

FREQUENTLY ASKED QUESTIONS RELATED TO MANDATED COST PROGRAMS— LOCAL AGENCIES, SCHOOLS, AND COMMUNITY COLLEGES

Responses to questions frequently asked of State Controller's Office (SCO). More mandated cost information is available on the SCO Web site at www.sco.ca.gov (click on Mandate Facts and Help). For purpose of this document, local agencies and school districts include cities, counties, special districts, authorities, other political subdivisions of the state, community colleges, and county superintendent of schools.

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1. How is a mandated program established?

Pursuant to Government Code section 17551, subdivision (c), within one year of a change in law, local agencies and school districts may file a test claim with the Commission on State Mandates (CSM). The CSM reviews test claims, solicits input, and identifies a mandated program by adopting a statement of decision.

2. Who determines what specific activities are reimbursable?

The CSM determines what activities are reimbursable. The CSM solicits input and adopts parameters and guidelines consistent with the statement of decision. The parameters and guidelines identify reimbursable mandated activities. They state that claimants are allowed to claim and be reimbursed only for increased costs related to the reimbursable activities identified. Unless otherwise noted, the parameters and guidelines and various Government Code 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?

To assist local agencies and school districts in claiming reimbursable costs, the SCO issues claiming instructions within 60 days after the CSM adopts new or amended parameters and guidelines pursuant to Government Code section 17558, subdivision (b). The claiming instructions allow claimants to file initial and ongoing reimbursement claims. The SCO solicits input from state agencies and interested parties before issuing new or amended claiming instructions.

The SCO Web site identifies the claiming instructions under "Program Updates." A separate link allows access to claiming instructions related to initial claims for new mandated programs.

4. When are reimbursement claims due?

Annual reimbursement claims, commencing with the FY 2006-07 claims, are due February 15 following the fiscal year of the claim. Previously, the reimbursement claims were due January 15 of each year. The change resulted from Chapter 179, Statutes of 2007 (SB 86), which was chaptered on August 24, 2007.

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

Yes. Pursuant to California Code of Regulations, Title 2, Division 2, Chapter 2.5, Article 3, section 1183.2, an interested party can request that the CSM amend, modify, or supplement the parameters and guidelines consistent with the statement of decision. The CSM Web site (www.csm.ca.gov) provides guidance on filing the parameters and guidelines amendments.

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

Most parameters and guidelines adopted before 2003 state that all claimed costs must be traceable to source documents and/or worksheets that show evidence of and validity of such costs. Those parameters and guidelines adopted since 2003, and the SCO claiming instructions issued since September 30, 2003, provide additional clarification related to source documents as follows:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the 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.

The SCO has requested the CSM to amend parameters and guidelines issued before 2003 to incorporate this clarifying language on documentation requirements.

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 SCO Web site.

8. What is a reasonable reimbursement methodology? What are the different processes available in developing a reasonable reimbursement methodology?

Government Code section 17518.5 defines a reasonable reimbursement methodology as a formula for reimbursing local agencies and school districts for costs mandated by the state, as defined in section 17514. A reasonable reimbursement methodology may be developed through

the Commission on State Mandates' process in consultation with the Department of Finance, the SCO, an affected state agency, a claimant, or an interested party.

Pursuant to sections 17557.1 and 17557.2, a test claimant and the Department of Finance may develop a reasonable reimbursement methodology outside the CSM process and submit it to the CSM.

In addition, section 17573 established an alternative process to the test claim process for pursuing unfunded mandates. A local agency, school district, or statewide association must first obtain agreement from the Department of Finance 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.

9. 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 SCO Web site.

10. Does the SCO audit to statutory provisions or regulations?

The SCO audits to the mandated program's parameters and guidelines (regulation).

11. What is the SCO authority to perform mandated cost audits?

The SCO performs audits of filed mandate claims under the authority of Government Code sections 12410, 17558.5, and 17561.

12. When may the SCO conduct an audit? How long must claimants retain documentation that supports mandated cost claims?

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.

A claimant must maintain records for the statutory period in which the claim is subject to audit by the SCO.

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

The SCO must complete the audit within two years of the audit start date.

14. What auditing standards does the SCO use to perform mandated cost program audits?

The SCO performs audits in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The performance audit fieldwork standards require an

auditor to obtain sufficient, competent, and relevant evidence to afford a reasonable basis for the auditors' findings and conclusions.

15. Are mandate audit reports posted on the SCO Web site?

Yes. The SCO posts mandated cost audit reports monthly.

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

A claimant may file an Incorrect Reduction Claim with the CSM within three years of the SCO notification of adjustment. The CSM Web site (www.csm.ca.gov) provides guidance in filing an Incorrect Reduction Claim.

17. Why are mandated cost programs not fully funded? What is the SCO responsibility to ensure that sufficient funds are available to pay mandated cost programs?

