salary ranges for all personnel whose services are being purchased through this agreement.

- J. By January 1, 2002 the SPCA shall provide **a** written budget and program request for the following three year contract period to the Public Entities.

#### 6. Advance Payments (County only)

- A. SPCA may receive from the County of Santa Cruz a one-time cash advance of up to one-quarter of the County's share of the contract amount for expenses necessary under this agreement. Prior to granting an advance, SPCA shall submit a written request detailing the need for an advance. Such evidence shall consist of a current balance sheet, cash flow statement, or other documentation which adequately supports the request. Advances shall be approved in writing by the County Administrative Officer or his/her designee.
- B. SPCA shall not use cash advances to provide working capital for County programs not funded through this agreement, and when possible such advances **shall** be deposited in interest-bearing accounts, and the interest used to enhance program operations for the current fiscal year. Carryover of any portion of an advance or interest from an advance into **a** subsequent fiscal year **is** not allowed.
- C. **In** order to receive an advance, SPCA shall provide a fidelity bond in the amount of the approved advance, naming the County **as** loss payee. An original of the

bond must be submitted to the County as part of the advancement request and at renewals.

7. Non-Discrimination/Equal Employment Opportunity:

During and in relation to the performance of this Agreement, SPCA agrees as follows:

- A. SPCA shall not discriminate against any employee or applicant for employment because of race, color, religion, national origin, ancestry, physical handicap, medical condition (cancer related), marital status, sex, sexual orientation, age (over 18), veteran status, gender, pregnancy, or any other non-merit factor unrelated to job duties. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer, recruitment, advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training including apprenticeship;. The SPCA agrees to post in conspicuous places available to employees and applicants for employment notices setting forth the provisions of this non-discrimination clause.
  - 1. The SPCA shall state that they are an equal opportunity employer in all solicitations or advertisements for employees placed by or on behalf of the SPCA, and ensure that all qualified applicants will receive consideration for employment without regard to race, color, religion, national origin, ancestry, physical handicap, medical condition (cancer related), marital status, sex, sexual orientation, age (over 18), veteran status, gender, pregnancy or any other non-merit factor unrelated to job duties. In addition, the SPCA shall make a good faith effort to consider Minority/Women/Disabled Owned Business Enterprises in SPCAs solicitation of goods and services. Definitions for Minority/Women/Disabled Owned Business Enterprises are available from the County's General Services Purchasing Division.
  - 2. Prior to any payments under this Agreement, SPCA shall furnish to the County Administrative Office information and reports in the prescribed reporting format to be provided by the County (PER 4012) for use by the County Affirmative Action Office, identifying the sex, race, disability, and job classification of its employees, and the names, dates and methods of advertisement and direct solicitation efforts made to subcontract with Minority/Women/Disabled Owned Business Enterprises.
  - 3. The **SPCA** shall cause the foregoing provisions of Subparagraph 7A1 to be inserted in all subcontracts for any work covered under this Agreement by a subcontractor compensated more than \$50,000 and employing more than fifteen (15) employees, provided that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw materials.
- B. SPCA shall implement written complaint procedures regarding the non-discrimination provisions of this Agreement within 30 days of its effective date and shall provide its non-discrimination policies and said complaint procedures in writing to **all** clients, employees and applicants for employment.

- C. No person or client shall, on the grounds of race, color, religion, national origin, ancestry, disability, medical condition (cancer related), marital status, sex, sexual orientation, age (over 18), veteran status, gender, or pregnancy be excluded from participation in, be denied the benefits of, or be subjected to discrimination in any program conducted under this Agreement.
- D. In the event of the SPCA'S non-compliance with the non-discrimination clauses of this Agreement or with any of the said rules, regulations, or orders, the SPCA may be declared ineligible for further agreements with the PUBLIC ENTITIES until such non-compliance is remedied by **SPCA**.

8. Fiscal, Administrative, and Programmatic Records

- A. SPCA shall keep and maintain accurate records pertaining to its conduct of the program approved under this agreement. Fiscal records shall be available to PUBLIC ENTITIES or any authorized representatives thereof, and SPCA shall retain records for five years after the expiration of this agreement unless permission to destroy them is granted by PUBLIC ENTITIES. SPCA agrees to make all fiscal, administrative, programmatic and client records available to the PUBLIC ENTITIES upon request, for the purpose of an audit and for verifying SPCA's compliance with the terms of this agreement. SPCA agrees to comply with any Federal or State audit requirements that may be applicable.
- B. SPCA shall set up and maintain books and records in a form and manner which conforms to generally accepted accounting principles.
- C. At the end of each month, records of expenditures shall be forwarded to each of the Public Entities. At the termination of the contract year, the SPCA shall provide to Public Entities a record of the total annual expenditures under this contract.
- D. SPCA shall send notices of meetings of its Board of Directors to the Board of Supervisors, the County Administrative Office, and each of the PUBLIC ENTITIES at least 48 hours in advance of the meetings. SPCA shall send minutes of the meetings of its Board of Directors to the Board of Supervisors, the County Administrative Office, and each of the PUBLIC ENTITIES within 30 days of approval of such minutes.
- E. SPCA shall prepare a monthly report of activities. This report shall be submitted to each of the Public Entities by the end of the month following the reporting period. The report shall cover animal shelter operations and enforcement activities including records on animals processed and service request responses.
- F. The Board of Directors of SPCA shall be vested with responsibility for the administration of the program to be conducted under this agreement, and shall review all monitoring reports and notices of corrective actions/recommendations provided by the PUBLIC ENTITIES.
- G. The SPCA shall have conducted an entity-wide annual audit by an independent

Certified Public Accountant. The SPCA shall submit copies of the audit and the management letter on or before December 31st of each year to each of the Public Entities.

- H. SPCA shall collect and pay over to the PUBLIC ENTITIES (excepting the University of California) all impound, board and service charges established by the ordinances of the respective PUBLIC ENTITIES, with the exception of Unaltered Animal Certificate fees, together with all animal adoption proceeds collected by the SPCA for all animals picked up in the jurisdictions of the PUBLIC ENTITIES or brought in by private individuals. SPCA shall deposit the County's share of the above mentioned receipts in a trust account approved by the Treasurer of the County and shall forward receipts to the Auditor of the County on a monthly basis. Unredeemed fees for spay or neuter certificates collected shall be handled in accordance with Food and Agriculture Code 30503 when surgery has not been performed prior to the expiration of the Spay/Neuter Certificate. Monies collected through the issuance of Unaltered Animal Certificates shall be retained by the SPCA, deposited into a special account and used for the purposes as established by Section 6.10.060 of the County Code, which are approved in writing by the PUBLIC ENTITIES.

SPCA shall collect and pay over to the PUBLIC ENTITIES (excepting the University of California) all spay and neuter fees collected through the on-site delivery of spay and neuter services. SPCA shall deposit the County's share of the above mentioned receipts in a trust account approved by the Treasurer of the County and shall forward receipts to the Auditor of the County on a monthly basis.

- I. SPCA shall be the sole pet licensing authority for each PUBLIC ENTITY that is a party to this agreement. The SPCA and the PUBLIC ENTITIES will explore the feasibility of implementing a revised revenue sharing agreement for the collection of licensing fees, with the goal of increasing the percentage of pets in the community who are licensed. This work shall be completed by January 1, 2000. It shall also be the responsibility of the SPCA to promote and coordinate pet vaccination clinics on a Countywide basis as required in State Health and Safety Code Section 1920 (9).
- J. SPCA shall establish and maintain a reserve fund to be used exclusively for the replacement of capital assets. SPCA shall set aside no less than 50% of the funds generated by depreciation for the future replacement of capital assets.
- K. The SPCA Executive Team and representatives of the Public Entities shall establish quarterly contract administration meetings for the purpose of reviewing the budget, operations, contract compliance issues, and location of targeted patrols.
- L. When and where feasible, the Public Entities and the SPCA shall conduct joint training to enhance animal control services and enforcement efforts.
- M. The SPCA shall provide an annual field services report to each of the Public

Entities which contains the following:

- ◆ a list of services provided under the contract
- ◆ the number of animals impounded over the last five or more years by jurisdiction and under the contract as a whole
- ◆ the number of dogs and cats euthanized under the contract as a whole over the last five or more years
- ◆ the number of hours spent by Field Department staff in the field and in the office
- ◆ the number of citations issued over the last five or more years, by jurisdiction and under the contract as a whole
- ◆ The number of contacts made by field personnel over the last five or more years by jurisdiction and under the contract as a whole.

