

## FREQUENTLY ASKED QUESTIONS RELATED TO STATE-MANDATED COST PROGRAMS LOCAL AGENCIES, SCHOOL DISTRICTS, AND COMMUNITY COLLEGES

*Responses to questions frequently asked of the State Controller's Office (SCO) regarding local government [local agencies, school districts (SD), and community colleges (CCD)]. Additional state-mandated cost information is available on the SCO [website](#) and the Commission on State Mandates (CSM) [website](#). For the purposes of this document, local agencies may include city, county, authority, or other political subdivisions of the state, including special districts; and SDs may include the county offices of education.*

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## ***General Questions:***

### **1. How is a mandate established?**

Pursuant to Government Code (GC) section 17551, subdivision (c), within one year of the latter of: (1) the effective date of a statute or executive order; or (2) incurring increased costs as a result of a statute or executive order, local government entities may file a test claim with the Commission on State Mandates (CSM). The CSM reviews test claims, solicits input, and determines if it is a mandate.

### **2. Who determines what specific activities are reimbursable?**

The CSM determines what activities are reimbursable. The CSM solicits input and adopts parameters and guidelines (Ps & Gs) consistent with the statement of decision. The parameters and guidelines identify reimbursable activities and provide that claimants are allowed to claim and be reimbursed only for increased costs related to the reimbursable activities identified. Unless otherwise noted, the Ps & Gs and various GC provisions require claimants to claim actual costs. The statement of decision and supporting staff analysis provide additional clarification if the parameters and guidelines for a specific mandate are not clear.

### **3. Who issues claiming instructions?**

The SCO issues claiming instructions pursuant to GC section 17558, subdivision (b), within 90 days after the CSM adopts new or amended parameters and guidelines. The claiming instructions allow claimants to file initial and ongoing reimbursement claims. The SCO solicits input from interested parties before issuing new or amended claiming instructions.

The SCO website identifies the claiming instructions for ongoing legislatively state-mandated costs programs for [local](#) agencies, as well as school districts and community college districts ([SD's and CCD's](#)). A separate [link](#) allows access to claiming instructions related to initial claims for newly approved or amended state-mandated cost programs.

### **4. When are claims for reimbursement due?**

Annual reimbursement claims are due February 15 following the fiscal year in which costs are incurred. Initial reimbursement claims are due 120 days after the claiming instructions are issued.

### **5. Can the parameters and guidelines be updated to clarify reimbursable activities?**

Yes. Pursuant to GC section 17557, subdivision (d) and Title 2, California Code of Regulations, Division 2, Chapter 2.5, Article 3, section 1183.17, an interested party can request that the CSM amend, modify, or supplement the parameters and guidelines consistent with the statement of decision.

## **6. Is there standard language that describes “actual costs”?**

Yes, most parameters and guidelines provide the following guidance related to actual costs:

To be eligible for state-mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the state-mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee records, time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating, “I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct,” and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

## **7. Are there alternatives to maintaining actual time records?**

No; unless the program’s parameters and guidelines identify a uniform time allowance or some other alternate reasonable reimbursement methodology. Although certain situations allow claimants to document mandate-related time by using a time study, a valid time study still requires actual time records for the time period(s) sampled. An effective time study requires that an activity be a task that is repetitive in nature. Activities that require a varying level of effort are not appropriate for time studies. The [time study guidelines](#) are available on the State-Mandated Programs [page](#) on the SCO website.

## **8. What is a reasonable reimbursement methodology?**

GC section 17518.5 defines a reasonable reimbursement methodology as a formula for reimbursing local government for costs mandated by the State, as defined in GC section 17514.

## **9. What are the different processes available in developing a reasonable reimbursement methodology?**

Pursuant to GC section 17518.5, a reasonable reimbursement methodology (RRM) may be developed through the CSM process in consultation with the Department of Finance (DOF), the SCO, an affected State agency, a claimant, or an interested party. GC section 17518.5, subsections (e) (2) and (3) require CSM to notify SCO of an RRM proposal and requires the SCO to audit a representative sample of claimed costs in the proposed RRM within one year after being notified.

Pursuant to GC sections 17557.1 and 17557.2, a test claimant and the DOF may develop a reasonable reimbursement methodology (RRM) outside of the CSM process. The jointly developed RRM is proposed to the CSM in lieu of a local government submitting proposed parameters and guidelines for new mandates.

In addition, GC section 17573 established an alternative to the test claim process for pursuing unfunded mandates. A local government or statewide association must first obtain an agreement from the DOF to jointly pursue the development of a legislatively determined mandate proposal that will be submitted to the Legislature in bill form. The legislation would determine the existence of a mandate, establish a reasonable reimbursement methodology, and appropriate funds.