The Legislature is responsible for appropriating funds to pay all of the mandated cost program claims approved by the SCO. In past years, the Legislature's annual appropriations have been insufficient to fund these costs. These deficiencies are the result of deferred funding for new claims for FY 2007-08 and prior years' insufficient appropriations.

For local agencies, Proposition 1A, approved by voters on November 2, 2004, requires, with minor exceptions, filed claims to be fully funded beginning with FY 2004-05 claims, and older claims to be paid over a 15-year period.

For schools and community colleges, current-year claim payments are deferred while appropriations are made available to pay the oldest claims first.

By May 1 of each year, the SCO submits an appropriation and deficiency letter to the Department of Finance and the CSM notifying them of the amount necessary to fully pay all unfunded mandated cost program claims approved by the SCO. The letter includes schedules that identify the funding deficiencies by program and fiscal year.

The Department of Finance uses the SCO appropriation and deficiency letter to request that appropriations sufficient to pay the claims are included in the local government claims bills or other appropriation bills.

The annual appropriation and deficiency letter is available on the SCO Web site.

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

Effective for FY 2009-10 appropriations, Government Code section 17561, subdivision (d), requires the SCO to pay any eligible claims by October 15 or 60 days after the effective date of the claim appropriation, whichever is later. The change is a result of Chapter 4, Statutes of 2009 (SB 8) which became effective on February 20, 2009. Previously, the SCO paid any eligible claims on August 15 or 45 days after the effective date of the claim appropriation, whichever was later.

19. What is the penalty for filing a late claim?

Effective for claims filed on or after August 24, 2007, Government Code section 17568 allows local governments to file valid reimbursement claims within one year after the deadline specified in section 17560. The SCO will reduce a late claim by 10% of the claim amount, up to \$10,000. If a local government submits an amended claim after the deadline specified in Section 17560, the SCO will reduce the claim by 10% of the increased claim amount, up to \$10,000. The SCO increased the penalty for a late claim pursuant to Chapter 179, Statutes of 2007 (SB 86).

20. How does the SCO recoup overpayments identified in mandated cost program audits?

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

21. What are some of the general issues 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.
- Supporting summary schedules do not agree with the subsidiary claim schedules.
- Mathematical or typographic 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.
- Duplicate costs are claimed.
- Employee productive hourly rates are not supported by payroll and attendance records. At times, employee wage rates are overstated and annual productive hours are understated.
- Claiming costs are not identified as reimbursable activities in the program's parameters and guidelines.
- Claiming non-mandated training hours.
- Failure to maintain sufficient documentation to identify mandate-related materials and supplies.
- Documentation supporting claimed costs is not available at start of audit.

Issues Raised by Local Agencies

22. Which mandated programs allow the use of a time study for some or all of the reimbursable activities?

Mandated 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. Following are programs for which

parameters and guidelines allow the use of a time study for some or all of the reimbursable activities.

- Airport Land Use Commissions/Plans Program
- Animal Adoption Program
- Child Abduction and Recovery Program
- Conservatorship: Developmentally Disabled Adults Program
- Countywide Tax Rates – Unitary Program
- Crime Victims’ Rights Program
- Not Guilty by Reason of Insanity II Program
- Peace Officers Procedural Bill of Rights Program
- Perinatal Services Program
- Permanent Absent Voters Program
- Stolen Vehicle Notification Program

23. What are the primary reasons for 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 Reimbursable Claims

Claimants often support salary and wage costs of initial reimbursement claims with estimated, rather than actual, time spent performing mandated activities. These estimates often are not supported with any source documents. They are often 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 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 Office of Management and Budget Circular A-87) requirements. The SCO closely scrutinizes time records or logs that identify only mandated 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 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 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 mandated activities
- Time records did not validate that employees performed mandate-related activities

(2) Non-Mandate-Related Activities Claimed

- *Absentee Ballots Program*
 - “Early voting” costs attributable to satellite voting locations (local agency option pursuant to Election Code section 3018)
 - “Mail precinct” ballots (ballots issued pursuant to Election Code section 3005)
 - Sample ballot costs
 - Misstated number of absentee ballots cast, total ballots cast, or both
 - Unreported offsetting reimbursement for absentee ballot costs that the claimant billed to local jurisdictions
- *Animal Adoption Program*
 - Using an incorrect formula when calculating (1) the acquisition of additional space and/or construction of new facilities or, (2) the remodeling/renovating of existing facilities
 - Estimating reimbursable costs
 - Claiming care and maintenance of dogs, cats, and other animals without documentation supporting animal census data necessary to determine reimbursable costs for animals that were euthanized
 - Using a time study that is inconsistent with the parameters and guidelines for claiming care and maintenance costs for dogs, cats, and other animals
 - Claiming necessary and prompt veterinary care costs for procedures and population of animals not reimbursable under the mandate