( The PUBLIC ENTITIES and the SPCA shall explore the feasibility of implementing a revised method of measuring the performance of various SPCA programs and initiatives. This work shall be completed by January 1, 2000.

- N. "Fixed assets" or "capital assets" as used in this Agreement shall mean any equipment or property having a useful life of three years or greater and a value in excess of \$5,000. The SPCA may ~~acquire fixed~~ assets using funds from the capital reserve replacement account ("replacement account") established by Paragraph 8.J of this Agreement, however, the use of budget funds other than the replacement account to acquire a fixed asset shall only be made with the advance written approval of the County Administrative ~~Officer~~ after consultation with the other jurisdictions.

9. Inspection: The PUBLIC ENTITIES and the ~~authorized~~ agents ~~and~~ employees of the PUBLIC ENTITIES shall have the right to enter upon the premises of the Animal Care Facility at ~~all~~ reasonable times to inspect the same and ascertain whether the premises are in a safe, healthy, and satisfactory condition, and to protect any and all rights of the PUBLIC ~~ENTITIES~~ under the terms of this agreement.

10. Independent Contractor: SPCA and PUBLIC ENTITIES have reviewed and considered the principal test and secondary factors below and agree that SPCA is an independent contractor and not an employee of PUBLIC ENTITIES. SPCA is responsible for ~~all~~ insurance (Worker's Compensation, unemployment, etc.) and all payroll related taxes. SPCA ~~is~~ not entitled to any employee benefits. PUBLIC ENTITIES agree that SPCA shall have the right to control the manner and means of accomplishing the result contracted for herein.

- A. **PRINCIPAL TEST:** The **SPCA** rather than PUBLIC ENTITIES has the right to control ~~the~~ manner and means of accomplishing the result contracted for.
- B. **SECONDARY FACTORS:** (a) The extent of control which, by agreement, PUBLIC ENTITIES may exercise over the details of the ~~work is~~ slight rather than substantial; (b) SPCA ~~is~~ engaged in a distinct occupation or business; (c) In the locality, the work to be done by **SPCA** is usually done by a specialist without supervision, rather than under the direction of an employer; (d) The skill required

in the particular occupation is substantial rather than slight; (e) The SPCA rather than the PUBLIC ENTITIES supplies the instrumentalities, tools, and work place; (9) The length of time for which SPCA is engaged is of limited duration rather than indefinite; (g) The method of payment of **SPCA** is by the job rather than by the time; (h) The work **is** part of a special or permissive activity, program, or project, rather than part of the regular business of PUBLIC ENTITIES; (I) SPCA and PUBLIC ENTITIES believe they are creating an independent contractor relationship rather than an employer-employee relationship; and (j) The PUBLIC ENTITIES conduct public business.

It is recognized that it is not necessary that all secondary factors support creation of an independent contractor relationship, but rather that overall there are significant secondary factors which indicate that SPCA is an independent contractor.

By their signatures to **this** Agreement, each of the undersigned certifies that it **is** his or her considered judgement that the SPCA engaged under this Agreement **is** in fact an independent contractor.

11. Indemnification for Damages, Taxes, and Contributions: SPCA shall exonerate, indemnify, defend, and hold harmless PUBLIC ENTITIES (which shall include, without limitation, their officers, agents, employees and volunteers) from and against:

- A. Any and all claims, demands, losses, damages, defense costs, or liability of any kind or nature which PUBLIC ENTITIES may sustain or incur or which may be imposed upon them for injury to or death of persons, or damage to property as a result of, arising out of, or in any manner connected with the SPCA'S performance under the terms of this Contract] excepting any liability arising out of the sole negligence of the PUBLIC ENTITIES. Such indemnification includes any damage to the person(s), or property(ies) of SPCA and third persons.
- B. Any and all Federal, State, and local taxes, charges, fees, or contributions required to be paid with respect to SPCA and SPCAS officers] employees and agents engaged **in** the performance of this Contract (including, without limitation, unemployment insurance, social security and payroll tax withholding).

12. INSURANCE: SPCA, at its sole cost and expense, for the full term of this Contract (and any extensions thereof), shall obtain and maintain at minimum compliance with **all** of the following insurance **coverage(s)** and requirements. Such insurance coverage shall be **primary** coverage as respects PUBLIC ENTITIES and any insurance or self-insurance maintained by PUBLIC ENTITIES shall be in excess of SPCA'S insurance coverage and shall not contribute to it.

If SPCA utilizes one or more subcontractors in the performance of this Agreement, SPCA shall obtain and maintain Independent Contractor's Insurance as to each subcontractor or otherwise provide evidence of insurance coverage for each subcontractor equivalent to that required of SPCA in this contract.

**A. Types of Insurance and Minimum Limits**

1. Worker's Compensation and Employer's Liability Insurance in **at** least the minimum statutorily required coverage amounts.
2. Automobile Liability Insurance for each of SPCA's vehicles used in the performance of this Contract, including owned, non-owned (e.g. owned by SPCA'S employees), leased or hired vehicles, in the minimum amount of \$1,000,000 combined single limit per occurrence for bodily injury and property damage.
3. Comprehensive or Commercial General Liability Insurance coverage in the minimum amount of \$1,000,000 combined single limit per occurrence, including coverage for: (a) bodily injury, (b) personal injury, (c) broad form property damage, (d) contractual liability, (e) cross-liability and **(9)** products and completed operations.
4. Directors and **officers** liability Insurance in the minimum amount of \$1,000,000 per occurrence and aggregate, combined single limit, including errors and omissions coverage for all employees and volunteers.

**B. Other Insurance Provisions**

1. If any insurance coverage required hereunder is provided on a "Claims Made" rather than "Occurrence" form, **SPCA** agrees to maintain the required coverage for a period of three (3) years after the expiration date of this Agreement (hereinafter "post agreement coverage") and any extensions thereof. SPCA may maintain the required post agreement coverage by renewal or purchase of prior acts or tail coverage. This provision **is** contingent upon post coverage being both available and reasonably affordable in relation to the coverage provided during the term of this Agreement. For purposes of interpreting this requirement, a cost not exceeding 100% of the last annual policy premium during the term of **this** Agreement in order to purchase prior acts or tail coverage for post agreement coverage shall be deemed to be reasonable.
2. **All** required Automobile Liability Insurance and Comprehensive or Commercial General Liability Insurance shall contain the following endorsement **as** part of each policy:  
  
*"The County of Santa Cruz, the City of Capitola, the City of Santa Cruz, the City of Scotts Valley, and The Regents of the University of California at Santa Cruz, their officials, employees, agents and volunteers are added as an additional insured as respects the operations and activities of, or on behalf of, **the** named insured performed under agreement with the PUBLIC ENTITIES."*
3. **All** required insurance policies shall contain the following endorsement **as** part of each policy:

*"This insurance shall not be canceled until after thirty (30) days prior written notice has been given to The County of Santa Cruz, the City of Capitola, the City of Santa Cruz, the City of Scotts Valley, and The Regents of the University of California at Santa Cruz.*

