

Filing a Claim

1. Introduction

Government Code (GC) sections 17500 through 17617 provide for the reimbursement of costs incurred by school districts (SD) and community college districts (CCD) for mandated cost programs as a result of any statute enacted after January 1, 1975, or any executive order implementing such statute which mandates a new program or higher level of service of an existing program.

Reimbursement claims are defined as any claim filed with the State Controller's Office (SCO) for reimbursement of costs incurred for which an appropriation is made for the purpose of paying the claim. All claims received by SCO will be reviewed to verify all actual costs claimed. An adjustment of the claim will be made if the amount claimed is determined to be excessive, improper, or unreasonable.

The Commission on State Mandates (CSM) adopted the Charter School III Statement of Decision on May 25, 2006, which stated that a charter school is voluntarily participating in the charter program at issue and that a charter school is not an SD under GC section 17519 and therefore is not eligible to claim reimbursement under GC section 17560. Accordingly, charter schools cannot be reimbursed for their costs by filing a claim or through a third party's claim such as an SD or superintendent of schools.

SCO is authorized to make payments for costs of mandated programs from amounts appropriated by the State Budget Act or by specific legislation. In the event the appropriation is insufficient to pay claims in full, claimants will receive prorated payments in proportion to the dollar amount of approved claims for the program. Balances of prorated payments will be made when supplementary funds become available.

2. Types of Claims

Claimants may file a claim for reimbursement of actual costs incurred in prior fiscal years for a state-mandated program. The types of claims, as defined in GC section 17522, are as follows:

a) Initial Reimbursement Claim

A claim filed with SCO for costs to be reimbursed for the fiscal years specified in the first claiming instructions issued by SCO pursuant to GC section 17558(b).

b) Annual Reimbursement Claim

A claim filed with SCO for actual costs incurred in a prior fiscal year for which appropriations are made to SCO for this purpose.

c) Entitlement Reimbursement Claims (currently there are no State Mandate Apportionments System (SMAS) programs for CCDs)

A claim filed with SCO for the purpose of establishing or adjusting a base year entitlement. All entitlement claims are subject to GC section 17616.

3. Minimum Claim Amount

For initial claims and annual claims filed, if the total costs for a given year do not exceed \$1,000, no reimbursement will be allowed except as otherwise authorized by GC section 17564(a).

Combined claims may be filed by an SD only when the county superintendent of schools is the fiscal agent for the claimant. The county superintendent of schools will determine if the submission of a combined claim is economically feasible, and will be responsible for disbursing the funds to each claimant. A combined claim must show the individual claim costs for each eligible claimant. All subsequent claims based upon the same mandate must be filed in the combined form only unless a claimant provides to the county superintendent of schools and to SCO, at least 180 days prior to the deadline for filing the claim, a written notice of its intent to file a separate claim.

4. Filing Deadline for Claims

a) Initial Reimbursement Claims

Each claimant, to which the mandate is applicable, shall submit claims for the costs of the initial fiscal years to SCO within 120 days of the issuance date of the claiming instructions, pursuant to GC section 17561(d)(1)(A). Any claim for initial reimbursement filed after the filing deadline will be reduced by 10% of the amount that would have been allowed had the claim been timely filed, with no limitation. SCO may withhold payment of any late claim for initial reimbursement until the next payment deadline for funded claims unless sufficient funds are available to pay the claim after all timely filed claims have been paid. Amended initial claims filed after the deadline will be reduced by 10% of the increased amount of the initial costs, with no limitation. For the purpose of computing a late penalty, claims for all initial fiscal years required to be filed on their initial filing date for a program, shall be considered one claim. In no case may a reimbursement claim be paid if submitted more than one year after the filing deadline specified in the SCO's claiming instructions.

b) Annual Reimbursement Claims

Each claimant must submit a claim to SCO by February 15 following the fiscal year in which costs were incurred. If the deadline falls on a weekend or holiday, claims are due the following business day. Claims filed after the deadline will be reduced by a late penalty of 10%, not to exceed \$10,000. Amended claims filed after the deadline will be reduced by 10% of the increased amount, not to exceed \$10,000. In no case may a reimbursement claim be paid if submitted more than one year after the filing deadline, pursuant to GC section 17561(d)(3).

c) Entitlement Reimbursement Claims (currently there are no SMAS programs for CCDs)

When a mandated program has been included in the SMAS, SCO will determine a base-year entitlement amount for each claimant that has submitted reimbursement claims (or entitlement claims) for three consecutive fiscal years. An entitlement claim should not contain nonrecurring or initial start-up costs.