- *Child Abduction and Recovery Program*
 - Costs related to:
 - Non-mandate-related cases
 - Child abduction cases that have already 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 cost allowance of 29 minutes when both parties were not interviewed

- *Handicapped and Disabled Students, Handicapped and Disabled Students II, and Seriously Emotionally Disturbed Pupils: Out-of-State Mental Health Services Program*
 - Rehabilitation, crisis intervention, and therapeutic behavioral services
 - Out-of-state residential placement in facilities that were not owned and operated as a non-profit
 - Costs claimed both within a unit cost rate and separately as direct costs
 - Misstating units of service and unit rate
 - Misstating funding percentages for Short Doyle/Medi-Cal (SD/MC), Early and Periodic Screening, Diagnosis, and Treatment (EPSDT), and Health Families (HF)
 - Using an allocation method for administrative costs that is not consistent with the cost report submitted to the California Department of Mental Health (CDMH)
 - Applying administrative costs to contract providers even though no oversight was provided to the contractors
 - Overstating administrative costs by not deducting related revenues for SD/MC or HF administrative reimbursements
 - Understating offsetting revenues related to SD/MC, EPSDT, HF, Individuals with Disabilities Education Act (IDEA), CDMH categorical funds, patient fees, private insurance, Substance Abuse and Mental Health Services (SAMHSA), and AB 599 funds
 - Applying IDEA and CDMH categorical funds to ineligible services
 - Omitting Local Revenue Funds used to offset residential placement costs (board and care)

- *Mentally Disordered Offenders’ (MDO) Extended Commitment Proceedings Program*
 - Transportation costs for MDO prisoners transported with non-MDO prisoners

- *Open Meetings Act/Brown Act Reform Program*
 - Costs not related to preparation and posting of agenda items

- *Peace Officers and Firefighters Cancer Presumption Program*
 - Court-ordered penalty payments, late payment penalties, and interest expense
 - Costs related to claimants who filed claims after their eligibility period. The claimant’s eligibility period extends following termination of service for a period of three calendar months for each year of requisite service, not to exceed sixty months
 - Mandate-related costs that are recoverable from the claimant’s excess insurance provider

- One hundred percent of the disability benefit costs for employees whose worker's compensation claims were only partly attributable to cancer-related ailments
- Note: Neither program is mandated effective July 1, 2008
- *Peace Officers Procedural Bill of Rights Program*
 - Administrative Activities: non-mandated 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 FY 2006-07, 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)
- *Permanent Absentee Voters Program*
 - Claiming Absentee Ballots Program costs
- *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
- *Photographic Record of Evidence Program*
 - Claimant not identifying which photographs were mandate-related, the total number of mandate-related photographs, and the total number of photographs processed
 - Claimant not providing documentation that photographs were actually introduced or offered into evidence as exhibits in criminal trials
- *Sexually Violent Predators (SVP) Program*
 - Transportation costs for SVP prisoners transported with non-SVP prisoners
 - On-going rather than one-time training costs
 - Note: At times, claimants understate daily jail rates because they use the State Department of Corrections and Rehabilitation approved rates

(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 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 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
- Also refer to the discussion under Question No. 21.

Issues Raised by Schools

24. 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 CDE identifies mandated cost programs as state unrestricted programs, Procedure 905 recognizes that its documentation requirements may also be required for other state programs. The CDE states that these requirements also apply to mandated cost programs.

Procedure 905 states that local education agencies are required to use Office of Management and Budget (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, 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, 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.

25. Are charter school activities eligible for mandate 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 Government Code section 17519 and therefore is not eligible to claim reimbursement under section 17560. Thus, charter school costs are not eligible for reimbursement either directly or through a third party (i.e., a school district or superintendent of schools).

26. Which mandated programs allow the use of a time study for some or all of the reimbursable activities?

Mandated 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. Following are programs where the parameters and guidelines allow the use of a time study for some or all of the reimbursable activities.

- Financial and Compliance Audits Program
- Habitual Truant Program
- Intradistrict Attendance Program
- Notification to Teachers: Pupils Subject to Suspension or Expulsion Program
- Physical Performance Tests Program

27. What are the primary reasons for 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 support salary and wage costs with certifications that reflect estimated, rather than actual, time spent performing mandated activities. These certifications are not supported by any source documents. They are often 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 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 mandated activities.

Training or meeting sign-in sheets are also 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 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 mandated activities.
- Time records did not validate that employees performed mandate-related activities.