## **10. Does the SCO pre-approve time studies?**

No; however, if the SCO is conducting an audit and a claimant chooses to perform a time study to support costs claimed in previous years, the claimant should submit a time-study plan for the SCO's review to minimize any potential problems. Time-study guidelines are on the State-mandated Costs Program page on the SCO website (see the answer to question #7 above).

## **11. Does the SCO audit to statutory provisions or regulations?**

The SCO audits to the state-mandated program's parameters and guidelines, which are regulations adopted by the CSM. The SCO considers the CSM's statement of decisions, supporting staff analysis, and statutory provisions in clarifying reimbursable activities.

## **12. What authority does the SCO have to perform state-mandated cost audits?**

The SCO performs audits of filed state-mandated cost claims under the authority of GC sections 12410, 17558.5, and 17561.

## **13. When may the SCO conduct an audit?**

Pursuant to GC section 17558.5, subdivision (a), the SCO must initiate an audit within three years of the date on which a claimant files or last amends—whichever is later—an actual reimbursement claim. However, if no funds are paid to the claimant for the claim filed, the three-year statutory period begins from the date the SCO made the first payment for that claim. The SCO considers the initial telephone

contact date with the auditee to be the initiation date of the audit.

**14. How long must claimants retain documentation that supports state-mandated cost claims?**

A claimant must maintain records to be made available to SCO upon request, for the statutory period in which the claim is subject to audit by the SCO, or until the ultimate resolution of any audit findings. This provision is contained in the parameters and guidelines for all state-mandated cost programs.

**15. Is there a timeline or deadline for the SCO to complete an audit?**

Pursuant to GC section 17558.5, subdivision (a), the SCO must complete the audit within two years of the audit start date. The SCO considers the date of the Engagement Start Letter with the auditee to be the audit start date.

**16. What auditing standards does the SCO use to perform state-mandated cost program audits?**

The SCO performs audits in accordance with [Government Auditing Standards](#), issued by the Comptroller General of the United States. Section 1.04 of the standards states that “These standards are for use by auditors of government entities...” The performance audit fieldwork standards (section 6.56) require an auditor to obtain sufficient, appropriate evidence to provide a reasonable basis for the auditors’ findings and conclusions.

**17. Are state-mandated cost audit reports posted on the SCO website?**

Yes, the SCO posts state-mandated cost [audit reports](#) monthly.

**18. What recourse does a claimant have if it disputes an audit finding?**

A claimant may file an Incorrect Reduction Claim (IRC) with the CSM within three years of the SCO notification of adjustment. The CSM [website](#) provides guidance in filing an IRC.

**19. Why aren’t state-mandated cost programs fully funded?**

The Legislature is responsible for appropriating funds to pay state-mandated cost program claims approved for reimbursement by the SCO.

**20. What responsibility does the SCO have to ensure that sufficient funds are available to pay for state-mandated cost programs?**

By April 30 of each year, the SCO submits the *State-Mandated Program Cost Report of Unpaid Claims and Deficiencies* report to the DOF and the Legislature, notifying them of the amount of outstanding claims for reimbursement approved for payment by the SCO. The report includes schedules that identify the funding

deficiencies by program and fiscal year. This annual [report](#) is available on the SCO website.

**21. When must the SCO pay a local government for reimbursement claims submitted?**

If funding is appropriated by the Legislature, GC section 17561, subdivision (d), requires the SCO to pay eligible claims by October 15, or 60 days after the effective date of the appropriation, whichever is later.

**22. What is the penalty for filing a late claim?**

The penalty for filing a late claim is 10% of the claim amount. Pursuant to GC section 17568, if a local government submits an amended claim after the deadline specified in GC section 17560, the SCO will reduce the claim by 10% of the increased claim amount. Chapter 179, Statutes of 2007 (SB 86) established a \$10,000 maximum penalty on annual reimbursement claims filed on or after August 24, 2007. There is no maximum penalty on initial reimbursement claims. The penalty for filing a late claim is based on allowable costs; therefore, the penalty is reduced for any desk review or field audit adjustments.

**23. How does the SCO recoup overpayments identified in state-mandated cost program audits?**

The SCO offsets audit adjustments from state-mandated cost reimbursements to be made in subsequent years. Alternatively, the claimant may remit the amount to the State. The SCO cannot recover any overpayments of state-mandated cost claims by offsetting funds appropriated by the Legislature for purposes unrelated to state-mandated cost reimbursements.