4. Filing Deadline for Claims (continued)

There is no statutory deadline for the filing of entitlement claims, pursuant to GC section 17615.5(b). However, these claims should be filed by February 15 following the third fiscal year used to develop the entitlement claim, to permit an orderly processing of claims.

5. Payment of Claims

In order for SCO to authorize the payment of a claim, the Certification of Claim, Form FAM-27, must be properly filled out, signed in blue ink or electronic signature, and dated by the agency's authorized officer. Pursuant to GC section 17561(d), reimbursement claims are paid by October 15 or 60 days after the date the appropriation for the claim is effective, whichever is later. In the event the amount appropriated by the Legislature is not sufficient to pay the approved amount in full for a program, claimants will receive a prorated payment in proportion to the amount of approved claims timely filed and on hand at the time of proration. Notwithstanding any other law, if \$1,000 or less is appropriated for a program, SCO shall determine the most effective allocation method.

a) Initial Reimbursement Claims

When paying a timely filed claim for initial reimbursement, SCO shall withhold 20% of the amount of the claim until the claim is audited to verify the actual amount of the mandated costs, pursuant to GC section 17561(d)(C)(3).

The payment of an initial reimbursement claim by SCO shall include accrued interest at the Pooled Money Investment Account (PMIA) rate, if the payment is made more than 365 days after the adoption of the program's statewide cost estimate for an initial claim. Interest shall begin to accrue as of the 366th day after the adoption of the statewide cost estimate for the initial claim, pursuant to GC section 17561.5.

b) Annual Reimbursement Claims

A claimant is entitled to receive accrued interest at the PMIA rate for any unpaid subsequent claim amount remaining on August 15 following the filing deadline. Interest shall begin to accrue on August 16 following the filing deadline.

c) Entitlement Reimbursement Claims (currently there are no SMAS programs for CCDs)

Initial apportionments are made on an individual program basis. After the initial year, all apportionments are made by November 30, pursuant to GC section 17615.3. The amount to be apportioned is the base-year entitlement adjusted by annual changes in the Implicit Price Deflator (IPD) for the cost of goods and services to governmental agencies as determined by the Department of Finance (DOF).

When SCO has made a payment on claims prior to the CSM's approval of the program for inclusion into SMAS, the payment to the district shall be adjusted in the next apportionment to the amount which would have been approved for that fiscal year had the SMAS been in effect at the time of the initial payment, pursuant to GC section 17615.2.

5. Payment of Claims (continued)

SCO reports the amounts of insufficient appropriations to the Director of DOF, the Chairperson of the Joint Legislative Budget Committee, and the Chairperson of the respective fiscal committee in each House of the Legislature. Any balances remaining on these claims will be paid if supplementary funds become available.

Unless specified in the statutes, regulations, or the Parameters and Guidelines (Ps & Gs), the determination of allowable and unallowable costs for mandates is based on the Ps & Gs adopted by CSM. Allowable costs are those direct and indirect costs, less applicable credits, considered eligible for reimbursement. In order for costs to be allowable and thus eligible for reimbursement, the costs must meet the following general criteria:

- The cost is necessary and reasonable for proper and efficient administration of the mandate and not a general expense required in carrying out the overall responsibilities of government;
- The cost is allocable to a particular cost objective identified in the Ps & Gs; and
- The cost is net of any applicable credits that offset or reduce expenses of items allocable to the mandate.

Certain costs that should not be claimed as direct program costs unless specified as reimbursable under the program's Ps & Gs may include, but are not limited to, subscriptions, depreciation, memberships, conferences, workshops, general education, and travel costs.