(2) Non-Mandate-Related Activities Claimed

- *Collective Bargaining Program*
 - Grievances that are actually personnel issues
 - Negotiation preparation time—individual time spent preparing for the negotiation meetings
 - 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 at negotiation sessions
- *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 Program*
 - Investigating the incident, or arresting and processing the student
- *National Norm-Reference Achievement Test Program*
 - Administering achievement testing for California Standards Tests (CST) and California Alternative Performance Assessment (CAPA). Commencing on July 1, 2004, reimbursable costs only pertain to the California Achievement Tests, Sixth Edition Survey (CAT/6) for grades 3 and 7
 - Training sessions related to CAT/6 beyond the one-time activity per employee per test site
 - Developing internal policies, procedures, and forms to implement the CAT/6 beyond the one-time activity for school districts
 - Developing policies and procedures beyond the one-time occurrence
 - Failure to offset program apportionments
- *Notification of Truancy Program*
 - Notification letters that did not contain the five elements required by the program's parameters and guidelines (eight elements effective July 1, 2006)
 - No documentation showing that the claimant performed the mandated activity (i.e., distribution of initial truancy notification letters)
 - Claiming letters distributed to students who did not have at least four unexcused absences (three absences effective July 1, 2006)
 - 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 truant
 - Claiming multiple letters sent for the same student
 - Claiming notifications performed by telephone call or home visit rather than by letter
- *Standardized Testing and Reporting Program*
 - Administering achievement testing for CST and CAPA; reimbursable costs pertain to the following tests for grades 2 through 11:
 - Spanish Assessment of Basic Education, Second Edition (SABE/2), to every Spanish-speaking pupil of limited-English proficiency from October 10, 1997, through June 30, 2004
 - Stanford Achievement Test Ninth Edition (SAT-9) from October 10, 1997, through June 30, 2002
 - The CAT/6 from July 1, 2002, through June 30, 2004
 - Costs claimed for Test Materials, Supplies, and Equipment cost component beyond reimbursable period of January 2, 1998, through December 15, 1999
 - Training sessions of the STAR beyond the one-time activity per employee per test site
 - Developing internal policies, procedures, and forms to implement STAR beyond the one-time activity for school districts
 - Developing policies and procedures beyond the one-time occurrence
 - Failure to offset program apportionments

- *The Stull Act Program*
 - Pre- and post-evaluation conferences
 - Evaluations of non-certificated employees
 - Evaluations of certificated non-instructional employees, unless the employee receives a “needs improvement” evaluation
 - Evaluations of hourly, part-time, or substitute certificated instructional employees
 - Evaluation related to the (1) progress of pupils toward the standards of expected pupil achievement at each grade level in each area of study, and (2) establishment and maintenance of a suitable learning environment

(3) Other General Issues

- Mandate costs are claimed for employee tasks that 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.
- Also refer to the discussion under Question No. 21.

28. Have the SCO’s audits identified other issues?

Yes. Other significant issues are described below.

(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 section 48260.5 requires schools to issue initial truancy notification letters for truant students.

Education Code 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 schoolday 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 Education Code 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 a habitual truant, and (2) The school may not comply with Education Code 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 Education Code section 48260. In addition, the amendments revise the truancy notification requirements to conform to Education Code section 48260.5. The amendments do not change existing statutory requirements; instead, they simply bring the program's parameters and guidelines into conformance with existing statutory requirements. The parameters and guidelines amendments are effective July 1, 2006.

Issues Raised by Community Colleges

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

No.

30. Which mandated program allows the use of a time study for some or all of the reimbursable activities?

Mandate 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 following program's parameters and guidelines allow the use of a time study for some or all of the reimbursable activities.

- Health Fee Elimination Program

31. What are the primary reasons for 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

In the 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 Program*
 - Refer to discussion under Issues Raised by Schools, "Non-Mandate-Related Activities Claimed"
- *Health Fee Elimination Program*
 - Athletic insurance costs
 - Athletic physical exams
 - 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 1986-87 base year

(3) Other Specific Issues

- *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 nonduplicated 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 are unable to 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 29-C, which is not allowed by the parameters and guidelines and claiming instructions for this 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).
- Also refer to the discussion under Question No. 21.

32. Have the SCO's audits identified other issues for the Health Fee Elimination Program?

- Effective January 1, 2006, the methodology for calculating authorized health service fees changed. Districts may no longer deduct from total enrollment those students who received Board of Governors Grants (BOGG) waivers.
- Effective with the 2006 summer session, the authorized health service fee per student is \$15 per semester, and \$12 per quarter, summer session, or intersessions of four weeks or more. Effective with the 2007 summer session, the authorized health service fee per student is \$16 per semester, and \$13 per quarter, summer session, or intersessions of four

weeks or more. Effective with the 2008 summer session, the authorized health service fee per student is \$16 per semester, and \$13 per quarter, summer session, or intersessions of four weeks or more. Effective with the 2008 summer session, the authorized health service fee per student is \$17 per semester and \$14 per quarter, summer session, or intersessions of four weeks or more.

- The first term of a fiscal year is the summer session.