**24. What general issues has the SCO identified in claims filed by local agencies, schools, and community colleges?**

- Subsidiary claim schedules do not reconcile with the FAM-27 Certification of Claim form
- Subsidiary claim schedules and the FAM-27 amounts are not rounded to whole dollars
- Supporting summary schedules do not agree with the subsidiary claim schedules
- Mathematical or typographical errors result in incorrect claim costs
- Filed claims do not contain detailed salaries and benefits information by individual employee, as required by the claiming instructions
- The most current forms are not used
- The FAM-27 is either not signed or an original signature is not provided
- Required documents (e.g., contracts) are not submitted
- Indirect costs are incorrectly calculated
- Duplicate costs are claimed
- Non-mandate-related training hours are claimed
- Unallowable costs are claimed (costs not identified as reimbursable)



- activities in the program's parameters and guidelines)
- Employee productive hourly rates are not supported by payroll and attendance records. (For instance, employee wage rates are overstated and annual productive hours are understated.)
- Sufficient documentation identifying mandate-related materials and supplies is not maintained
- Documentation supporting claimed costs is not available at the start of an audit

## 25. Who is authorized to sign mandate claims?

A person in a managerial position or above can sign mandate claims.

## 26. What is an Indirect Cost Rate Proposal?

An Indirect Cost Rate Proposal (ICRP) is the documentation prepared by an organization requesting an indirect cost rate. This package normally includes the proposal, related audited financial statements, and other supports such as general ledger, trial balances, etc. ([source](#))

If a claimant (local agencies and community college districts) elects not to utilize the fixed rate method but wants to claim indirect costs, it must prepare an ICRP for the program. The proposal must follow the provisions of the Office of Management and Budget (OMB) Circular 2 CFR, Chapter I and Chapter II, [Part 200 et al.](#), formerly OMB Circular A-87, [Cost Principles for State, Local, and Indian Tribal Governments](#). The development of the indirect cost rate proposal requires that the indirect cost pool include only those costs which are incurred for a common or joint purpose that benefit more than one cost objective. The indirect cost pool may include only costs that can be shown to provide benefits to the program. In addition, total allocable indirect costs may include only costs that cannot be directly charged to an identifiable cost center (i.e., program).

**Local agencies** - Claimants have the option of using 10% of direct labor as indirect costs or claiming indirect costs through an ICRP for the program, prepared in accordance with the provisions of the OMB Circular 2 CFR, Chapter I and Chapter II, Part 200 et al. An ICRP must be prepared if the claim for indirect costs is in excess of 10% of direct salaries and the ICRP must be submitted with the claim.

**School Districts** - Claimants must use the California Department of Education (CDE) approved indirect cost rate for the year in which funds are expended. As this information is readily available on the CDE [website](#), there is no need for claimants to file supporting documentation for indirect costs with their claims.

**Community College Districts** - Claimants may claim indirect costs using the SCO's methodology (Form FAM-29C) or, if specifically allowed by a state-mandated cost program's Ps & Gs, a district may choose to claim indirect costs using either (a) a federally approved rate prepared in accordance with the OMB [Circular A-21](#), *Cost Principles for Educational Institutions*; or (b) a flat 7% rate. The Form FAM-29C indirect cost rate and the flat 7% indirect cost rate are applied to Salaries and Benefits, whereas the federally approved rate is applied to the allocation base used



in developing the federally approved rate. If claimants are using an indirect cost rate that exceeds 7%, documentation to support the indirect cost rate must be submitted with the claim.

## **27. What is a productive hourly rate?**

A productive hourly rate (PHR) is the total wages and related benefits divided by the productive hours. It may be computed by the claimant for each employee or classification whose labor is directly related to the claimed reimbursable cost. The claimant must maintain documentation of how the hours were computed. Details on how to calculate the PHR are available on the annual manuals for [local agencies](#) and [school districts and community college districts](#) under the Filing a Claim, 7. Direct Costs section.

## **28. Can a reimbursement claim be withdrawn?**

Yes, claimants can withdraw their claim by sending a signed formal letter from the appropriate official on agency letterhead. The letter may be emailed as an attachment, but an email request alone is not sufficient.