6. State Mandates Apportionment System (SMAS), GC sections 17615 – 17617 (currently there are no SMAS programs for CCDs)

Chapter 1534, Statutes of 1985, established the SMAS. It is the intent of the Legislature to streamline the reimbursement process for costs mandated by the State by creating a system of state mandate apportionments to fund the costs of certain programs mandated by the State. This method is utilized whenever a program has been approved for inclusion in the SMAS by CSM.

Once CSM approves a mandate for inclusion in the SMAS, SCO will determine a base-year entitlement amount for each claimant that has submitted reimbursement claims (or entitlement claims) for three consecutive fiscal years. A base-year entitlement amount is determined by averaging the approved reimbursement claims (or entitlement claims) for any three consecutive fiscal years. The amounts are first adjusted by any change in the IPD, which is applied separately to each year's costs for the three years that comprise the base period. The base period is the three fiscal years succeeding CSM's approval.

When the claims are approved and a base-year entitlement amount is determined, the claimant will receive an apportionment reflective of the program's current-year costs. The apportionment amount is adjusted annually for any change in the IPD. If the mandated program was included in the SMAS after January 1, 1988, the annual apportionment is adjusted for any change in both the IPD and the average daily attendance.

6. State Mandates Apportionment System (SMAS), GC sections 17615 – 17617 (continued)

SCO will perform this computation for each claimant that has filed claims for three consecutive years. If a claimant has incurred costs for three consecutive years but has not filed a claim in each of those years, the claimant may file an entitlement claim, Form FAM-43, to establish a base year entitlement. The Form FAM-43 is included in the claiming instructions for SMAS programs.

If a SMAS program is discontinued or made permissive, SCO shall determine the amount of the entitlement attributable to that mandate according to GC section 17615.6. If the program is modified or amended by the Legislature or an executive order and the modification or amendment significantly affects the program, as determined by CSM, the program shall be removed from the SMAS and the payments reduced accordingly, pursuant to GC section 17615.7.

In the event CSM determines that the apportionment amount or base year entitlement does not accurately reflect costs incurred by the district of all mandates upon which that apportionment is based, CSM shall direct SCO to adjust the apportionment as set forth in GC section 17615.8(c).

The following SD programs are placed in the SMAS:

Program Number	Chapter/ Statute	Program Name
91	1253/75	Expulsion of Pupils: Transcript Cost for Appeals
32	1176/77	Immunization Records

7. Direct Costs

A direct cost is a cost that can be readily identified specifically with a particular program or activity. Documentation to support direct costs must be kept on hand, unless otherwise specified in the claiming instructions, and made available to SCO upon request.

It is the responsibility of the claimant to maintain documentation in the form of general and subsidiary ledgers, purchase orders, invoices, contracts, canceled warrants, equipment usage records, land deeds, receipts, employee timesheets, agency travel guidelines, inventory records, and other relevant documents to support claimed costs. The type of documentation necessary for each claim may differ with the type of mandate.

Costs typically classified as direct costs are:

a) Employee Wages, Salaries, and Benefits

A productive hourly rate may be computed by the claimant for each employee or classification whose labor is directly related to the claimed reimbursable cost. For each of the reimbursable mandated activities performed, list the names of the employees, job classifications, hours worked on the mandate, and rate of pay.

7. Direct Costs (continued)

A claimant has the option of using one of the following methods: (1) Actual Annual Productive Hourly Rate (per employee); or (2) Weighted-Average Annual Productive Hourly Rate (per classification). The claimant must maintain documentation of how the hours were computed for either option.

(1) Actual Annual Productive Hourly Rate

The annual productive hours (APH) to be used is 1,800 for the computation of the productive hourly rate. APH must exclude employee time for paid holidays, vacation earned, used sick leave, informal time off, jury duty, and used military leave.

There are two methods to compute actual annual productive hourly rate (PHR):

(a) Employee's Annual Salary (EAS) plus Actual Fringe Benefits Costs (Benefits) Method

To illustrate the computation of PHR, assuming that the employee's compensation was \$26,000 and \$8,099 for annual salary and fringe benefits, respectively; using the formula shown in Table 1 below, this method would yield a PHR of \$18.94.

