MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

July 13, 2026

Juliana F. Gmur, Executive Director
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814

Re: **Incorrect Reduction Claim**
Identity Theft, 25-0308-I-02
Penal Code Section 530.6(a), as added by Statutes of 2000, Chapter 956
Fiscal Years: 2002-2003, 2003-2004, 2005-2006, 2006-2007, 2007-2008, 2009-2010, 2010-2011, 2011-2012, and 2012-2013
City of Hesperia, Claimant

Dear Ms. Gmur:

The State Controller's Office is transmitting our response to the above-named IRC.

If you have any questions, please contact me by telephone at (916) 327-3138.

Sincerely,

Lisa Kurokawa

LISA KUROKAWA, Chief
Compliance Audits Bureau
Division of Audits

RESPONSE BY THE STATE CONTROLLER'S OFFICE TO THE INCORRECT REDUCTION CLAIM (IRC) BY THE CITY OF HESPERIA

Identity Theft Program

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Note: Reference to Sections and IRC page numbers relate to the city's Incorrect Reduction Claim filed on February 18, 2026, as follows:

- Section 6 – Written Detailed Narrative – PDF pages 7-22
- Section 7 – Documentary Evidence and Declarations – PDF pages 23-580
- Section 8 – Claiming Instructions – PDF pages 581-637
- Section 9 – Final State Audit Report or Other Written Notice of Adjustment – PDF pages 638-657
- Section 10 – City of Hesperia Reimbursement Claims – Identity Theft Program - PDF pages 658-745

Tab 1
SCO Declaration

OFFICE OF THE STATE CONTROLLER
3301 C Street, Suite 725
Sacramento, CA 95816
Telephone No.: (916) 327-3138

BEFORE THE

COMMISSION ON STATE MANDATES

STATE OF CALIFORNIA

INCORRECT REDUCTION CLAIM (IRC) ON: *Identity Theft,* Penal Code Section 530.6(a), as added by Statutes of 2000, Chapter 956 CITY OF HESPERIA, Claimant	No.: IRC 25-0308-I-02 AFFIDAVIT OF BUREAU CHIEF

I, Lisa Kurokawa, make the following declarations:

1) I am an employee of the State Controller's Office (SCO) and am over the age of 18 years.

2) I am currently employed as a Bureau Chief, and have been so since February 15, 2018. Before that, I was employed as an audit manager for seven years.

3) I reviewed the work performed by the SCO auditor.

4) Any attached copies of records are true copies of records, as provided by the City of Hesperia, or retained at our place of business.

5) The records include claims for reimbursement, along with any attached supporting documentation, explanatory letters, or other documents relating to the above-entitled Incorrect Reduction Claim.

6) We issued our final report for our review of the Identity Theft claims that the city filed for fiscal year (FY) 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2009-2010, 2010-2011, 2011-2012, and 2012-2013 on June 21, 2023 **(Section 9 City IRC – pdf pages 638 - 657).**

I do declare that the above declarations are made under penalty of perjury and are true and correct to the best of my knowledge, and that such knowledge is based on personal observation, information, or belief.

Date: July 13, 2026

OFFICE OF THE STATE CONTROLLER

By: Lisa Kurokawa

Lisa Kurokawa, Chief
Compliance Audits Bureau
Division of Audits
State Controller's Office

Tab 2
SCO Analysis and Response

STATE CONTROLLER'S OFFICE ANALYSIS AND RESPONSE TO THE INCORRECT REDUCTION CLAIM BY THE CITY OF HESPERIA

For Fiscal Years (FY) 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, and 2012-2013

Identity Theft

Penal Code Section 530.6(a), as added by the Statutes of 2000, Chapter 956

SUMMARY

The following is the State Controller's Office's (SCO) response to the Incorrect Reduction Claim (IRC) that the City of Hesperia (City) filed on February 18, 2026, with the Commission on State Mandates (Commission). The SCO performed a review of the City's claims for costs of the legislatively mandated Identity Theft Program (IDT) for the period of July 1, 2002, through June 30, 2013. The SCO issued its final report on June 21, 2023 **(Section 9 City IRC pdf pages 1108 - 1187).**