4. SPCA agrees to provide its insurance broker(s) with a full copy of these insurance provisions and provide PUBLIC ENTITIES on or before the effective date of this Agreement and at the time of renewal of each required insurance policy with an original Certificate of Insurance for all required coverages. The timely submission of Certificates of Insurance is a necessary and material term and condition of this Agreement, PUBLIC ENTITIES may stop payments under this Agreement when Certificates of Insurance have not been submitted to PUBLIC ENTITIES by SPCA within fifteen (15) days after effective date of Agreement and within fifteen (15) days after expiration date of each required insurance policy. All Certificates of Insurance shall be delivered or sent to the administrative offices of each of the PUBLIC ENTITIES.
5. SPCA shall, upon execution of this agreement, execute a surety bond in the sum of one hundred thousand dollars (\$100,000) and a fidelity bond in the sum of twenty-five thousand dollars (\$25,000) payable jointly to the City of Santa Cruz, the City of Capitola, the City of Scotts Valley, The Regents of the University of California, and the County of Santa Cruz, conditioned upon the faithful performance by SPCA of its duties, and said bond shall be filed with the County Clerk.
13. Partisan Political Activities: No monies, property or services received by SPCA under this agreement shall be used in the performance of any partisan political activity, or to further the election or defeat of any candidate for public office.
14. Religious Worship: There shall be no religious worship, instruction or proselytizing as part of or in connection with the SPCA's performance of this agreement.
15. Compliance with Applicable Laws: The SPCA shall comply with all applicable laws, ordinances and codes of the Federal, State and County governments in operating this program, including Titles II and III of the Americans with Disabilities Act of 1990 and any other sections of said Act which may apply.
16. Subcontract and Assignment of Contract:
  - A. SPCA shall not assign this Agreement or subcontract any portion thereof without the prior written consent of the PUBLIC ENTITIES. Any assignment of or subcontracts under this Agreement shall have no force and shall not be effective until so approved, and shall be subject to all the provisions of this Agreement, and all applicable State and Federal regulations.
  - B. In the event any subcontractor is approved for any portion of the activities carried out under this Agreement, SPCA retains the primary responsibility for carrying

out all terms of this Agreement, including the responsibility for ensuring the availability and retention of records of subcontractors. It shall be the responsibility of the SPCA to monitor all activities of the subcontractor to assure services set forth herein are adequately performed.. The SPCA shall assure the proper administration of all services provided by the subcontractor. SPCA'S required reports referenced throughout this Agreement shall include information on all subcontractor activities. The SPCA shall be held responsible by the PUBLIC ENTITIES for the performance of any subcontractor.

- C. No funds from this Agreement shall be paid to a subcontractor for work performed after termination of this Agreement.

17. Integrated Documents Provision: This instrument contains all of the agreements, understandings, and representations, warranties and covenants made between the parties hereto. Unless set forth herein, neither party shall be liable for any representations made, and all modifications and amendments made hereto must be made in writing.

18. Conflict of Interest: SPCA and its employees, and members including officers of its governing Board shall avoid any actual, apparent *or* potential conflicts of interest pertaining to services provided under this agreement.

19. Available Funds: This agreement is valid and enforceable only if sufficient funds are available to the PUBLIC ENTITIES for the fiscal year for the purposes of these programs. In addition, this contract is subject to any additional restrictions, limitations, or conditions enacted either by state, federal, or PUBLIC ENTITIES statutes which may affect the provisions, terms or funding of this contract in any manner.

20. Breach: In the event there is any breach of the terms and conditions of this agreement by one of the parties, any other party may give ten (10) days' notice to that party to comply with this agreement, and if compliance therewith is not made within said ten (10) day period, the party giving the notice may withdraw from this agreement.

21. Early Termination: This agreement may be terminated by either party upon 30 days prior written notice to the other party.

\* \* \*

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the day and year hereinabove written.

COUNTY OF SANTA CRUZ

By: [Signature]  
County Administrative Officer

CITY OF SANTA CRUZ

By: [Signature]  
City Manager

CITY OF CAPITOLA

Acting By: Kathleen Malloy  
City Manager

CITY OF SCOTTS VALLEY

By: [Signature]  
City Manager

The Regents of the University of California

By: [Signature]  
Vice Chancellor  
Business and Administrative Services

SPCA

By: [Signature]  
Executive Team

Approved as to form:

By: [Signature]  
County Counsel

By: [Signature]  
Executive Team

Approved as to form:

By: [Signature] 9-30-99  
Santa Cruz City Attorney

insurances reviewed/approved:

By: [Signature]  
County Risk Manager 9-99

**SPCA SERVICE REQUEST RESPONSE PRIORITIES**  
**(DURING REGULAR DISPATCH HOURS)**

**CATEGORY ONE - ~~CALL IS~~ DISPATCHED IMMEDIATELY **AND** HANDLED ASAP BY OFFICER**

- A. Vicious Animal Attackina People - In Progress  
 (e.g. severe bites and the animal is still in the immediate area, menacing or dangerous behavior; animal breaking quarantine and threatening).
- B. Animal in Distress - Life Threatening - In Progress  
 (e.g. injured; sick; in traffic on the freeway or major arterials; locked in hot car; cruelty case; loose livestock on public property).
- C. Vicious Animal Attackina Other Animals - In Progress  
 (e.g. dogs attacking livestock; dogs injuring or menacing other animals).
- D. Protective Custody Animal - Police Standina By  
 (e.g. animals associated with arrests, accidents or fires).

**CATEGORY TWO - DISPATCH BY END-OF-SHIFT, RESPONSE WITHIN 24 HOURS**

- E. Cruelty Investiaation - Non Life Threatening  
 (e.g. animals left without food, water or shelter; **abused** animals).
- F. Bite investigations - Not In Progress  
 (e.g. animal that has bitten being held for pick-up; quarantines and releases from quarantine).
- G. Stray Animal Held For Pick-up
- H. Owned Animal Held For Pick-up
- I. Patrol Request - In Progress  
 (e.g. female in heat; dog pack running at large.)

**CATEGORY THREE - DISPATCHED BY END-OF-SHIFT, RESPONSE WITHIN 48 HOURS**

- J. Dead Small-Animal Pick-up
- K. Service Call  
 (e.g. health department pick-up and deliver bodies for rabies test; pick-up animals at vet hospitals).

**CATEGORY FOUR - FIELD DEPARTMENT RESPONSE WITHIN 60 DAYS**

(It is the intention of the SPCA to answer these calls as soon as possible within staffing and time constraints.)

- L. Nuisance Investigation  
 (SPCA will provide written information in response to nuisance complaints and will make contact with responsible parties in person or on the telephone after a re-complaint.)

SERVICE REQUEST RESPONSE PRIORITIES (NIGHTTIME OR AFTER REGULAR DISPATCH HOURS)

1. Vicious Animal Attackina People - In Proaress  
(e.g. severe bites and the animal is still in the immediate area; menacing or dangerous behavior; animal breaking quarantine and threatening)
2. Animal in Distress - Life Threatenina - In Progress  
(e.g. injured; sick; locked in hot car)
3. Loose Livestock On Public Property
4. Protective Custody Animal - Police Standing By  
(e.g. animals associated with arrests, accidents or fires)
5. Stray Animal Held Pick-up (Not handled on call-out)

1999/00 - 2001/02 Animal Control Contract

## EXHIBIT C

	10/1-6/30 1999-00	7/1-6/30 2000-01	7/1-6/30 2001-02
County of Santa Cruz	\$762,604		
City of Santa Cruz	\$238,773		
<b>City of Scotts Valley</b>	\$43,460		
City of Capitola	\$26,944		
UCSC	\$2,748		
Total	\$1,074,529	\$1,417,930	\$1,517,725