Please include the following information and use the mailing addresses below:

- Program Name
- Reimbursement Period (Include each fiscal year)
- Reason for Withdrawal
- Total Claimed Amounts

If delivered by email:

Please send to [LRS LGPSD@sco.ca.gov](mailto:LRS LGPSD@sco.ca.gov)

If delivered by U.S. Postal Service:

Office of the State Controller  
Attn: Local Reimbursements Section  
Local Government Programs and Services Division  
P.O. Box 942850  
Sacramento, CA 94250

If delivered by other delivery service:

Office of the State Controller  
Attn: Local Reimbursement Section  
Local Government Programs and Services Division  
3301 C Street, Suite 700  
Sacramento, CA 95816

## ***Local Agencies:***

### **29. Which local agency programs allow the use of a time study for some or all of the reimbursable activities?**

Mandate-related activities performed using standardized procedures that identify a repetitive task may be documented by a time study. The current procedures must be identical to the procedures used during the period to which time study results will be applied. The parameters and guidelines for the following programs allow the use of a time study for some or all of the reimbursable activities:

- Countywide Tax Rates
- Custody of Minors – Child Abduction and Recovery
- Domestic Violence Arrests and Victim Assistance
- Domestic Violence Background Checks
- Local Government Employee Relations
- Peace Officers Procedural Bill of Rights
- Pesticide Use Reports

### **30. What are the primary reasons for the SCO audit adjustments?**

Audit adjustments are commonly attributable to: (1) employees' time claimed without supportive documentation for initial reimbursement claims; (2) non-mandate-related activities claimed; and (3) other general issues.

#### **(1) Employees' Time Claimed Without Supportive Documentation for Initial Reimbursement Claims**

Claimants often support employees' time claimed on initial reimbursement claims with estimated, rather than actual, time spent performing mandate-related activities. These estimates often are not supported with any source documents. They often are prepared after fiscal year-end. These estimates are not acceptable source documents. Hours recorded must be traceable to source documents used in developing the estimates (e.g., time records, employee sign-in sheets, logs, or calendars). Claimants must maintain source documents that support certifications throughout the period during which the costs are subject to audit.

Consistent with the guidance provided in the parameters and guidelines and/or claiming instructions, a source document is a document created at or near the same time the actual costs were incurred for the event or activity in question. The source document must show the validity of the costs, when they were incurred, and their relationship to the reimbursable activities.

Time records should identify all of the work performed by an employee on a daily basis and should be signed and dated monthly by the employee. This is consistent with Title 2, Code of Federal Regulations, Part [225](#) (formerly OMB Circular A-87) requirements. The SCO closely scrutinizes time records or logs that identify only mandate-related activities.

Training or meeting sign-in sheets also are valid time records. Sign-in sheets should be dated and accompanied by an agenda or other training or meeting materials that identify the subject matter and specify the actual time spent on mandate-related activities.

The SCO has identified the following additional time record problems with state-mandated cost claims:

- Claimant did not provide adequate supporting documentation (e.g., time records, time logs, or calendars) to support claimed costs
- Claimant did not support time study used with actual source documentation
- Claimant did not provide documentation to support a percentage of an employee's salary costs charged to the state-mandated program
- Employees reported time worked based on an average time per occurrence. The claimant did not provide documentation (such as a time study or log) that supports the average time claimed
- Time logs did not show the date(s) on which employees performed mandate-related activities
- Time records did not validate that employees performed mandate-related activities

## (2) Non-Mandate-Related Activities Claimed

- *Custody of Minors – Child Abduction and Recovery Program*
  - Costs related to:
    - Non-mandate-related cases
    - Child abduction cases that already have progressed to trial
    - “Good cause only” cases under Penal Code section 287.7
  - Unreported offsetting reimbursements related to court-ordered restitution payments and/or Peace Officer Standards and Training (POST) training cost reimbursements
- *Domestic Violence Arrest Policies and Standards Program*
  - Overstating number of domestic violence incident reports
  - Claiming the full uniform time allowance of 29 minutes when both parties were not interviewed. The SCO allows 8.5 minutes of the 17 minutes allotted for interviewing both parties if the documentation shows that only one party was interviewed
  - Claiming reports for incidents that do not meet the definition of “domestic violence” pursuant to Penal Code section 13700
  - Claiming an unsupported average productive hourly rate for officers who normally respond to domestic violence incidents

- *Peace Officers Procedural Bill of Rights Program*
  - Administrative Activities: non-mandate-related training courses and general clerical or data entry costs for maintaining case files
  - Administrative Appeals: defending lawsuits filed against local agencies
  - Administrative Appeals: appeals for dismissals, demotions, suspensions, salary reductions, and written reprimand for someone other than the Chief of Police
  - Interrogations: interrogations during normal duty hours, time incurred by investigators to perform interrogations and prepare interrogation questions, recording interrogations or producing transcriptions when peace officers have not requested this information, and writing investigation reports
  - Note: Commencing with the fiscal year 2006-07 claim, a claimant may elect to claim costs using the reasonable reimbursement methodology (RRM) of \$37.25 per full- time sworn peace officer rather than claiming based on actual costs. The election is by a claimant, not department (i.e., a county may not use the RRM for one department and actual costs for another department)
- *Pesticide Use Reports Program*
  - Unreported offsetting reimbursements for Mill Tax Assessments and the data entry contract with the Department of Pesticide Use Regulation
  - Salaries and benefits for costs associated with restricted materials
- *Sexually Violent Predators (SVP) Program*
  - Transportation costs for SVP prisoners transported with non-SVP prisoners
  - On-going rather than one-time training costs
  - Understated daily jail rates (claimed rate limited to the State Department of Corrections and Rehabilitation (CDCR) approved capped rates rather than CDCR's actual rates based on CDCR's Prior Rate Estimate Adjustment schedules)