Table 1: Employee's Annual Salary plus Actual Fringe Benefits Costs Method

<p>Formula: [(EAS plus Benefits) divided by APH] equals PHR [(\$26,000 plus \$8,099)] divided by 1,800 equals \$18.94</p>

- To convert a biweekly salary to an annual salary, multiply the biweekly salary by 26.
- To convert a monthly salary to an annual salary, multiply the monthly salary by 12.
- Use the same methodology to convert other salary periods.

7. Direct Costs (continued)

(b) Percent of Salary Method

To compute PHR using this method, the claimant should first determine the benefit rates (BR).

Table 2: Percent of Salary Method

Example:	
Step 1: Benefits as a Percent of Salary	
Retirement	15.00 %
Social Security & Medicare	7.65
Health & Dental Insurance	5.25
Workers' Compensation	3.25
Total	<u>31.15</u> %
Step 2: Productive Hourly Rate	
Formula: [(EAS times (100% plus BR)) divided by APH] equals PHR	
[(\$26,000 times (1.3115)) divided by 1,800] equals \$18.94	

As illustrated in Table 1 and Table 2, both methods produce the same PHR.

Reimbursement for personnel services includes, but is not limited to, compensation paid for salaries, wages and employee fringe benefits. Employee fringe benefits include employer's contributions for social security, pension plans, insurance, worker's compensation insurance, and similar payments. These benefits are eligible for reimbursement as long as they are distributed equitably to all activities. Whether these costs are allowable is based on the following presumptions:

- The amount of compensation is reasonable for the service rendered;
- The compensation paid and benefits received are appropriately authorized by the governing board;
- Amounts charged for personnel services are based on payroll documents that are supported by time and attendance or equivalent records for individual employees; and
- The methods used to distribute personnel services produce an equitable distribution of direct and indirect allowable costs.

7. Direct Costs (continued)

For each of the employees included in the claim, the claimant must use reasonable rates and hours in computing the wage cost. If a person of a higher-level job position performs an activity which normally would be performed by a lower-level position, reimbursement for time spent is allowable at the average salary range for the lower-level position. The salary rate of the person at the higher-level position may be claimed if it can be shown that it was more cost effective in comparison to the performance by a person at the lower-level position under normal circumstances and conditions. The number of hours charged to an activity should reflect the time expected to complete the activity under normal circumstances and conditions. The number of hours in excess of normal expected hours is not reimbursable.

(2) Weighted-Average Annual Productive Hourly Rate

Those instances for which the claiming instructions allow a unit as a basis of claiming costs, the direct labor component of the unit cost should be expressed as an average productive hourly rate and can be determined as follows:

Table 3: Calculating an Average Productive Hourly Rate

	<u>Time Spent</u>	<u>Productive Hourly Rate</u>	<u>Total Cost by Employee</u>
Employee A	1.25 hours	\$6.00	\$7.50
Employee B	0.75 hours	\$4.50	\$3.38
Employee C	<u>3.50 hours</u>	\$10.00	<u>\$35.00</u>
Total	<u>5.50 hours</u>		<u>\$45.88</u>
Average Productive Hourly Rate is \$45.88 divided by 5.50 hours equals \$8.34			

b) Employer's Benefits Contribution (Optional)

A claimant has the option of claiming actual employer's fringe benefit contributions or computing an average fringe benefit cost for the employee's job classification and claiming it as a percentage of direct labor. The same time base should be used for both salary and fringe benefits when computing a percentage. For example, if health and dental insurance payments are made annually, use an annual salary. After the percentage of salary for each fringe benefit is computed, total them.