Exhibit D

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	1998/99 Approp	1998/99 Est/Act	1999/00 Budget	Percent Change	2000/01 Budget	2001/02 Budget
Expenditures-Personnel						
Wages	647,051	624,153	774,107	20%	878,868	928,676
Payroll Taxes	49,560	47,861	59,323	20%	67,103	70,920
Workers Comp Ins	19,325	20,954	22,068	14%	26,252	27,741
Health Insurance	45,500	47,795	61,959	36%	73,118	79,785
First Aid	2,550	1,013	2,550	0%	2,741	2,906
Annuity	18,400	18,600	22,018	20%	25,000	26,417
Unemployment Tax	5,500	7,800	6,095	11%	6,921	7,311
Temp Help	2,200	300	1,500	-32%	1,613	1,709
Recruitment	3,950	4,667	3,950	0%	4,246	4,501
Personnel Total	794,036	773,143	953,570	20%	1,085,862	1,149,966
Expenditures-Operating						
Uniforms	2,000	2,035	2,500	25%	2,575	2,652
Education & Training	2,800	7,699	2,800	0%	2,884	2,971
Confer & Seminars	1,400	2,030	2,800	100%	2,884	2,971
Meals & Lodging	2,800	2,932	3,000	7%	3,090	3,183
Mileage	1,050	1,000	1,000	-5%	1,030	1,061
Travel/Expenses	1,200	1,359	1,200	0%	1,236	1,273
Vehicle Maintenance	9,200	11,000	11,500	25%	11,845	12,200
Vehicle Fuel	9,300	8,025	9,550	3%	9,837	10,132
Facilities Maintenance	19,600	24,026	24,600	26%	25,338	26,098
Spay/Neuter Clinic Remodel	0	0	25,000		0	0
Equipment Maintenance	2,550	5,395	13,250	420%	13,648	14,057
Computer/Printer - Clinic	0	0	2,000		500	500
Forms Software	0	0	5,000		0	0
New Module for Database	0	0	1,000		0	0
New Module Technical Support	0	0	2,500		0	0
Staff Training - New Legislation Requirements	0	0	5,900		4,532	4,668
Computer Maintenance	12,610	11,142	15,000	19%	15,450	15,914
Janitorial Supplies	0	2,492	2,550		2,627	2,705
Veterinary Services	12,100	8,183	10,500	-13%	10,815	11,139
Animal Food	10,000	13,923	12,000	20%	12,360	12,731
Animal Disposal	9,500	10,154	10,000	5%	10,300	10,609
Animal Supplies Stock	6,500	4,500	5,000	-23%	5,150	5,305
Animal Supplies	6,550	8,863	9,800	50%	10,094	10,397
Spay/Neuter Clinic & Vet Clinic Medical Equipment	0	0	20,768		3,500	3,500
Medical Supplies	11,100	10,398	29,780	168%	31,227	32,203
FELV Test Kits	5,400	6,000	6,000	11%	6,180	6,365
Traps and Cages	700	500	1,100	57%	1,133	1,167
Investigations	300	150	300	0%	309	318
Film/Developing	450	601	575	28%	592	610
Postage	6,750	8,906	8,600	27%	8,858	9,124
Licensing Supplies	1,000	515	1,000	0%	1,030	1,061
Office Supplies	9,200	8,290	10,700	16%	11,021	11,352
Printing/Copies	6,900	8,654	8,800	28%	9,064	9,336
Subscription/Membership	1,700	1,014	1,600	-6%	1,648	1,697
Licensing Fees	0	50	50		52	53
Advertising	250	500	300	20%	309	318
Bad Checks	250	351	250	0%	258	265
Cash Over/Short	250	100	250	0%	258	265
Trailer Rental	5,150	5,150	5,150	0%	5,305	5,464
Utilities	19,900	25,443	22,400	13%	23,072	23,764
	13,200	14,285	14,650	11%	15,090	15,542
			12,482	3%	12,837	13,222

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Exhibit D . . .

	1998/99 Approp	1998/99 Est/Act	1999/00 Budget	Percent Change	2000/01 Budget	2001/02 Budget
insurance	28,000	24,546	23,750	-15%	24,463	25,196
Depreciat on	30,000	30,000	30,000	0%	30,900	31,027
Property Taxes	3,000	3,000	3,000	0%	3,090	3,183
Bank Fees	175	642	500	188%	515	530
Payroll Fees	355	496	870	145%	896	923
Consulting	7,000	6,500	7,000	0%	7,210	7,426
Legal Fees	3,000	2,100	3,000	0%	3,090	3,183
Public Relations	450	380	500	11%	515	530
Employee Relations	5,950	0,019	6,500	5%	6,695	6,896
Board Relations	100	100	500	400%	515	530
Volunteer Expenses	100	100	1,250	1150%	1,208	1,326
Miscellaneous	1,750	750	1,900	9%	1,957	2,016
Operations Total	263,640	305,693	401,956	42%	359,068	389,759
Fixed Assets	0	0	25,000		0	25,000
Master Plan Permit Process	0	0	5,000		0	0
Total Expenditures	1,077,676	1,078,838	1,385,526	29%	1,444,930	1,544,725
SPCA Program Revenue						
Sales/Supplies	7,000	6,946	7,000	0%	7,000	7,000
FELV/ Test Revenue	12,500	10,872	12,500	0%	12,500	12,500
Trap Fees	3,500	3,597	3,500	0%	3,500	3,500
Unused Rabies Rev	2,000	2,000	2,000	0%	2,000	2,000
Miscellaneous	1,000	255	1,000	0%	1,000	1,000
Uncollected Trap Dep	1,000	1,000	1,000	0%	1,000	1,000
Subtotal Other Revenue	27,000	24,670	27,000	0%	27,000	27,000
Net Contract Amount 	1,050,676	1,054,166	1,358,526	29%	1,417,930	1,517,725
Estimated Revenue - Spay/Neuter Fees	0	0	45,000		80,000	00,000
Estimated State Mandated Cost Revenue	0	0	0		0	0
Estimated Net Program Costs	1,050,676	1,054,166	1,313,526	25%	1,337,530	1,437,725