The City submitted reimbursement claims totaling $196,301 — $10,171 for fiscal year (FY) 2002-2003, $8,668 for FY 2003-2004, $13,517 for FY 2004-2005, $14,573 for FY 2005-06, $21,677 for FY 2006-2007, $27,284 for FY 2007-08, $28,198 for FY 2008-09, $20,096 for FY 2009-2010, $15,891 for FY 2010-2011, $21,176 for FY 2011-2012, and $15,050 for FY 2012-2013 (**Section 10 City IRC, pdf pages 658 - 737).** Subsequently, the SCO performed a review of these claims and determined that $115,473 is allowable and $80,828 is unallowable because the city claimed unallowable indirect costs.

The following table summarizes the review results:

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2002, through June 30, 2003			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 2,951	$ -	$ (2,951)
Beginning an investigation of facts	2,330	-	(2,330)
Total salaries	5,281	-	(5,281)
Contract services:			
Taking police report on a violation of PC §530.5	-	3,198	3,198
Beginning an investigation of facts	-	2,641	2,641
Total contract services	-	5,839	5,839
Total direct costs	5,281	5,839	558
Indirect costs	4,890	-	(4,890)
Total program costs	$ 10,171	5,839	$ (4,332)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 5,839	
July 1, 2003, through June 30, 2004			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 2,589	$ -	$ (2,589)
Beginning an investigation of facts	2,127	-	(2,127)
Total salaries	4,716	-	(4,716)
Contract services:			
Taking police report on a violation of PC §530.5	-	2,719	2,719
Beginning an investigation of facts	-	2,245	2,245
Total contract services	-	4,964	4,964
Total direct costs	4,716	4,964	248
Indirect costs	3,952	-	(3,952)
Total program costs	$ 8,668	4,964	$ (3,704)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 4,964	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2004, through June 30, 2005			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 4,214	$ -	$ (4,214)
Beginning an investigation of facts	3,541	-	(3,541)
Total salaries	7,755	-	(7,755)
Contract services:			
Taking police report on a violation of PC §530.5	-	4,410	4,410
Beginning an investigation of facts	-	3,725	3,725
Total contract services	-	8,135	8,135
Total direct costs	7,755	8,135	380
Indirect costs	5,762	-	(5,762)
Total program costs	$ 13,517	8,135	$ (5,382)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 8,135	
July 1, 2005, through June 30, 2006			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 4,814	$ -	$ (4,814)
Beginning an investigation of facts	3,674	-	(3,674)
Total salaries	8,488	-	(8,487)
Contract services:			
Taking police report on a violation of PC §530.5	-	5,182	5,182
Beginning an investigation of facts	-	4,286	4,286
Total contract services	-	9,468	9,468
Total direct costs	8,488	9,468	981
Indirect costs	6,085	-	(6,085)
Total program costs	$ 14,573	9,468	$ (5,104)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 9,468	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2006, through June 30, 2007			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 6,151	$ -	$ (6,151)
Beginning an investigation of facts	4,666	-	(4,666)
Total salaries	10,817	-	(10,817)
Contract services:			
Taking police report on a violation of PC §530.5	-	6,955	6,955
Beginning an investigation of facts	-	5,790	5,790
Total contract services	-	12,745	12,745
Total direct costs	10,817	12,745	1,928
Indirect costs	10,860	-	(10,860)
Total program costs	$ 21,677	12,745	$ (8,932)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 12,745	
July 1, 2007, through June 30, 2008			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 7,526	$ -	$ (7,526)
Beginning an investigation of facts	6,219	-	(6,219)
Total salaries	13,744	-	(13,744)
Contract services:			
Taking police report on a violation of PC §530.5	-	8,245	8,245
Beginning an investigation of facts	-	6,849	6,849
Total contract services	-	15,094	15,094
Total direct costs	13,744	15,094	1,350
Indirect costs	13,539	-	(13,539)
Total program costs	$ 27,283	15,094	$ (12,189)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 15,094	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2008, through June 30, 2009			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 8,065	$ -	$ (8,065)
Beginning an investigation of facts	6,675	-	(6,675)
Total salaries	14,740	-	(14,740)
Contract services:			
Taking police report on a violation of PC §530.5	-	9,040	9,040
Beginning an investigation of facts	-	7,519	7,519
Total contract services	-	16,559	16,559
Total direct costs	14,740	16,559	1,819
Indirect costs	13,458	-	(13,458)
Total program costs	$ 28,198	16,559	$ (11,639)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 16,559	
July 1, 2009, through June 30, 2010			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 5,666	$ -	$ (5,666)
Beginning an investigation of facts	4,677	-	(4,677)
Total salaries	10,342	-	(10,342)
Contract services:			
Taking police report on a violation of PC §530.5	-	6,100	6,100
Beginning an investigation of facts	-	5,060	5,060
Total contract services	-	11,160	11,160
Total direct costs	10,342	11,160	818
Indirect costs	9,753	-	(9,753)
Total program costs	$ 20,095	11,160	$ (8,935)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 11,160	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2010, through June 30, 2011			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 4,377	$ -	$ (4,377)
Beginning an investigation of facts	3,908	-	(3,908)
Total salaries	8,285	-	(8,285)
Contract services:			
Taking police report on a violation of PC §530.5	-	6,150	6,150
Beginning an investigation of facts	-	5,115	5,115
Total contract services	-	11,265	11,265
Total direct costs	8,285	11,265	2,980
Indirect costs	7,606	-	(7,606)
Total program costs	$ 15,891	11,265	$ (4,626)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 11,265	
July 1, 2011, through June 30, 2012			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 6,135	$ -	$ (6,135)
Beginning an investigation of facts	4,576	-	(4,576)
Total salaries	10,710	-	(10,710)
Contract services:			
Taking police report on a violation of PC §530.5	-	6,888	6,888
Beginning an investigation of facts	-	5,183	5,183
Total contract services	-	12,071	12,071
Total direct costs	10,710	12,071	1,361
Indirect costs	10,465	-	(10,465)
Total program costs	$ 21,175	12,071	$ (9,104)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 12,071	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2012, through June 30, 2013			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 4,635	$ -	$ (4,635)
Beginning an investigation of facts	3,143	-	(3,143)
Total salaries	7,778	-	(7,778)
Contract services:			
Taking police report on a violation of PC §530.5	-	4,837	4,837
Beginning an investigation of facts	-	3,336	3,336
Total contract services	-	8,173	8,173
Total direct costs	7,778	8,173	395
Indirect costs	7,272	-	(7,272)
Total program costs	$ 15,050	8,173	$ (6,877)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 8,173	
Summary: July 1, 2002, through June 30, 2013			
Direct costs:			
Salaries	$ 102,659	$ -	$ (102,659)
Contract services	-	115,473	115,473
Total direct costs	102,659	115,473	12,814
Indirect costs	93,642	-	(93,642)
Total program costs	$ 196,301	115,473	$ (80,828)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 115,473	

