

ITEM 17 C
FINAL STAFF ANALYSIS
PROPOSED AMENDMENT TO PARAMETERS AND GUIDELINES

Revenue and Taxation Code Sections 97, 97.01, 97.02, 97.03, 97.035, 97.5, 98 and 99
Added and Amended By

Statutes 1992, Chapters 697, 699, 700, 899 and 1369
Statutes 1993, Chapters 66, 68, 904, 905 and 1279

Allocation of Property Tax Revenues
05-PGA-24 (CSM-4448)

State Controller's Office, Requestor

EXECUTIVE SUMMARY

This is a request filed by the State Controller's Office (SCO) to amend the parameters and guidelines for the *Allocation of Property Tax Revenues* program (CSM-4448) to add language regarding source documentation, and record retention requirements during the period a claim is subject to an audit. If the Commission on State Mandates (Commission) approves the SCO's request, the amendments would be effective for costs incurred beginning on July 1, 2005.

In 2003, upon recommendation from the Bureau of State Audits, direction from the Legislature, and an SCO request, the Commission adopted amendments to parameters and guidelines that clarified what source documentation claimants are required to retain to support the claims they file to obtain reimbursement for mandated programs, and records retention language that identifies the records that must be retained to support an audit initiated by the SCO. The adopted language, commonly referred to as "boilerplate language," has been included in all parameters and guidelines adopted since 2003. In addition, section 1183 of the Commission's regulations require parameters and guidelines to include instruction on claim preparation, notice of the SCO's authority to audit claims, and the amount of time documentation must be retained during the audit period.

The SCO is now requesting that parameters and guidelines adopted prior to 2003 be amended to also include the source documentation and records retention language.

This analysis pertains only to the request to amend the *Allocation of Property Tax Revenues* program. The staff analyses for the other 48 programs will be presented separately.

There is one issue for the Commission's consideration:

- **Should the parameters and guidelines be amended to add the current "boilerplate language"?**

Staff finds that it is appropriate to approve the SCO's request to insert the source documentation and records retention language because it would conform the parameters and guidelines for the *Allocation of Property Tax Revenues* program with the parameters and guidelines adopted for other programs, and is consistent with section 1183.1 of the Commission's regulations. Therefore, staff included the language requested by the SCO.

Staff Recommendation

Staff recommends that the Commission:

- Adopt the SCO's proposed amendments to the parameters and guidelines for the *Allocation of Property Tax Revenues* program, beginning on page 9.
- Authorize staff to make any non-substantive, technical corrections to the parameters and guidelines following the hearing.

STAFF ANALYSIS

Requestor

State Controller's Office

Chronology

10/18/1994	Commission on State Mandates (Commission) adopts Statement of Decision
05/24/1995	Commission adopts parameters and guidelines
07/19/1995	Commission adopts statewide cost estimate
01/23/2003	The Commission, upon the recommendation of the Bureau of State Audits, direction from the Legislature, and upon request from the State Controller's Office (SCO), adopts amendments to the <i>School Bus Safety II</i> parameters and guidelines to include "boilerplate language" that details the documentation necessary to support reimbursement claims. After this date, all adopted parameters and guidelines contain this language
04/07/2006	SCO requests the parameters and guidelines for 49 mandated programs adopted prior to 2003 also be amended to include boilerplate language, including the <i>Allocation of Property Tax Revenues</i> program analyzed here
04/27/2006	Commission deems SCO's request for amendment of parameters and guidelines complete and issues for comment
07/23/2009	Commission reissues SCO's request for amendment of parameters and guidelines for comment
08/18/2009	Department of Finance files comments
10/13/2009	Commission issues draft staff analysis

Background

This is a request filed by the State Controller's Office (SCO) to amend the parameters and guidelines for the *Allocation of Property Tax Revenues* program (CSM-4448) to add language regarding source documentation, and record retention requirements during the period a claim is subject to an audit. If the Commission on State Mandates (Commission) approves the SCO's request, the amendments would be effective for costs incurred beginning on July 1, 2005.

Test Claim Decision and Parameters and Guidelines

The County of Los Angeles filed a test claim on December 27, 1993, alleging that the test claim statutes require counties to plan, implement, report, distribute, administer and account for new property tax revenue allocations to school districts without authority to charge school districts for associated administrative costs.

The Commission approved this test claim on October 18, 1994, concluding that the test claim statutes imposed upon counties a reimbursable state mandate limited to those administrative costs that apply to school districts because counties are specifically prohibited from charging such administrative costs to school districts.¹

¹ Exhibit A.