### (3) Other General Issues

- Claiming indirect costs using an indirect cost rate prepared from budgeted rather than actual costs
- Claiming direct mandate-related costs that the claimant reported as indirect costs in its indirect cost rate proposal
- Not accounting for revenues received that are directly attributable to materials and supplies the claimant included in its indirect cost pool
- Including salaries and benefits in the indirect cost pool the claimant charged directly to other state or federal programs
- Applying indirect cost rate to direct mandate-related costs that were not included in the indirect cost rate proposal's direct cost base

- Applying the allowed flat 10% indirect cost rate to salaries and benefits rather than to salaries only
- Not maintaining contemporaneous time records to support actual time that employees spent performing both direct and indirect activities
- Not reporting applicable offsetting reimbursements
- Refer to Question No. 24 for additional issues

***School Districts:***

**31. Does the California Department of Education (CDE) provide guidance in supporting actual costs?**

Yes, the CDE's California School Accounting Manual ([CSAM](#)), Procedure 905, provides salary and wage documentation requirements that are applicable to federal and state restricted programs. Although the CDE identifies state-mandated cost programs as state unrestricted programs, Procedure 905 recognizes that its documentation requirements also may be required for other state programs. The CDE states that these requirements also apply to state-mandated cost programs.

Procedure 905 states that local education agencies are required to use OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments (codified as Title 2, Code of Federal Regulations [CFR], Part 225) or the alternative documentation requirements for state programs. The alternative documentation differs only slightly from Title 2, CFR, Part 225. Procedure 905 provides guidance for employees working solely on one cost objective (semi-annual certifications) and for employees working on multiple activities or cost objectives (personnel activity reports or equivalent documentation).

Title 2, CFR, Part 225, Appendix B, Section 8 (Compensation for personal services), subsection (h)(4), states:

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6) or other substitute system has been approved by the cognizant Federal agency. . . .

Title 2, CFR, Part 225, Appendix B, Section 8 (Compensation for personal services), subsection (h)(5), states:

Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods; and

(d) They must be signed by the employee.

The implementation guide to Title 2, CFR, Part 225, ASMB C-10, states:

Where effort is expended on a number of activities with constant variations throughout the day as well as from day to day, a month-end certification would be unacceptable.

### **32. Can charter schools submit claims for reimbursement?**

No, charter schools are not eligible claimants. The CSM adopted the Charter School III [Statement of Decision](#) on May 25, 2006. The CSM stated that a “charter school is voluntarily participating in the charter program at issue” and that a charter school is not a school district under GC section 17519 and therefore is not eligible to claim reimbursement under GC section 17560. Thus, costs incurred by charter schools are not eligible for reimbursement either directly or through a third party (i.e., a school district or superintendent of schools).

### **33. Which school district programs allow the use of a time study for some or all of the reimbursable activities?**

Mandate-related activities performed using standardized procedures that identify a repetitive task may be documented by a time study. The current procedures must be identical to the procedures used during the period to which time study results will be applied. The parameters and guidelines for the following programs allow the use of a time study for some or all of the reimbursable activities.

- Habitual Truant
- Interdistrict Attendance Permits
- Intradistrict Attendance
- Juvenile Court Notices II
- Notification of Truancy (only for unique costs recognized by the CSM)
- Physical Performance Tests

### **34. What are the primary reasons for the SCO audit adjustments?**

Audit adjustments are commonly attributable to: (1) employees’ time claimed without supportive documentation; (2) non-mandate-related activities claimed; and (3) other general issues.

#### **(1) Employees’ Time Claimed Without Supportive Documentation**

Claimants often support claimable employees’ hours with certifications that reflect estimated, rather than actual, time spent performing mandate-related activities. These certifications are not supported by any source documents. They often are prepared after fiscal year-end and may also be unsigned and/or undated. These certifications are not acceptable source documents. Hours recorded must be traceable to source documents used in developing the certifications (e.g., time records, employee sign-in sheets, logs, or calendars).

Claimants must maintain source documents that support certifications throughout the period during which the costs are subject to audit.