I. IDENTITY THEFT PROGRAM CRITERIA

Parameters and Guidelines (Ps and Gs) – July 28, 2011 (Tab 4).

(Language for Section I is taken directly from the Ps and Gs, dated July 29, 2011)

I. SUMMARY OF MANDATE

The test claim statute requires local law enforcement agencies to take a police report and begin an investigation when a complainant residing within their jurisdiction reports suspected identity theft. On March 27, 2009, the Commission found that Penal Code section 530.6(a), as added by Statutes 2000, chapter 956, mandates a new program or higher level of service for local law enforcement agencies within the meaning of article XIII B, section 6 of the California Constitution, and imposes costs mandated by the state pursuant to Government Code section 17514 for the following activities only:

- take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information; and,
- begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose.

The Ps and Gs establish the state mandate and define the reimbursement criteria. The Commission adopted the Ps and Gs on July 28, 2011. In compliance with GC section 17558, the SCO issues claiming instructions for mandated programs to assist local agencies in claiming reimbursable costs.

SCO Claiming Instructions

In accordance with Government Code sections 17560 and 17561, eligible claimants may submit claims to the SCO for reimbursement of costs incurred for state-mandated programs. The SCO annually issues mandated cost claiming instructions, which contain filing instructions for mandated cost programs.