For example:

<u>Employer's Contribution</u>	<u>% of Salary</u>
Retirement	15.00
Social Security & Medicare	7.65
Health & Dental Insurance	5.25
Workers' Compensation	0.75
Total	<u>28.65%</u>

7. Direct Costs (continued)

c) Materials and Supplies

Only actual expenses may be claimed for materials and supplies that were acquired and consumed specifically for the purpose of a mandated program. The claimant must list the materials and supplies that were used to perform the mandated activity, the number of units consumed, the cost per unit, and the total dollar amount claimed. Materials and supplies purchased to perform a particular mandated activity should be reasonable in quality, quantity, and cost. Purchases in excess of reasonable quality, quantity, and cost are not reimbursable. Materials and supplies withdrawn from inventory and charged to the mandated activity must be based on a recognized method of pricing, consistently applied. Purchases must be claimed at the actual price after deducting discounts, rebates, and allowances received by the claimant.

(1) Calculating a Unit Cost for Materials and Supplies

In those instances for which the Ps & Gs suggest that a unit cost be developed for use as a basis of claiming costs mandated by the State, the materials and supplies component of the unit cost should be expressed as a unit cost of materials and supplies as shown in Table 4 or Table 5:

Table 4: Calculating a Unit Cost for Materials and Supplies

Supplies	<u>Cost Per Unit</u>	<u>Amount of Supplies Used Per Activity</u>	<u>Unit Cost of Supplies Per Activity</u>
Paper	0.02	4	\$0.08
Files	0.10	1	\$0.10
Envelopes	0.03	2	\$0.06
Photocopies	0.10	4	\$0.40
			<u>\$0.64</u>

Table 5: Calculating a Unit Cost for Materials and Supplies

Supplies	<u>Amount of Supplies Used Per Activity</u>	<u>Unit Cost of Supplies Per Activity</u>
Paper (\$10.00 for 500 sheet ream)	250 Sheets	\$5.00
Files (\$2.50 for box of 25)	10 Folders	\$1.00
Envelopes (\$3.00 for box of 100)	50 Envelopes	\$1.50
Photocopies (\$0.05 per copy)	40 Copies	\$2.00
		<u>\$9.50</u>

7. Direct Costs (continued)

d) Contract Services

The cost of contract services is allowable if the claimant lacks the staff resources or necessary expertise, or it is economically feasible to hire a contractor to perform the mandated activity. The claimant must keep documentation on hand to support the name of the contractor, the reason for hiring a contractor, the mandated activities performed, the dates the activities were performed, the number of hours spent performing the mandate, the hourly billing rate, and the total cost. The hourly billing rate must not exceed the rate specified in the Ps & Gs for the mandated program. The contractor's invoice or statement must include an itemized list of costs for activities performed. A copy of the contract must be included with the submitted claim.

e) Equipment Rental Costs

Equipment purchases and leases (with an option to purchase) are not reimbursable as a direct cost unless specifically allowed by the Ps & Gs for the particular mandate. Equipment rentals used solely for the mandate are reimbursable to the extent that such costs do not exceed the retail purchase price of the equipment plus a finance charge. The claimant must maintain documentation to support the purpose and use of the equipment, the time period for which the equipment was rented, and the total cost of the rental. If the equipment is used for purposes other than reimbursable activities for a specific mandate, only the pro rata portion of the rental costs may be claimed.

f) Fixed Assets

Capital outlay for land, buildings, equipment, furniture, and fixtures may be claimed if the Ps & Gs specify them as allowable. If they are allowable, the Ps & Gs for the program will specify a basis for the reimbursement. If the fixed asset or equipment is also used for purposes other than reimbursable activities for a specific mandate, only the pro rata portion of the purchase price used to implement the reimbursable activities may be claimed.

g) Travel Expenses

Travel expenses are normally reimbursable in accordance with travel rules and regulations of the local jurisdiction. For some programs, however, the Ps & Gs may specify certain limitations on expenses, or expenses may be reimbursed only in accordance with the California Department of Human Resources travel standards. When claiming travel expenses, the claimant must maintain documentation to support the purpose of the trip, the names and addresses of the persons incurring the expense, the date and time of departure and return, a description of each expense claimed, the cost of transportation, the number of private auto miles traveled, and the cost of tolls and parking. Receipts are required for charges over \$10.00.

7. Direct Costs (continued)

h) Documentation

It is the responsibility of the claimant to make available to SCO, upon request, documentation in the form of general and subsidiary ledgers, purchase orders, invoices, contracts, canceled warrants, equipment usage records, land deeds, receipts, employee time sheets, agency travel guidelines, inventory records, and other relevant documents to support claimed costs. The type of documentation necessary for each claim may differ with the type of mandate.