Consistent with the guidance provided in the parameters and guidelines and/or claiming instructions, a source document is a document created at or near the same time the actual costs were incurred for the event or activity in question. The source document must show the validity of the costs, when they were incurred, and their relationship to the reimbursable activities.

Time records should identify all of the work performed by an employee on a daily basis and should be signed and dated monthly by the employee. The SCO closely scrutinizes time records or logs that identify only mandate-related activities.

Training or meeting sign-in sheets also are valid time records. Sign-in sheets should be dated and accompanied by an agenda or other training or meeting materials that identify the subject matter and specify the actual time spent on mandate-related activities.

The SCO has identified the following additional time-record problems:

- The claimant did not provide any documentation (e.g., time records, time logs, or calendars) to support claimed costs
- The claimant did not provide any documentation to support a time study allegedly used to calculate claimed costs or did not support a time study used with actual source documentation
- The claimant's time study sample selection methodology was not statistically valid
- The claimant did not provide documentation to support a percentage of an employee's salary costs charged to the state-mandated program
- Employees reported time worked based on an average time per occurrence. The claimant did not provide documentation (such as a time study or log) that supports the average time claimed
- Time logs did not show the date(s) on which employees performed mandate-related activities
- Time records did not validate that employees performed mandate-related activities

## (2) Non-Mandate-Related Activities Claimed

- *Collective Bargaining and Collective Bargaining Agreement Disclosure Program*
  - Grievances that are actually non-reimbursable personnel issues
  - Individual preparation time for at-table negotiations
  - Fiscal analysis performed after the initial contract proposal or that was required by the prior year's collective bargaining agreement
  - Generic collective-bargaining training at conferences, workshops, and seminars that does not deal with "the negotiated contract"



- More than five employer representatives present at negotiation sessions
  - Winton-Act base-year direct costs not reported or incorrectly reported
  - Use of the incorrect implicit price deflator when calculating 1974-75 Winton Act adjusted costs
  - Failing to apply the indirect cost rate to contract services (specific to school districts)
  - Estimated hours/costs
  - Personal development and informational programs (classes, conferences, seminars, workshops) and related travel
  - Claiming travel expenses for consultants and attorneys at a higher rate than received by State employees
  - Claiming salaries and benefit costs for bargaining unit representatives rather than costs of substitutes for release time of bargaining unit representatives participating in negotiations
  - Failing to provide documentation identifying the dates that substitutes worked for bargaining unit representatives
  - Claiming salary and benefit costs under Contract Administration for supervisory and management personnel attendance at staff meetings in which collective bargaining updates were provided
  - Costs incurred for updating district software systems for terms of negotiated contracts related to payroll changes
- *Habitual Truant Program*
    - Verifying the reasons for student absences
    - Suspension or independent study days counted as unexcused absences, resulting in the district claiming costs attributable to pupils who have not met the minimum criteria to be classified as habitual truants
- *Law Enforcement Agency Notification and Missing Children Reports (Consolidation) Program*
    - Investigating the incident, or arresting and processing the student
- *Notification of Truancy Program*
    - Notification letters that did not contain the eight elements required by the program's parameters and guidelines The SCO allows a prorated portion of the unit cost allowance for notifications that contain fewer than the eight required items.
    - No documentation showing that the claimant performed the mandate-related activity (i.e., distribution of initial truancy notification letters)
    - Claiming letters distributed to students who did not have at least three unexcused absences
    - Counting unexcused absences accumulated before age 6 or after age 18 in determining whether a student is truant
    - Suspension or independent study days counted as unexcused absences, resulting in an overstatement of the number of unexcused absences initially classified as truancy

- Claiming multiple notifications sent for the same student
- *The Stull Act Program*
  - Pre- and post-evaluation conferences
  - Evaluations of non-certificated employees
  - Evaluations of certificated non-instructional employees, unless the employee receives an “unsatisfactory” evaluation
  - Evaluations of hourly, part-time, or substitute certificated instructional employees
  - Claiming in excess of the number of annual evaluations allowed by the parameters and guidelines

### (3) Other General Issues

- Claimed employee costs were funded or reimbursed from restricted revenue sources. CSAM Procedure 310 identifies restricted revenue limit, federal, and state sources as resource codes 2000 through 7999.
- Refer to Question No. 24 for additional issues.

## **35. What other issues have the SCO’s audits identified?**

The SCO has identified the following issues:

### (1) Period Accounting Issue

SCO audits have identified an issue common to Notification of Truancy Program claimants regarding identifying unexcused absences at the middle and high school levels. Education Code (EC) section 48260.5 requires schools to issue initial truancy notification letters for truant students.