Contract Salaries - Projected												
FY 1998-99			FY 1999-00			FY 2000-01			FY 2001-002			
Hourly Pay Range			Hourly Pay Range			Hourly Pay Range			Hourly Pay Range			
Title	FTE	Low	High	FTE	Low	High	FTE	Low	High	FTE	Low	High
1 Animal Care Supervisor*	1	\$12.50	\$16.83	1.0	\$13.38	\$17.50	1.0	\$14.24	\$18.20	1.0	\$14.78	\$19.99
2 Animal Care Technician Lead	1	\$9.50	\$12.00	1.0	\$10.17	\$12.48	1.0	\$10.83	\$12.98	1.0	\$11.23	\$14.26
4 Animal Care Technician	1	\$8.49	\$10.58	1.0	\$9.08	\$11.00	1.0	\$9.67	\$11.44	1.0	\$10.04	\$12.57
5 Animal Care Technician	1	\$8.49	\$10.58	1.0	\$9.08	\$11.00	1.0	\$9.67	\$11.44	1.0	\$10.04	\$12.57
6 Animal Care Technician	1	\$8.49	\$10.58	1.0	\$9.08	\$11.00	1.0	\$9.67	\$11.44	1.0	\$10.04	\$12.57
7 Animal Care Helper	0.5	\$7.00	\$8.25	0.5	\$7.21	\$8.50	0.5	\$7.43	\$8.75	0.5	\$8.32	\$9.80
8 Animal Care Helper	0.5	\$7.00	\$8.25	0.5	\$7.21	\$8.50	0.5	\$7.43	\$8.75	0.5	\$8.32	\$9.80
9 Animal Care Helper	0.5	\$7.00	\$8.25	0.5	\$7.21	\$8.50	0.5	\$7.43	\$8.75	0.5	\$8.32	\$9.80
10 Animal Care Technician	0.5	\$8.49	\$10.58	0.5	\$9.08	\$11.00	0.5	\$9.67	\$11.44	0.5	\$10.04	\$12.57
11 Animal Care Technician	0.5	\$8.49	\$10.58	0.5	\$9.08	\$11.00	0.5	\$9.67	\$11.44	0.5	\$10.04	\$12.57
12 Animal Care Technician	0.5	\$8.49	\$10.58	0.5	\$9.08	\$11.00	0.5	\$9.67	\$11.44	0.5	\$10.04	\$12.57
13 Field Services Manager+	1	\$14.23	\$17.79	1.0	\$15.23	\$18.32	1.0	\$16.60	\$18.87	1.0	\$17.84	\$19.62
14 Field Sergeant	1	\$12.02	\$14.42	1.0	\$13.46	\$14.86	1.0	\$14.67	\$15.30	1.0	\$15.77	\$17.59
15 Field Sergeant	1	\$12.02	\$14.42	1.0	\$13.46	\$14.86	1.0	\$14.67	\$15.30	1.0	\$15.77	\$17.59
16 FTO Humane Officer	1	\$10.58	\$12.98	1.0	\$11.85	\$13.37	1.0	\$12.92	\$13.77	1.0	\$13.88	\$15.84
17 FTO Humane Officer	1	\$10.58	\$12.98	1.0	\$11.85	\$13.37	1.0	\$12.92	\$13.77	1.0	\$13.88	\$15.84
18 Animal Control Officer	1	\$9.86	\$12.02	1.0	\$11.04	\$12.38	1.0	\$12.04	\$12.75	1.0	\$12.94	\$14.66
19 Animal Control Officer	1	\$9.86	\$12.02	1.0	\$11.04	\$12.38	1.0	\$12.04	\$12.75	1.0	\$12.94	\$14.66
20 Animal Control Officer	1	\$9.86	\$12.02	1.0	\$11.04	\$12.38	1.0	\$12.04	\$12.75	1.0	\$12.94	\$14.66
21 Animal Control Officer	1	\$9.86	\$12.02	1.0	\$11.04	\$12.38	1.0	\$12.04	\$12.75	1.0	\$12.94	\$14.66
22 Animal Control Officer	0.5	\$9.86	\$12.02	0.5	\$11.04	\$12.38	0.5	\$12.04	\$12.75	0.5	\$12.94	\$14.66
23 Field Services Assistant	0.5	\$7.50	\$10.00	0.5	\$7.73	\$10.30	0.5	\$7.96	\$10.61	0.5	\$8.20	\$11.20
24 Client Services Supervisor*	1	\$12.50	\$15.38	1.0	\$13.25	\$15.84	1.0	\$13.78	\$16.32	1.0	\$14.19	\$17.65
25 Client Services Lead	1	\$10.00	\$12.02	1.0	\$10.60	\$12.38	1.0	\$11.02	\$12.75	1.0	\$11.35	\$13.79
26 Client Services Technician	1	\$8.55	\$10.82	1.0	\$9.06	\$11.14	1.0	\$9.43	\$11.47	1.0	\$9.71	\$12.41
27 Client Services Technician	1	\$8.55	\$10.82	1.0	\$9.06	\$11.14	1.0	\$9.43	\$11.47	1.0	\$9.71	\$12.41
28 Client Services Technician	1	\$8.55	\$10.82	1.0	\$9.06	\$11.14	1.0	\$9.43	\$11.47	1.0	\$9.71	\$12.41
29 Client Services Technician	1	\$8.55	\$10.82	1.0	\$9.06	\$11.14	1.0	\$9.43	\$11.47	1.0	\$9.71	\$12.41
30 Licensing Specialist	0.75	\$7.09	\$10.50	0.75	\$7.52	\$10.82	0.75	\$7.82	\$11.25	0.75	\$8.05	\$11.70
31 Human Resources Assist.	NA	NA	NA	0.50	\$10.00	\$13.46	0.5	\$10.40	\$14.00	0.51	\$10.82	\$14.56
32 Maintenance Supervisor	1	\$11.25	\$14.50	1.0	\$11.93	\$14.94	1.0	\$12.28	\$15.54	1.0	\$12.65	\$16.16
33 Admin. Assistant	NA	NA	NA	NA	NA	NA	0.75	\$9.50	\$12.00	0.75	\$9.79	\$12.48
34 Director of Operations*	1.0	\$16.83	\$23.08	1.0	\$17.33	\$23.77	1.0	\$17.85	\$24.48	1.0	\$18.39	\$25.21
35 Exec. Director Contract=60%*	0.6	\$21.63	\$28.85	0.6	\$22.28	\$29.72	0.6	\$22.95	\$30.61	0.6	\$23.64	\$31.53
36 Veterinarian	0.58	\$35.00	\$39.75	1.0	\$35.00	\$39.75	1.0	\$36.05	\$40.94	1.0	\$37.13	\$42.17
37 Vet Tech.	0.50	\$12.50	\$15.00	1.0	\$12.50	\$15.00	1.0	\$12.88	\$15.45	1.0	\$13.27	\$15.91
38 Hayden Client Lead V/F	NA	NA	NA	0.16	\$9.06	\$11.14	0.5	\$9.43	\$11.47	0.75	\$9.71	\$12.41
39 Hayden Intake Coordinator	NA	NA	NA	10.16	\$9.06	\$11.14	0.5	\$9.43	\$11.47	0.75	\$9.71	\$12.41
*Exempt Employees	Note: 2 full time Executive Directors only 60% of 1 is charged to the contract.											

SPCA EXHIBIT II  
Unauthorized Costs, Questioned Costs, Salary Savings from Payroll By Pay Period  
6/30/02

Pay Date	Unauthorized costs	Questioned costs	Salary Savings	Overtime
07/13/01	6,597.43	1,470.92	7,729.88	1,755.45
07/27/01	6,075.05	1,469.45	7,221.83	1,077.11
08/10/01	5,148.08	1,486.25	7,110.09	1,248.47
08/24/01	7,127.34	1,469.03	5,665.99	1,065.34
09/07/01	7,752.49	1,610.51	8,848.24	1,298.10
09/21/01	8,096.59	1,318.51	7,094.77	1,244.49
10/05/01	7,241.64	1,067.71	5,927.25	1,271.15
10/19/01	8,174.38	1,211.94	8,101.67	1,480.79
11/02/01	6,992.48	1,211.94	7,310.07	678.77
11/16/01	7,477.62	1,266.34	6,996.04	870.06
11/30/01	8,075.46	1,266.74	7,570.24	930.20
12/14/01	6,905.83	847.43	9,069.17	1,244.26
12/28/01	7,145.42	1,122.30	8,607.20	852.45
01/11/02	8,122.67	1,224.54	8,812.67	1,012.21
01/25/02	5,956.20	1,223.94	10,105.43	1,063.73
02/08/02	6,471.87	933.14	12,362.06	644.00
02/22/02	6,474.40	932.74	13,913.44	485.76
03/08/02	7,081.39	1,028.74	14,314.53	757.32
03/22/02	6,025.03	1,006.98	13,084.75	758.20
04/05/02	8,425.63	1,588.58	11,821.92	1,188.57
04/19/02	5,636.60	439.20	13,798.17	1,371.64
05/03/02	5,816.52	277.61	12,294.89	1,080.09
05/17/02	6,712.92	332.00	13,112.22	1,210.83
Total	159,533.02	25,806.56	220,872.56	24,588.97
FICA @ 7.65%	12,204.28	1,974.20	16,896.75	1,881.06
Total Sal & Ben	171,737.30	27,780.77	237,769.31	26,470.03