8. Indirect Costs

Indirect costs are (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited without effort disproportionate to the results achieved. Indirect costs can originate in the department performing the mandate or in departments that supply the department performing the mandate with goods, services, and facilities. To be allowable, a cost must be allocable to a particular cost objective. Indirect costs must be distributed to benefiting cost objectives on bases, which produce an equitable result, related to the benefits derived by the mandate.

- An SD 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 online, SDs do not need to file supporting documentation for indirect costs with their claims.
- If a CCD is using an indirect cost rate that exceeds 7%, documentation to support the indirect cost rate must be submitted with the claim. A detailed explanation of the indirect cost methods available to claimant's can be found in the *Appendix*. Documentation to support actual costs must be kept on hand by the claimant and made available to SCO upon request as explained in Section 16, Filing a Claim, page 17, Retention of Claim Records and Supporting Documentation.

9. Time Study Guidelines

Two methods are acceptable for documenting employee time charged to mandated cost programs: (a) Actual Time Reporting, and (b) Time Study. These methods are described below. Application of time study results is restricted. As explained in the Time Study Results section below, the results may be projected forward a maximum of two years or applied retroactively to initial claims, current-year claims, and late-filed claims, provided certain criteria are met.

a) Actual Time Reporting

Each program's Ps & Gs define reimbursable activities for each mandated cost program. When employees work on multiple activities, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation that must:

- (1) Reflect an after-the-fact (contemporaneous) distribution of the actual activity of each employee;

9. Time Study Guidelines (continued)

- (2) Account for the total activity for which each employee is compensated;
- (3) Be prepared at least monthly and coincide with one or more pay periods; and
- (4) Be signed by the employee.

Budget estimates or other distribution percentages determined before services are performed do not qualify as support for actual time reporting.

b) Time Study

In certain cases, a time study may be used as a substitute for continuous records of actual time spent on multiple activities and/or programs. A time study can be used for an activity when the task is repetitive in nature. Activities that require varying levels of effort are not appropriate for time studies.

(1) Time Study Plan

The claimant must develop a plan before the time study is conducted. The claimant must retain the time study plan for audit purposes. The plan must identify the following:

- (a) Time periods to be studied – The plan must show that all time periods selected are representative of the fiscal year and that the results can be reasonably projected to approximate actual costs;
- (b) Activities and/or programs to be studied – For each mandated program included, the time study must separately identify each reimbursable activity defined in the mandated program's Ps and Gs, which are derived from the program's State of Decision. If a reimbursable activity in the Ps & Gs identifies separate and distinct sub-activities, these sub-activities also must be treated as individual activities;

For example, sub-activities (a) and (b) under Reimbursable Activity (B)(1) of the claimant's Agency Fee Arrangements Program relate to salary deduction and payment of fair share and are not separate and distinct activities. It is not necessary to separately study these sub-activities;

- (c) Process used to accomplish each reimbursable activity – Use flowcharts or similar analytical tools and/or written desk procedures to describe the process followed to complete each activity;
- (d) Employee universe – The employee universe used in the time study must include all positions for which salaries and wages are to be allocated by means of the time study;

9. Time Study Guidelines (continued)

- (e) Employee sample selection methodology – The plan must show that employees selected are representative of the employee universe and that the results can be reasonably projected to approximate actual costs. In addition, the employee sample size should be proportional to the variation in time spent to perform a task. The sample size should be larger for tasks with significant time variations; and
- (f) Time increments to be recorded – The time increments used should be sufficient to recognize the number of different activities performed and the dynamics of these responsibilities. Very large increments (such as one hour or more) can be used for employees performing only a few functions that change very slowly over time. Small increments (a number of minutes) can be used for employees performing more short-term tasks.

Random-moment sampling is not an acceptable alternative to continuous time records for mandated cost claims. Random-moment sampling techniques are most applicable to situations in which employees perform many different types of activities on a variety of programs with small time increments throughout the fiscal year.