On May 24, 1995, the Commission on State Mandates adopted the parameters and guidelines for this program.²

Boilerplate Language

On March 28, 2002, the Bureau of State Audits (BSA) issued an audit report on the *School Bus Safety II* program, stating that the parameters and guidelines do not impose sufficient requirements regarding the documentation required to support reimbursement claims, and thus, insufficient documentation was being submitted to support claims.³ The report recommended, among other things, that the Commission work with the SCO, other affected state agencies, and interested parties to make sure the language in the parameters and guidelines and the claiming instructions for the *School Bus Safety II* program reflects the Commission's intentions as well as the SCO's expectations regarding supporting documentation. On June 10, 2002, the SCO proposed that parameters and guidelines be amended to clarify what documentation is necessary to support reimbursement claims and what records must be retained to support audits initiated by the SCO.

Based on BSA's audit findings and recommendations, the Legislature enacted Statutes 2002, chapter 1167 (AB 2781) to direct the Commission to amend the parameters and guidelines in *School Bus Safety II*, to detail the documentation necessary to support reimbursement claims.

On January 23, 2003, upon recommendation from BSA, direction from the Legislature, and the SCO's request, the Commission adopted the following language regarding source documentation and records retention to the *School Bus Safety II* parameters and guidelines:⁴

IV. Reimbursable Activities

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 time records or 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 under penalty of perjury under the laws of the State of California that the foregoing is true and correct based upon personal knowledge." 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 claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below. Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

² Exhibit B.

³ Exhibit C.

⁴ The Commission also adopted other boilerplate language that is not relevant to this request.

VI. Record Retention

Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, 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, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. All documents used to support the reimbursable activities, as described in Section IV, must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.*

The Commission has included this language, commonly referred to as “boilerplate language,” in all parameters and guidelines adopted on or after January 23, 2003.

SCO Request to Amend Parameters and Guidelines

On April 7, 2006, the SCO requested that the parameters and guidelines for 49 mandated programs that were adopted prior to 2003 be amended to also include the boilerplate language regarding source documentation and records retention that was adopted by the Commission in 2003.⁵

The parameters and guidelines for the *Allocation of Property Tax Revenues* program is one of the 49 programs the SCO is requesting be amended.

Comments on the Proposal

On April 27, 2006, the Commission issued the SCO’s request to amend the parameters and guidelines for comment. No comments were filed. On July 23, 2009, the Commission reissued the proposal for comment. On August 18, 2009, Department of Finance submitted comments.⁶

In its comments, Finance stated it was neutral on the proposal, because the request to include boilerplate language in the parameters and guidelines for the 49 programs would allow the Controller to complete audit related tasks more efficiently, and provide the claimant with more information and record retention requirements, as well as the statute of limitations for audits.

Commission staff issued the draft staff analysis on October 13, 2009.⁷ No comments were filed.

Related Litigation (*Clovis Unified School Dist., et al. v. State Controller*)

This case involves a challenge by school districts and community college districts on reductions made by the State Controller’s Office to reimbursement claims for several mandated programs.⁸ The school districts argue that reductions made on the ground that school districts do not have contemporaneous source documents are invalid.

* This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

⁵ Exhibit D.

⁶ Exhibit E.

⁷ Exhibit F.

⁸ The Commission is not a party to this action.

Trial Court Ruling. On January 2, 2009, the Sacramento County Superior Court (Case No. 06CS00748) issued a clarification of ruling and on February 19, 2009, issued a Judgment and Writ, finding that reductions made by the Controller on the ground that claimants did not have contemporaneous source documents supporting their reimbursement claims were invalid as an underground regulation *if* the contemporaneous source document requirement was not in the Commission’s parameters and guidelines. The court held that the Controller has no authority to reduce a claim on the ground that a claimant did not maintain contemporaneous source documents to support their claim, absent statutory or regulatory authority to require contemporaneous source documents, or language in the parameters and guidelines requiring it. Pursuant to Government Code section 17558, the Controller’s claiming instructions shall be derived from the test claim decision and the adopted parameters and guidelines. Thus, the court granted declaratory relief and a writ of mandate requiring the Controller to set aside the reduction and pay the school district plaintiffs the amounts reduced on two mandated programs that did not have parameters and guidelines language requiring claimants to maintain contemporaneous source documents.

Court of Appeal Filings (Third District Court of Appeal, Case No. C061696). Notices of appeal and cross-appeal have been filed by the SCO, the community college districts, and the school districts, and opening briefs have been filed. The appeal on the issue of the validity of the contemporaneous source documentation requirement remains pending.