**SPCA** **EXHIBIT IIa**  
 Summary of Unauthorized Costs, Questioned Costs, and Salary Savings By Pay Period  
 6/30/01

Pay Period	Unauthorized costs	Questioned costs	Salary Savings	Overtime
07/12/00	7,902.46	40.80	10,002.90	965.85
07/26/00	7,504.78	40.80	9,905.90	635.45
08/11/00	8,786.38	106.40	8,068.83	970.28
08/23/00	8,242.98	129.44	7,531.75	911.55
09/06/00	9,634.30	132.74	8,487.47	639.47
09/20/00	9,955.01	132.00	5,906.83	1,166.72
10/04/00	8,792.33	132.00	6,856.40	941.80
10/18/00	5,956.96	134.90	8,929.01	1,233.66
11/01/00	5,851.52	133.44	6,100.84	1,088.30
11/14/00	7,326.50	448.57	5,157.13	1,391.19
11/29/00	6,145.04	262.08	6,852.34	897.47
12/13/00	7,266.77	947.50	5,506.61	1,393.82
12/27/00	5,225.42	847.48	5,444.89	647.22
01/10/01	8,714.27	396.90	6,683.61	733.27
01/24/01	7,109.95	396.78	6,254.51	678.97
02/07/01	5,506.79	926.54	6,413.67	565.41
02/21/01	6,179.19	926.78	6,430.93	775.76
03/07/01	6,291.82	1,258.48	5,638.45	1,032.51
03/20/01	8,933.29	1,152.78	9,915.39	1,383.43
04/04/01	8,342.68	1,060.85	10,927.26	1,309.96
04/20/01	8,497.90	2,310.71	10,308.11	1,099.05
05/02/01	9,082.80	1,805.85	9,745.06	1,202.52
05/18/01	6,097.19	1,400.42	8,782.90	1,111.65
05/30/01	12,245.43	1,456.04	12,130.35	1,262.23
06/15/01	9,236.96	1,398.89	8,589.76	1,418.33
06/29/01	8,146.73	1,385.51	10,238.32	1,448.07
<b>Total</b>	<b>202,975.43</b>	<b>19,364.67</b>	<b>206,809.19</b>	<b>26,903.88</b>
Fica @ 7.65%	15,527.62	1,481.40	15,820.90	2,058.15
Total Sal & Ben	218,503.05	20,846.07	222,630.10	28,962.03

EXHIBIT III

SANTA CRUZ SPCA  
SUMMARY OF CURRENT REPLACEMENT FUNDS

Prepared by: M. Graham  
Date Prepared: 5/14/02

<b>Contract Capital Purchases/Replacements</b>			
	<b>Amt in Contract</b>	<b>Actual Spent</b>	<b>Variance (Note 1)</b>
<b>2000</b>	30,000.00	38,324.32	(8,324.32)
<b>2001</b>		51,657.94	(51,657.94)
<b>2002</b>	25,000.00	95,450.99	(70,450.99)
	<u>55,000.00</u>	<u>185,433.25</u>	<u>(130,433.25)</u>

<b>Summary of Replacement Funds</b>			
	<b>Actuals to 1999</b>	<b>Replacement</b>	
	<b>Contract 2000-2002</b>	<b>Fund Balance</b>	
Note 2	<b>2000</b>	30,000.00	15,000.00
Note 2	<b>2001</b>	30,900.00	15,450.00
Note 2	<b>2002</b>	31,827.00	15,913.50
	<b>Subtotals</b>	<b>92,727.00</b>	<b>46,363.50</b>
	<b>Less Capital Replacements</b>		<b>(130,433.25)</b>
	<b>Current Contract Replacement Funds</b>		<b><u>(84,069.75)</u></b>

<b>Replacement Funds related to Field Assets</b>	
<b>Total Current Contract Assets</b>	<b>727,639.87</b>
Field Assets	195,908.87
<b>% of Assets related to Field</b>	<b>27%</b>
<b>Current Contract Replacement Funds</b>	<b>(84,069.75)</b>
<b>% of Assets related to Field</b>	<b>27%</b>
<b>Field-related Replacement Funds</b>	<b><u>(22,834.84)</u></b>

Detailed Listing of Equipment Purchases (FY00-02)					
	Fiscal Year	Description	Asset Cost	Contract %	Contract Amt*
		2000 Storage Sheds	5,485.80	100%	5,485.80
		2000 Kennel Banks	5,044.44	100%	5,044.44
		2000 Kennel Equipment	6,899.00	100%	6,899.00
		2000 Phone System (partial)	19,512.60	80%	15,610.08
		2000 SQL Server	5,285.00	100%	5,285.00
		2001 ITT Phone System & Equip	30,884.92	80%	24,707.94
		2001 Vet Clinic	26,950.00	100%	26,950.00
Note 3		2002 Van #24	22,219.99	100%	22,219.99
Note 3		2002 Van #25	20,147.99	100%	20,147.99
		2002 Van Fittings VIN#1GCDL19W118152929	10,055.00	100%	10,055.00
		2002 Van Fittings VIN#1GCDM19W61B151773	10,055.00	100%	10,055.00
		2002 Mosk	5,149.25	100%	5,149.25
		2002 F/O Remodel	27,823.76	100%	27,823.76
		Totals	195,512.75		185,433.25

Note 1: Per entity contract(s) section 8.N., we have applied all contract purchases over and above the capital monies given against the Replacement funds. The actual contract reads as follows:  
" "Fixed Assets" or "capital assets" as used in this agreement shall mean any equipment or property having a useful life of three years or greater and a value in excess of \$5,000. The SPCA may acquire fixed assets using funds from the capital reserve replacement account ("replacement account") established by Paragraph 8.J of this Agreement, however, the use of budget funds other than the replacement account to acquire a fixed asset shall only be made with the advance written approval of the County Administrative Officer after consultation with the other jurisdictions."

Note 2: For 2000-2002 fiscal years, depreciation used is the contracted amount only.

Note 3: This is leased equipment that has been leased since 10/01 as agreed upon with CAO office.

SPCA  
Average Pay By Department

EXHIBIT IV

	Field Services	Client Services	Animal Care
7/13/01	14.26	11.31	9.93
7/27/07	14.26	11.31	10.78
8/10/01	12.51	11.31	10.04
8/24/01	14.02	11.56	10.03
9/7/01	14.26	12.03	10.62
9/21/01	14.06	11.60	10.58
10/5/01	13.84	11.39	10.63
10/19/01	13.95	11.39	10.63
11/2/01	13.95	11.43	10.37
11/16/01	13.95	11.43	10.37
11/30/01	13.95	11.43	11.14
12/14/01	13.95	11.50	10.82
12/28/01	13.95	11.55	11.19
1/11/02	13.65	11.55	11.19
1/25/02	13.99	11.55	11.19
2/8/02	13.67	11.69	11.27
2/22/02	14.15	11.69	11.75
3/8/02	14.25	11.69	11.07
3/22/02	13.46	11.74	10.82
4/5/02	13.46	11.57	10.82
4/19/02	13.46	11.58	10.89
5/3/02	13.84	12.08	11.07
5/17/02	<u>14.02</u>	<u>12.14</u>	<u>11.14</u>
Year-to-date average (actual)	13.86	11.59	10.80
Average Budgeted	<u>14.59</u>	<u>11.86</u>	<u>11.39</u>
Difference	<u>(0.73)</u>	<u>(0.27)</u>	<u>(0.60)</u>
Budgeted amounts			
Avg High	15.54	13.24	12.66
Avg Low	13.64	10.48	10.13