(2) Time Study Documentation

Time studies must:

- (a) Be supported by time records that are completed contemporaneously;
- (b) Report activities on a daily basis;
- (c) Be sufficiently detailed to reflect all mandated activities and/or programs performed during a specific time period; and
- (d) Coincide with one or more pay periods.

Time records must be signed under penalty of perjury by the employee (electronic signatures are acceptable) and be supported by documentation that validates that the work was actually performed. As with actual time reporting, budget estimates or other distribution percentages determined before services are performed do not qualify as valid time studies.

(3) Time Study Results

Claimants must summarize time study results to show how the time study supports the costs claimed for each activity. Any variations from the procedures identified in the original time study plan must be documented and explained. Current-year costs must be used to prepare a time study. Claimants may project time study results to no more than two subsequent fiscal years. A claimant may not apply time study results retroactively.

9. Time Study Guidelines (continued)

When projecting time study results, the claimant must certify that no significant changes have occurred between years in either (a) the requirements of each mandated program activity; or (b) the processes and procedures used to accomplish the activity. For all years, the claimant must maintain documentation that shows that the mandated activity was actually performed. Time study results used to support claims are subject to the record keeping requirements for those claims.

10. Reduction to State-Mandated Costs

As noted previously, allowable costs are defined as those direct and indirect costs, less applicable credits, considered eligible for reimbursement. When all or part of the costs of a mandated program are specifically reimbursable from local assistance revenue sources (e.g., state, federal, foundation, etc.), only that portion of any increased costs payable from SD or CCD funds is eligible for reimbursement under the provisions of GC section 17561.

a) Example 1:

As illustrated in Table 6, this example shows how the *Ineligible Costs Reduction* is determined for a claimant receiving block grant revenues based on 100% program cost funding.

**Table 6: Reduction to State-Mandated Costs
100% Program Cost Funding
Claimant's Cost Share of Total Program Costs is Zero**

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Program Costs				State-Mandated Costs		
Total Program Costs ¹	Claimant's Cost Share	Actual Program Assistance Funding Received	Net Program Costs ²	Claimed State-Mandated Costs ¹	Ineligible Costs Reduction	Claimable State-Mandated Costs
[(a) minus (b)] minus (c)				(e) minus (f)		
1 \$100,000	\$0	\$95,000	\$5,000	\$2,500	\$0	\$2,500
2 \$100,000	\$0	\$97,000	\$3,000	\$2,500	\$0	\$2,500
3 \$100,000	\$0	\$98,000	\$2,000	\$2,500	\$500	\$2,000
4 \$100,000	\$0	\$99,200	\$800	\$2,500	\$1,700	\$800 ³

Table Footnotes:

- ¹ For Illustrative Purposes *Total Program Costs* are \$100,000 and the *Claimed State-Mandated Costs* are \$2,500.
- ² Total Program Costs Net of *Claimants Cost Share* and/or *Local Assistance Revenues Received*.
- ³ Claim is less than \$1,001 and is ineligible for reimbursement.

10. Reduction to State-Mandated Costs (continued)

b) Example 2:

As illustrated in Table 7, this example shows how the *Ineligible Costs Reduction* is determined for claimant’s receiving special project funds based on partially approved funding.

**Table 7: Reduction to State-Mandated Costs
Partial Program Cost Funding
Claimant’s Cost Share of Total Program Costs is the First \$25,000**

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Program Costs				State-Mandated Costs		
	Total Program Costs ¹	Claimant’s Cost Share	Actual Program Assistance Funding Received	Total Net Program Costs ²	Claimed State-Mandated Costs ¹	Ineligible Costs Reduction	Claimable State-Mandated Costs
	[(a) minus (b)] minus (c)				(e) minus (f)		
1	\$100,000	\$25,000	\$73,500	\$1,500	\$2,500	\$1,000	\$1,500
2	\$100,000	\$25,000	\$60,000	\$15,000	\$2,500	\$0	\$2,500
3	\$100,000	\$25,000	\$74,500	\$500	\$2,500	\$2,000	\$500 ³

Table Footnotes:
¹ For Illustrative Purposes *Total Program Costs* are \$100,000 and the *Claimed State-Mandated Costs* are \$2,500.
² Total Program Costs Net of *Claimants Cost Share* and/or *Local Assistance Revenues Received*.
³ Claim is less than \$1,001 and is ineligible for reimbursement.