Discussion

The proposed amendments to the parameters and guidelines raise the following issue for determination by the Commission:

Issue: Should the parameters and guidelines be amended to add the Commission’s current “boilerplate language”?

In 2003, following recommendation from the BSA and direction from the Legislature, the SCO requested, and the Commission adopted amendments to parameters and guidelines that clarify what source documentation claimants are required to retain to support the claims they file to obtain reimbursement for mandated programs, and records retention language that identifies the records that must be retained to support an audit initiated by the SCO.

The adopted language, as detailed on pages 4 and 5 of this analysis, has been included in all parameters and guidelines adopted since 2003.

In addition, section 1183.1, subdivision (a) (5) and (6) require that the parameters and guidelines contain, among other things, the following:

- Claim preparation. Instruction on claim preparation, including instruction for direct and indirect cost reporting, or application of a reasonable reimbursement methodology.
- Record retention. Notice of the Office of the State Controller’s authority to audit claims and the amount of time supporting documents must be retained during period subject to audit.

The SCO is now requesting that parameters and guidelines adopted prior to 2003 be amended to also include the source documentation and records retention language. This analysis pertains to the parameters and guidelines for the *Allocation of Property Tax Revenues* program.⁹

⁹ The SCO only requested that the portions of the boilerplate language regarding source documentation and records retention be added to the parameters and guidelines for the 49 programs. There are other sections of the boilerplate language regarding the remedies available

Inserting the source documentation and records retention boilerplate language would conform the parameters and guidelines for the *Allocation of Property Tax Revenues* program with the parameters and guidelines adopted for other programs, and is consistent with section 1183.1 of the Commission's regulations.

Therefore, staff finds that it is appropriate to approve the SCO's request, and made the following modifications to the parameters and guidelines:

IV. *Period of Reimbursement*

Government Code section 17557, subdivision (d) states that a parameters and guidelines amendment filed on or before the claiming deadline following a fiscal year, shall establish reimbursement eligibility for that fiscal year. This amendment was filed on April 7, 2006, (after the claiming deadline) establishing reimbursement for fiscal year 2005-2006. Therefore, reimbursement for this amendment shall begin on July 1, 2005.

Staff clarified that the proposed amendments would be effective on July 1, 2005.

V. *Reimbursable Activities*

Staff inserted the following boilerplate language regarding source documentation, as requested by the SCO:

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 time records or 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 under penalty of perjury under the laws of the State of California that the foregoing is true and correct based upon personal knowledge." 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 claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below. Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate

VII. *Records Retention*

At the request of the SCO, staff removed the existing language regarding records retention, and replaced it with the following boilerplate language regarding records retention.

before the Commission, and the legal and factual basis for the parameters and guidelines. Staff did not include these sections because the SCO did not request that they be included.

Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, 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, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. All documents used to support the reimbursable activities, as described in Section IV, must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.*

Staff Recommendation

Staff recommends that the Commission:

- Adopt the proposed amendments to parameters and guidelines for the *Allocation of Property Tax Revenues* program, beginning on page 9.
- Authorize staff to make any non-substantive, technical corrections to the parameters and guidelines following the hearing.

* This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

~~Hearing-Adopted~~Date: May 24, 1995
~~File Number: CSM-4448~~
~~Staff: Sharlene Tyler Steed~~
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Proposed Amendment: January 29, 2010

~~Staff Proposed~~Proposed Amendment to Parameters and Guidelines

Revenue and Taxation Code Sections 97, 97.01, 97.02, 97.03, 97.035, 97.5, 98, and 99
Added and Amended By

~~Statutes 1992, Chapters 697, Statutes of 1992, Chapter 699, Statutes of 1992~~
~~Chapter, 700, Statutes of 1992, Chapter 899 and, Statutes of 1992~~
~~Chapter 1369,~~
~~Statutes of 1992, Statutes 1993, Chapters 66, Statutes of 1993~~
~~Chapter 68, Statutes of 1993, Chapter, 904, Statutes of 1993~~
~~Chapter 905, Statutes of 1993, Chapter and 1279, Statutes of 1993~~

Allocation of Property Tax Revenues

This amendment is effective beginning with claims filed for the
July 1, 2005 through June 30, 2006 period of reimbursement.

I. SUMMARY OF THE SOURCE OF THE MANDATES

The provisions of Revenue and Taxation Code sections 97, 97.01, 97.02, 97.03, 97.035, 97.5, 98, and 99, as added and amended by Chapter 697, Statutes of 1992, Chapter 699, Statutes of 1992, Chapter 700, Statutes of 1992, Chapter 899, Statutes of 1992, Chapter 1369, Statutes of 1992, Chapter 66, Statutes of 1993, Chapter 68, Statutes of 1993, Chapter 904, Statutes of 1993, Chapter 905, Statutes of 1993, and Chapter 1279, Statutes of 1993 requires counties to plan, implement, report, distribute administer and account for new property tax revenue allocations to school districts, without authority to charge schools districts for associated administrative costs.