SPCA  
Summary of Budget and Expense Findings  
1999-2000

EXHIBIT V

Account	Contract Budget	Actual Expenses	Variance Favorable (Unfavorable)
<b>Total Personnel</b>	<b>953,570</b>	<b>932,891</b>	<b>20,679</b>
<b>Total Operating</b>	<b>401,966</b>	<b>458,723</b>	<b>(56,767)</b>
Fixed Assets	25,000	50,234	(25,234)
Master Plan Permit Process	5,000		5,000
<b>Total Capital Outlay</b>	<b>30,000</b>	<b>50,234</b>	<b>(20,234)</b>
<b>Total Expenses</b>	<b>1,385,526</b>	<b>1,441,848</b>	<b>(56,322)</b>
<b>Program Changes</b>			
	(25,000.00) A	-	
	(25,000.00) B		
	(5,000.00) C		
		(28,932.00) D	
	-	(14,811.00) E	
	-	(4,759.00) F	
	-	(3,889.00) G	
		(2,094.00) H	
		(5,237.00) I	
		(5,344.00) J	
		(507.00) K	
		(50,234.00) L	
<b>Total Program Changes</b>	<b>(55,000)</b>	<b>-</b>	<b>(115,807)</b>
<b>Totals</b>	<b>1,330,526</b>	<b>-</b>	<b>1,326,041</b>
<b>70% Of Total</b>		928,229	
<b>Amount Paid by County</b>		963,962	
<b>Amount due to County</b>		35,733	

**Notes:**

- A To transfer \$25,000 budgeted for the Spay/Neuter clinic remodel to 2000-2001, the year that the remodel was completed
- B To remove \$25,000 budgeted for the purchase of vans but used for other fixed assets unauthorized. SPCA leased vans in 2001-02 with CAO staff approval
- C To transfer \$5,000 budgeted for the master plan permit process to 2000-2001, the year in which the expenditure occurred
- D Unauthorized expenditures for computer maintenance, \$28,932 expended in excess of budget.
- E Questioned expenditures for office expense, \$14,811 expended in excess of budget
- F Unauthorized expenditures for consulting, \$4,759 expended in excess of budget.
- G Questioned expenditures for employee relations, \$3,889 expended in excess of budget.
- H Questioned expenditures for board relations, \$2,094 expended in excess of budget.
- I Questioned expenditures for miscellaneous expense, \$5,237 expended in excess of budget.
- J Unauthorized expenditures for trailer rental, \$5,344 expended in excess of budget, \$2,264 of which are Audi payments
- K Unauthorized expenditures for Audi payments of \$507 included in recruiting expense.
- L Unauthorized expenditures of \$50,234 for fixed assets which were not approved by public entities.

SPCA  
Summary of Budget and Expense Findings  
2000-2001

EXHIBIT VI

Account	Contract Budget	Actual Expenses	Variance Favorable (Unfavorable)
Total Personnel	1,085,862	1,282,381	(196,519)
Total Operating	359,072	673,219	(314,147)
Total Expenses	1,444,934	1,955,600	(510,666)
Program Changes	(222,630) A	(218,503) B (26,421) C	
	25,000 D	(33,870) E (30,622) F (9,416) G (8,005) H (672) I (32,468) J (20,846) K	
	5,000 L	(4,114) M (174,134) N	
Total Program Changes	(192,630)	(559,071)	
Totals	1,252,304	1,396,529	(144,225)
70% of Total	876,613	-	
Amount Paid by County	1,008,173		
Amount due to County	131,560		

**Notes**

- A Salary savings of \$222,630, calculated on 2000-2001 payroll schedule (See Exhibit II ) Public entities cannot pay for services not provided.
- B Questioned amount for payments to personnel in positions not authorized by the contract (See 2000-2001 Payroll Schedule - Exhibit II)
- C unauthorized expenditures for rebuild of accounting records.
- D To transfer \$25,000 budgeted for the Spay/Neuter clinic remodel from 1999-2000 to 2000-2001, the year that the remodel was completed.
- E Unauthorized expenditures for computer maintenance, \$33,870 expended in excess of budget.
- F Unauthorized expenditure of \$30,622 included in consulting expense for the rebuild of accounting records.
- G Questioned expenditure of 59,416 included in consulting expense for personnel policy consulting.
- H Unauthorized expenditure of \$8,005 Included in consulting expense.
- I Unauthorized expenditure of \$672 included in legal expense for the rebuild of accounting records.
- J Unauthorized expenditure of \$32,468 included in miscellaneous expense for the rebuild of accounting records.
- K Questioned payroll expenses of 520,846 for employees whose salaries are in excess of the highest wage for the position as stated in the contract. (See 2000-2001 payroll schedule, Exhibit II, for detail)
- L To transfer \$5,000 budgeted for the master plan permit process from 1999-2000 to 2000-2001, the year in which the expenditure occurred. (master plan permit process is included as part of consulting expense)
- M Unauthorized expenditure of \$4,114 included in trailer rental expense for Audi payments.
- N Various other questioned expenditures in excess of budget.

SPCA  
Summary of Budget and Expense Findings  
2001-2002

## EXHIBIT VII

Account	Contract Budget	Actual" Expenses	Variance Favorable (Unfavorable)
Total Personnel	1,149,966	1,003,186	146,780
Total Operating	369,758	381,992	(12,234)
Fixed <del>Assets</del>	25,000		25,000
Master Plan Permit Process			
<b>Total Capital Outlay</b>	<b>25,000</b>		<b>25,000</b>
Total Expenses	1,544,724	1,385,178	159,546
Program Changes			
	(237,769) A		
	(25,000) B		
		(4,523) C	
		(171,737) D	
		(27,781) E	
		(17,586) F	
		(20,476) G	
Total Program Changes	(262,769)	(242,103)	
Totals	1,281,955	1,143,075	138,880
70% of Total		800,153	
Amount Paid by County		978,692	
Amount due to County		178,540	

## Notes:

- A Salary savings of \$195,272, calculated on 2001-2002 payroll schedule (See Exhibit II). Public entities cannot pay for services not provided.
- B To remove \$25,000 budgeted for the purchase of vans for which there is no supporting documentation to show that the vans were purchased
- C Unauthorized expenditure of \$4,523 included in wages expense for the rebuild of accounting records.
- D Questioned amount for payments to personnel in positions not authorized by the contract (See 2001-2002 Payroll Schedule - Exhibit II)
- E Questioned payroll expenses of \$27,781 for employees whose salaries are in excess of the highest wage for the position as stated in the contract. (See 2001-2002 payroll schedule, Exhibit II, for detail)
- F Unauthorized expenditures for computer maintenance, \$17,586 expended in excess of budget.
- G Questioned payments to a recruiting firm and accountants included in consulting expense totalling \$20,476.

Board of Directors  
Santa **Cruz SPCA**  
2200 7th Avenue  
Santa **Cruz CA** 95062

We have audited the accompanying statement of financial position of the Santa **Cruz SPCA** as of June 30, 2000 and June **30**, 1999 and the related statements of activities and functional expenses for the year ended June 30, 2000 and the statement of cash flows for the years ended June 30, 2000 and 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, we conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are **free** of material misstatement. **An** audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. **An** audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

**Some** of the accounting records for the year ended June 30, 2000 were either missing or inadequate and in addition we were not able to apply other auditing procedures to satisfy ourselves **as** to the accuracy of such accounting. Accordingly, the scope **of** our work was not sufficient to enable **us** to express, and we do not express, an opinion on the accompanying statements of activities, functional expenses and cash **flows** for the year ended June 30, 2000.

In our opinion, the statement of financial position of the Santa **Cruz SPCA** as of June **30**, 2000 and June 30, 1999, and the changes in its net assets and cash flows for the year ended **June 30**, 1999 present fairly, in all material respects, the financial position of Santa **Cruz SPCA** in conformity with generally accepted accounting principles.