11. Notice of Claim Adjustment

Claims are reviewed to determine if the claim was prepared in accordance with the claiming instructions. Claimants will receive a Notice of Claim Adjustment detailing any adjustment made by SCO.

12. Audit of Costs

Pursuant to GC section 17558.5(b), SCO may conduct a field review of any claim after it has been submitted to determine if costs are related to the mandate, are reasonable and not excessive, and the claim was prepared in accordance with the SCO’s claiming instructions and the Ps & Gs adopted by CSM. If any adjustments are made to a claim, a Notice of Claim Adjustment specifying the claim activity adjusted, the amount adjusted, and the reason for the adjustment will be mailed within 30 days after payment of the claim.

13. Source Documents

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 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, or time logs, sign-in sheets, invoices, and receipts.

13. Source Documents (continued)

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 stating: "I certify 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, these documents cannot be substituted for source documents.

14. Claim Forms and Instructions

Claim forms provided with the claiming instructions should be duplicated or printed from the SCO [website](#) and used by the claimant to file reimbursement claims. A claimant may submit computer generated forms in substitution of Form 1 and Form 2, provided that the format of the forms and data fields contained within are identical to the claim forms included with the claiming instructions. SCO will revise the manual and claim forms as necessary.

a) Form 2, Activity Cost Detail

This form is used to segregate the direct costs by claim activity. In some mandates, specific reimbursable activities have been identified for each activity. The expenses reported on this form must be supported by the official financial records of the claimant. All documents used to support the reimbursable activities must be retained by the claimant unless required to be submitted with the claim, and must be made available to SCO on request.

b) Form 1, Claim Summary

This form is used to summarize direct costs by activity and compute allowable indirect costs for the mandate. The direct costs summarized on this form are derived from Form 2 and are carried forward to Form FAM-27.

c) Form FAM-27, Claim for Payment

This form contains a certification that must be signed by an authorized officer of the claimant. All applicable information from Form 1 must be carried forward onto this form in order for SCO to process the claim for payment. An original and one copy of the Form FAM-27 are required. Submit a signed original Form FAM-27 and one copy with required documents.

Please sign the Form FAM-27 in blue ink or electronic signature. Attach the copy to the top of the claim package if submitting by mail.

Mandated cost claiming instructions and forms are available online at the SCO's [website](#).

Electronic submissions are accepted and is available through an online file transfer protocol called the **Data Exchange Portal** (DEP). All information regarding [DEP](#) is available on the SCO's website.

14. Claim Forms and Instructions (continued)

Use the following mailing addresses:

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 Reimbursements Section
Local Government Programs and
Services Division
3301 C Street, Suite 700
Sacramento, CA 95816

15. Retention of Claiming Instructions

For your convenience, the revised claiming instructions in this package have been arranged in alphabetical order by program name. This manual should be retained for future reference, and the forms should be duplicated to meet your filing requirements. Annually, new or revised forms, instructions, and any other information claimants may need to file claims will be placed on the SCO's [website](#).

16. Retention of Claim Records and Supporting Documentation

Pursuant to GC section 17558.5(a), a reimbursement claim for actual costs filed by a claimant is subject to the initiation of an audit by SCO no later than three years after the date that the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for SCO to initiate an audit will commence to run from the date of initial payment of the claim. In any case, an audit will be completed not later than two years after the date that the audit was commenced.

All documentation to support actual costs claimed must be retained during the period subject to audit and made available to the SCO upon request. The period subject to audit is at a minimum, three years after the date that the actual reimbursement claim is filed or last amended, whichever is later, or, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, three years after the date of initial payment of the claim. If an audit has been initiated by the SCO during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings. Supporting documents must be made available to the SCO on request.

For more information, contact the Local Reimbursements Section by [email](#).