II. COMMISSION ON STATE MANDATES' DECISION

At its July 21, 1994 hearing, the Commission on State Mandates determined that the provisions of Revenue and Taxation Code sections 97, 97.01, 97.02, 97.03, 97.035, 97.5, 98, and 99, as added and amended by Chapter 697, Statutes of 1992, Chapter 699, Statutes of 1992, Chapter 700, Statutes of 1992, Chapter 899, Statutes of 1992, Chapter 1369, Statutes of 1992, Chapter 66, Statutes of 1993, Chapter 68, Statutes of 1993, Chapter 904, Statutes of 1993, Chapter 905, Statutes of 1993, and Chapter 1279, Statutes of 1993 impose upon counties a reimbursable state mandated program, limited to those administrative costs that apply to school districts because counties are specifically prohibited from charging such administrative costs to school districts.

III. ELIGIBLE CLAIMANTS

Counties.

IV. PERIOD OF REIMBURSEMENT

This amendment is effective beginning with claims filed for the July 1, 2005 through June 30, 2006 period of reimbursement.

Chapter 697, Statutes of 1992 was approved by the Governor on September 14, 1992, and became operative on January 1, 1993.

Chapter 699, Statutes of 1992 was approved by the Governor on September 14, 1992, and, as an urgency statute, became operative on September 14, 1992.

Chapter 700, Statutes of 1992 was approved by the Governor on September 14, 1992, and, as an urgency statute, became operative on September 14, 1992.

Chapter 899, Statutes of 1992 was chaptered on September 24, 1992, and, as an urgency statute, became operative on September 24, 1992.

Chapter 1369, Statutes of 1992 was approved by the Governor on September 27, 1992, and, as an urgency statute, became operative on September 27, 1992.

Chapter 66, Statutes of 1993 was chaptered on June 30, 1993, and, as an urgency statute, became operative on June 30, 1993.

Chapter 68, Statutes of 1993 was chaptered on June 30, 1993, and, as an urgency statute, became operative on June 30, 1993.

Chapter 904, Statutes of 1993 was chaptered on October 8, 1993, and, as an urgency statute, became operative on October 8, 1993.

Chapter 905, Statutes of 1993 was chaptered on October 8, 1993, and, as an urgency statute, became operative on October 8, 1993.

Chapter 1279, Statutes of 1993 was chaptered on October 11, 1993, and as an urgency statute, became operative on October 11, 1993.

County costs incurred on or after the operative dates for each of the above statutes are eligible for reimbursement as the subject test claim was timely filed by the County of Los Angeles on December 21, 1993. In accordance with Section 17557 of the Government Code, when a test claim is filed on or before December 31, costs incurred during the prior fiscal year are eligible for reimbursement. In this case, costs incurred in the 1992-93 and subsequent fiscal years, on or after the above statutory operative dates, are eligible for reimbursement.

Actual costs for one fiscal year shall be included in each claim. Estimated costs for the subsequent year may be included on the same claim, if applicable. Pursuant to section 17561, subdivision (d) (3) of the Government Code, all claims for reimbursement of cost shall be submitted within 120 days of notification by the State Controller of the enactment of the claim bill.

If total costs for a given fiscal year do not exceed \$200, no reimbursement shall be allowed, except as otherwise allowed by Government Code section 17564.

IV. REIMBURSABLE COSTS ACTIVITIES

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 time records or 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 under penalty of perjury under the laws of the State of California that the foregoing is true and correct based upon personal knowledge.” 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 claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below. Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

A. Scope of Mandate

Counties shall be reimbursed for costs incurred to comply with new state requirements for allocating property tax revenues pursuant to certain provisions of Revenue and Taxation Code sections 97, 97.01, 97.02, 97.03, 97.035, 97.5, 98, 99, as added and amended by Chapter 697, Statutes of 1992, Chapter 699, Statutes of 1992, Chapter 700, Statutes of 1992, Chapter 899, Statutes of 1992, Chapter 1369, Statutes of 1992, Chapter 66, Statutes of 1993, Chapter 68, Statutes of 1993, Chapter 904, Statutes of 1993, Chapter 905, Statutes of 1993, Chapter 1279, Statutes of 1993, hereafter referred to as the subject law.