EC section 48260, subdivision (a), states:

Any pupil subject to compulsory full-time education or to compulsory continuation education who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof, is a truant and shall be reported to the attendance supervisor or to the superintendent of the school district.

For middle and high schools, many schools maintain attendance by period but do not count single-period unexcused absences as one unexcused absence when identifying truant students. Instead, schools erroneously count six unexcused period absences as one unexcused absence (using the premise that one day contains six periods; thus 18 periods equates to three days). As a result, these school attendance systems have two potential flaws: (1) The school may not comply with EC section 48260.5 regarding timely notifications. For example, if a student has a first-period unexcused absence for 18

consecutive days, the school will not issue an initial truancy letter until well after the student meets the definition of a truant and an habitual truant. (2) The school may not comply with EC section 48260.5 for certain students. For example, if a student has a first-period unexcused absence for ten days, the student is truant by statutory definition, but the school attendance system will not identify the student as truant.

## (2) Notification of Truancy Program Changes

Pursuant to Chapter 69, Statutes of 2007 (AB 1698), the CSM amended the program's parameters and guidelines on January 31, 2008. The amendments revise the definition of a truant pupil to conform to EC section 48260. In addition, the amendments revise the truancy notification requirements to conform to EC section 48260.5. The amendments do not change existing statutory requirements; instead, they bring the program's parameters and guidelines into conformance with existing statutory requirements. The parameters and guidelines amendments are effective July 1, 2006.

Pursuant to Chapter 724, Statutes of 2010 (AB 1610), districts are required to notify the pupil's parent or guardian using the most cost-effective method possible, which may include electronic mail or telephone call. The SCO submitted to the CSM proposed parameters and guidelines on November 8, 2011 related to reimbursing districts for initial truancy notifications by a method other than an initial truancy form. This proposal has not yet been heard and decided by the CSM. Pending a decision by the CSM, only the costs of initial truancy notifications by an initial truancy form is reimbursable. Documentation standards have not yet been identified for other notification methods.

### ***Community Colleges:***

#### **36. Does the California Community Colleges Chancellor's Office (CCCCO) provide guidance in supporting actual costs?**

No.

#### **37. Which community college programs allow the use of a time study for some or all of the reimbursable activities?**

Mandate-related activities performed using standardized procedures that identify a repetitive task may be documented by a time study. The current procedures must be identical to the procedures used during the period to which time study results will be applied. The parameters and guidelines for the Health Fee Elimination program allow the use of a time study for some or all of the reimbursable activities.

#### **38. What are the primary reasons for the SCO audit adjustments?**

Audit adjustments are commonly attributable to: (1) employees' time claimed without supportive documentation; (2) non-mandate-related activities claimed; (3) other

specific issues; and (4) other general issues.

(1) Employees' Time Claimed Without Supportive Documentation

- *Enrollment Fee Collection and Waivers Program*
  - Districts only provide declarations (time surveys) based on estimates as support for the time increments required to perform the six ongoing activities of Calculating and Collecting Enrollment Fees and the six ongoing activities of Waiving Student Fees. Districts provide no actual cost documentation, such as time studies, to support the costs claimed.
- *Health Fee Elimination Program*
  - Districts frequently claim a percentage of counselor salary costs without any documentation supporting the percentage applied.

(2) Non-Mandate-Related Activities Claimed

- *Collective Bargaining and Collective Bargaining Agreement Disclosure Program*
  - Refer to discussion under Issues Raised by Schools, "Non-Mandate-Related Activities Claimed"
- *Enrollment Fee Collection and Waivers Program*
  - Including nonresidents or special part-time students in the district's net enrollment numbers
  - Claiming Preparation of Policies and Procedures costs beyond a one-time occurrence that are not related to changes/updates in State requirements
  - Claiming costs for Training District Staff beyond a one-time occurrence
- *Health Fee Elimination Program*
  - Athletic insurance costs
  - Salary costs of health professionals present at athletic events
  - Costs not required to maintain health services, such as promotional key chains, pens, coolers, tee-shirts, and refreshments
  - Services not provided in the fiscal year (FY) 1986-87 base year
  - Bad debt expense related to uncollected student health fees
  - District administrative costs (indirect costs) claimed as services and supplies