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Santa Cruz SPCA  
2200 7th Avenue  
Santa Cruz CA 95062

We have audited the accompanying statement of financial position of the Santa Cruz SPCA as of **June 30, 2001** and the related statement of activities, functional expenses and cash **flows** for the years ended June 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accounting records for the year ended June 30, 2001 did not provide sufficient audit trail for us to be assured that all material transactions had been properly recorded. Accordingly, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the accompanying statements of activities, functional expenses and cash **flows** for the year ended June 30, 2001.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Santa Cruz SPCA as of **June 30, 2001**, and the changes in its net assets and cash **flows** for the year then ended, in conformity with generally accepted accounting principles.

-  
INDEPENDENT **AUDITOR'S** REPORT ON COMPLIANCE  
WITH CONTRACTUAL PROVISIONS

To the Board of Directors  
Santa **Cruz** SPCA  
2200 7th Avenue  
Santa Cruz CA 95062

We have audited the financial statements of Santa Cruz SPCA as of and for the year ended June 30, 2001, and have issued our report thereon dated June 4, 2002.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Santa Cruz SPCA is the responsibility of the Association's management. **As** part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Association's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements **was** not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed instances of noncompliance that are required to be reported and which are described in the accompanying schedule of findings.

**This** report **is** intended for the information of the Board of Directors, management, and Santa Cruz County Contract Administrators. However, this report is a matter of public record, and its distribution is not limited.

Santa Cruz, California  
June 4, 2002

**SANTA CRUZ SPCA**  
**SCHEDULE OF FINDINGS**  
For the Year Ended June 30, 2001

**FINDING 01-1: REPORTABLE CONDITION #1**

**Condition:** Recording of payments that are required to be remitted to the governmental entities (Santa Cruz County, Cities of Santa Cruz, Capitola and Scotts Valley) lacks adequate internal control.

**Criteria:** Government entity contracts.

**Effect:** Potential for non-compliance with contractual obligations.

**Recommendation:** Formation of effective internal control systems, and review of actual processes on a regular basis to insure compliance.

**Management Response:** The internal controls that were lacking were (1) reconciliation of monthly front office deposits against the receipts, (2) reconciliation of amounts owed, and (3) reconciliation of amounts paid to entities. To correct, (since April of 2001) we deposit and reconcile the front office cash vs. receipts on a daily and monthly basis; we reconcile the amounts owed at each month-end; and reconcile the liability paid and still owed monthly. Since January 2002 (when the FY01 liability was finalized), we have been making monthly payments to the entities of fees collected in the prior month.

**FINDING 01-2: REPORTABLE CONDITION #2**

**Condition:** Reporting of payments that are required to be remitted to the governmental entities (Santa Cruz County, Cities of Santa Cruz, Capitola and Scotts Valley) were not made on a timely basis and the accompanying payments have not been made on a timely basis.

**Criteria:** Government entity contracts.

**Effect:** Potential for non-compliance with contractual obligations.

**Recommendation:** Monthly review by management to ensure that all required reports have been properly prepared and remitted on a timely basis.

**Management Response:** As with Reportable Condition #1, we agree this condition existed. To correct, since April 2001, the payments required are reported and reconciled monthly. The monthly reconciliation is tied to the daily receipts and the daily deposits made by the Accounting Assistant and reviewed by the Accounting Manager. Regarding timely payment of liabilities, since January 2002 (when the FY01 liability was finalized), we have been making monthly payments to the entities of fees collected in the prior month.

**FINDING 01-3: REPORTABLE CONDITION #3**

**Condition:** Timely reconciliation of balance sheet accounts was not performed during the period audited.

**Criteria:** Government entity contracts and generally accepted accounting principals.

**SANTA CRUZ SPCA**  
**SCHEDULE OF FINDINGS**  
For the Year Ended June 30, 2001  
(continued)

- FINDING 01-3:** REPORTABLE CONDITION #3 (continued)  
**Effect:** Potential for undetected accounting errors.  
**Recommendation:** Preparation of monthly reconciliation of all balance sheet accounts.  
**Management Response:** Due to the **FY00** general ledger having to be completely reconstructed, we were not able to have the **FY00** audit performed until June/July of 2001. Corrections from that audit were not finalized and approved until November of 2001 due to numerous external and internal circumstances caused by pervious accounting staff (who, upon learning of the accounting inadequacies, were terminated by consensus of the Board of Directors). Additionally, we also had to reconstruct and correct accounting errors for 9 months of the **FY01** year. This reconstruction did not begin until November of 2001 due to the delays with the **FY00** audit finalization. At that time, the newly hired and now current Accounting staff took only 2 months to completely prepare for the **FY01** audit. To correct for the current year and future audits, in **FY02** we began selecting 1-5 balance sheet accounts each month to reconcile and prepare any necessary corrections. These monthly reviews will aid us in meeting a fall 2002 audit date and therefore meet the December 2002 audit deadline for the entities.
- FINDING 01-4:** REPORTABLE CONDITION #4  
**Condition:** Supporting documents were often misfiled or otherwise difficult to locate.  
**Criteria:** Generally accepted accounting principals.  
**Effect:** Potential for improper accounting and difficulty in assuring propriety of accounting entries.  
**Recommendation:** Periodic review of accounting files and stricter supervision of accounting staff.  
**Management Response:** We agree with this finding. As the staff members who created this condition are no longer with the SPCA, this condition no longer exists. All records are properly filed and maintained (along with appropriate supporting documentation) throughout the month. Additionally, we have improved our filing systems to be more streamlined and efficient.
- FINDING 01-5:** REPORTABLE CONDITION #5  
**Condition:** Hard copies of material general ledger activity was either never printed or lost. In addition, it appeared that backup procedures for accounting software may have been inadequate.  
**Criteria:** Generally accepted accounting principals.  
**Effect:** Potential for lost data.  
**Recommendation:** Establish backup policies and monitor for compliance.

**SANTA CRUZ SPCA**  
**SCHEDULE OF FINDINGS**  
For the Year Ended June 30, 2001  
(continued)

FINDING 01-5: REPORTABLE CONDITION #5 (continued)

**Management Response:** We agree with this finding; however, as stated in reportable condition #4, the staff members who created this condition are no longer with the SPCA. Not only are all general ledger reports and posting journals printed and filed accurately and timely, they are kept in a nightly tape back-up in case of fire. The current back-up system was put into place **as** of April 2001 (when the current Accounting staff members were hired). The current back-up system mirrors that of large corporations in that there are **6** main back-up tapes that are rotated daily and monthly. **As** our workweek is Monday-Friday, there are tapes for each day open **and** 1 tape for monthly backups. **This** ensures you always have a good backup and that the previous day is not recorded over. Each backup is on an automatic scheduler.

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Santa Cruz SPCA  
Recap of Amount Due Public Entities

EXHIBIT IX

Fiscal Year	County of Santa Cruz	City of Santa Cruz*	City of Capitola*	City of Scotts Valley*	Combined Entities*
00 00	\$ 35,733	\$ 11,072	\$ 2,013	\$ 1,510	50,328
00-01	131,560	40,765	7,412	5,559	185,296
01-02	178,540	55,322	10,059	7,544	251,465
Subtotal	345,833	107,159	19,484	14,613	487,089
Unremitted License Fees	189,398	31,232		7,398	228,028
Total	\$ 535,231	\$ 138,391	\$ 19,484	\$ 22,011	\$ 715,117

\* figures are estimated based on percentages from the contract.

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EXHIBIT X

SPCA  
SUMMARY OF PAYMENTS DUE  
7/1/1999 - 5/30/2002

6/14/02 5:07 PM

Entity	Total Entity Fees Due	Total Interest Due	Grand Total Due
County of Santa Cruz	\$184,013.54	\$ 5,384.47	\$ 189,398.01
City of Santa Cruz	\$ 31,232.22	\$ 914.89	\$ 32,147.11
City of Scotts Valley	\$ 7,188.39	\$ 209.41	\$ 7,397.80
TOTAL	<u>\$222,434.15</u>	<u>\$ 6,508.77</u>	<u>\$228,942.92</u>

53.1