B. The following local government costs for planning, implementing, state reporting, distributing funds, administering, and accounting necessary to comply with the subject law (These costs should only be the Property Tax Reallocation Administrative Costs, which cannot be charged to the school districts):

1. For planning:
 - a. Meeting and conferring with state and local officials to interpret the subject law and establish local operating guidelines.
 - b. Developing or revising local user requirements for the subject new county system for ancillary property tax revenue allocations.
 - c. Modifying county policies and procedures in compliance with the subject law.

2. For implementation:
 - a. Preparation and review of 1989-90 adjusted prior year Revenue Certification schedules.
 - b. Analysis and identification of relevant prior year revenues and adjustments by type of local unit.
 - c. Computations of factored amounts of relevant prior year revenues and adjustments by type of local unit.
 - d. Computations of 16 factor/column local unit schedules to determine base revenue shift in a form suitable for mandatory state reporting.
 - e. Preparation of property tax revenue reallocation (certification) notices and supporting schedules for all affected local units.
 - f. Development or modification of software or manual procedures necessary to distribute reallocated property tax revenues to schools' Educational Revenue Augmentation Funds (ERAF).
 - g. Inputting relevant tax revenue data into the new processing system.
 - h. Processing State Controller Office reallocation changes such as the increase in Special District property revenue collection reallocations of 5%, from 35% to 40%.
3. For reporting to the State Controller the amount of the property tax revenue reduction to each special district within the county.
4. For distributing ERAF funds, to periodically input and transfer new property tax revenue reallocations to schools' ERAF accounts.
5. For administering new ERAF transactions, to notify all affected local jurisdictions of their account transactions and balances and, upon request, explain, verify, confirm or research particular new property tax revenue reallocations.
6. For accounting, to prepare journal vouchers for custodial account transfers, compute interest earnings for allocations to accounts, reconcile accounts for fiduciary purposes, and document all account processing, subject to audit.

VI. CLAIM PREPARATION AND SUBMISSION

Each claim for reimbursement pursuant to this mandate must be timely filed and set forth a listing of each item for which reimbursement is claimed under this mandate.

Claimed costs would be supported by the following:

A. Employee Salaries and Benefits

Show the name of the employee involved, the classification of the employee, mandated functions performed, number of hours devoted to the function, productive hourly rates and benefits.

B. Services, Equipment and Supplies

Only expenditures which can be identified as a direct cost as a result of the mandate can be claimed. List cost of materials or equipment acquired which have been consumed or expended specifically for the purposes of this mandate.

C. Contract Services

List costs incurred for contract services for the mandated program. Contracting costs are reimbursable to the extent that the function performed requires special skills or knowledge that is not readily available from the claimant's staff. Use of contract services must be justified by the claimant.

D. Fixed Assets

List the cost of fixed assets that have been acquired specifically for the purpose of this mandate. If a fixed asset is acquired for the subject state mandates, but is utilized in some way not directly related to the program, only the pro-rata portion of the asset which is used for purposes of the program is reimbursable.

E. Allowable Overhead Cost

Claimants have the option of using 10% of direct labor as indirect costs or preparing a departmental Indirect Cost Rate Proposal (ICRP) for the program if an indirect cost rate in excess of 10% is claimed. If more than one department is claiming indirect costs for the mandated program, each department must have their own ICRP prepared in accordance with Office of Management and Budget Circular A-87 (OMB A-87).

VII. SUPPORTING DATA RECORD RETENTION

~~Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter¹ is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, 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, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities, as described in Section V, must be retained during the period subject to audit. If the Controller has initiated an audit during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings. For auditing purposes, all costs claimed must be traceable to source documents and/or worksheets that show evidence of and validity of such costs. All documentation supporting such costs shall be made available to the State Controller or his agent, as may be requested, during the record retention period specified in Government Code section 17558.5, subdivision (a).~~

~~Government Code section 17558.5, subdivision (a), requires that all supporting source documents and worksheets shall be kept on file not less than four years after the end of the calendar year in which the reimbursement claim is filed or last amended, unless no funds are~~

¹This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

~~appropriated for the program for the fiscal year for which the claims is made, in which case, the four year retention period shall commence to run from the date of initial payment of the claim.~~

VIII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENT

Any offsetting savings the claimant experiences as a direct result of the subject statutes must be deducted from the costs claimed. In addition, reimbursements for the subject mandates received from any source, e.g., federal, state, etc., shall be identified and deducted from this claim.

IX. STATE CONTROLLER'S OFFICE REQUIRED CERTIFICATION

An authorized representative of the claimant will be required to provide a certification of the claim, as specified in the State Controller's claiming instructions, for those costs mandated by the state contained herein.