### (3) Other Specific Issues

- *Enrollment Fee Collection and Waivers Program*
  - Districts claim time increments for conducting the six ongoing activities of Calculating and Collecting Enrollment Fees and the six ongoing activities of Waiving Student Fees that are often significantly overstated.
  - Districts do not provide documentation supporting the additional time required to perform the reimbursable activities when using less automated procedures during the earlier years of the state-mandated program.
  - Districts overstate costs because they did not adjust student enrollment for students that paid their enrollment fees online or through a telephone payment system rather than in person.
  - Districts overstate the number of BOGG fee waivers granted to students.
  - Districts claim blended productive hourly rates for departments without allocating the level of involvement for various district staff who performed the reimbursable activities.
  - Districts understate the amount of offsetting revenues received from the State related to 2% of enrollment fees collected (Enrollment Fee Collection) and/or amounts related to 2% of enrollment fees waived and \$0.91 per credit unit waived (Enrollment Fee Waivers).
- *Health Fee Elimination Program*
  - Districts do not report the correct amount of authorized health service fees. Districts report incorrect amounts by: (1) reporting actual fees collected rather than authorized fees; (2) reporting inaccurate student enrollment, apprenticeship program enrollment, and students who depend exclusively on prayer for healing; and (3) calculating authorized fees using an incorrect authorized fee per student. The SCO obtains the non-duplicated count for student enrollment and apprenticeship program enrollment from the CCCCCO. The CCCCCO extracts this information from annual reports that districts submit.
  - Districts do not report other health service-related revenue received, including additional fees charged to students.
  - Districts do not accurately document health services provided in both the base-year (FY 1986-87) and the claim year. Frequently, districts alter the base-year services identified from one claim year to the next and do not document actual base-year services provided. Districts also inappropriately modify the standardized claim form (HFE-2) to include services that are not identified in the parameters and guidelines. In addition, districts do not maintain documentation that adequately identifies claim-year services provided.
  - Districts do not document actual time spent performing activities that exceed base- year activities.
  - For FY 2004-05 and subsequent fiscal years, districts claimed indirect costs using a methodology other than the SCO's FAM-29C, which is not allowed by the parameters and guidelines and claiming instructions for

this state-mandated program.

(4) Other General Issues

- Claimed indirect cost rates were not in accordance with a methodology allowed by the parameters and guidelines (e.g., they were either not federally approved or were not calculated correctly using the SCO's FAM-29C methodology).
- Refer to Question No. 24 for additional issues.

***Block Grants:***

**39. What is a mandate block grant?**

A mandate block grant is funding apportioned by the State that shall constitute reimbursement pursuant to Section 6 of Article XIII B of the California Constitution for the performance of any state mandates. Funding appropriated in Items 6110-296-0001 and 6870-296-0001 of the annual Budget Act, shall be used for reimbursement of state-mandated programs as a block grant to school districts (SD), charter schools, county offices of education, and community college districts (CCD). Commencing with the 2012-13 fiscal year, SDs, charter schools, county offices of education, and CCDs may elect to participate in this block grant.

**40. Can a claimant who elects to participate in the block grant submit claims for reimbursement?**

No; in any year in which a claimant elects to participate in the block grant, they shall not be eligible to submit a mandate reimbursement claim for that same year's costs for any program listed in the block grant.

**41. What state-mandated programs are listed in the block grant?**

State-mandated programs specifically funded by the block grant are listed under GC sections 17581.6 for school districts and 17581.7 for community college districts.

**42. Does SCO administer the mandate block grant?**

The State Controller's Office does not administer the mandate block grant. For additional information regarding block grants for SDs, please refer to the CDE [website](#). For CCDs, please contact Fiscal Services at [apportionments@cccco.edu](mailto:apportionments@cccco.edu).

## Special Districts:

### 43. Are Special Districts eligible to file claims for reimbursement?

A special district is eligible if it meets the eligibility criteria adopted by the CSM's May 25, 2012 [Statement of Decision](#). To be eligible to claim state-mandated program reimbursement, an enterprise or non-enterprise special district must be subject to both the tax and spend limitations of Articles XIII A and XIII B, and the costs in question can be recovered solely from proceeds of taxes or tax revenues. More information on this topic can be found in the source reference below.

#### **Commission on State Mandates May 25, 2012 Statement of Decision (page 19) - Local Agency Ethics:**

- “Reimbursement under article XIII B, section 6 is required **only when the local agency is subject to the tax and spend limitations of articles XIII A and XIII B**, and only when the costs in question can be recovered solely from “proceeds of taxes,” or tax revenues. Since enterprise districts are usually not funded by proceeds of taxes, they are generally exempt from article XIII B’s spending limit.”
- “Non-enterprise districts rely overwhelmingly on property tax revenues and parcel taxes to pay their operational expenses, and are thus subject to the tax and spend limitations of articles XIII A and XIII B of the California Constitution. Therefore, non-enterprise districts are generally eligible claimants for state-mandates.”

([Source](#): Enterprise Versus Non-enterprise Districts section)