We included the claiming instruction extant at the time the county filed its FY 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2009-2010, 2010-2011, 2011-2012, and 2012-2013 mandated cost claims as part of our IRC response **(Tab 3).** Therefore, we included the eleven years relevant during the audit period for this engagement.

II. BACKGROUND OF IRC

The final report for the city's IDT was issued on June 21, 2023. An IRC was filed and received on February 26, 2026, with the Commission. On April 15, 2026, the Commission filed a "Notice of Complete Incorrect Reduction Claim, Schedule for Comments, and Notice of Tentative Hearing Date."

In the IRC, the city disagreed with the SCO's determination that the city did not comply with the program's Ps and Gs when claiming indirect costs. The final audit report consists of one finding.

For the finding (Overstated Identity Theft Program costs), the city claimed $102,659 in salaries and benefits for the audit period. We determined that $0 is allowable and $102,659 is unallowable. The related unallowable indirect costs total $93,642, for total unallowable costs of $80,828. However, the city claimed $0 in contract services costs and we determined that $115,473 is allowable. Costs are unallowable primarily because the city claimed misclassified costs, understated the number of identity theft reports taken, understated its contract hourly rates, and claimed unallowable indirect costs.

The following response to the city's IRC will address the factual basis for the conclusions reached related to the finding. We will draw from the city's own documentation provided during the audit and prior IRC decisions that directly relate to the requirements of this mandated cost program.

III. SCO'S RESPONSE TO THE CITY'S IRC

The city is not objecting to any parts of our finding related to misclassifying the contract services costs it incurred as salary and benefit costs or understating the number of identity theft reports taken. Instead, the entirety of the city's IRC objects to the unallowable indirect costs and the methodology used to compute allowable administrative costs. In addition, comments regarding previous SCO audits of other entities and mandated cost programs are irrelevant for the purposes of this IRC, as each audit and the issues noted within it stand alone.

To eliminate redundancy, we will not cut and paste the city's entire IRC response. Rather, we will address relevant sections, as appropriate.

BACKGROUND

In this section of the city's IRC, it acknowledges that it contracted with the San Bernardino County Sheriff's Department (SBCSD) for its law enforcement services during all years of the review period. The city also acknowledges that it has no in-house Police Department and therefore has no city employees performing the reimbursable activities of the Identity Theft mandate. However, the city claimed its contract services costs incorrectly as salaries and benefits, which we re-classified.

The city also claimed indirect costs by preparing Indirect Cost Rate Proposals (ICRPs) based on salary and benefit costs which, per its own admission in this IRC, it did not incur. As we noted in the final report, substituting contract services costs as salary and benefit costs for the purpose of preparing ICRPs is in direct violation of the Parameters and Guidelines as well as cost principles contained in 2 CFR, Part 225. Given these indisputable facts, we determined that all indirect costs claimed are unallowable. The city states that "The SCO excluded these costs based solely because they were incurred within a contract…" That is incorrect. The costs were unallowable because they are based on improperly prepared ICRPs.

The city makes the curious statement that it "began submitting claims for State Mandate Reimbursement in 2002..." However, for the purposes of this mandated program, the city's initial claims for FY 2002-03 through FY 2010-11 were all submitted on January 27, 2012. Annual claims were filed after that for FY 2011-12 and FY 2012-13. The city's comments about having had claims paid by the State in prior years absent an actual audit or review of those claims is irrelevant for the purposes of this IRC. The SCO's acceptance and subsequent payment of mandated cost claims based on completion of the proper mandated cost claim

forms does not constitute an audit or review of those claims pursuant to Government Code section 17558.5. All mandated cost claim forms submitted to the SCO are initially checked for mathematical accuracy, that the proper claim forms were used, and that the claims were submitted timely.

ISSUE

In this section of the IRC, the city states that the SCO determined that its indirect costs were unallowable "because the city contracted with the San Bernardino Sheriff's Department to provide law enforcement services." That statement is incorrect. The city's statement that the costs were determined to be unallowable "because "city staff" did not perform the mandated activities" is also incorrect. It is incorrect because the city prepared its claims and its ICRPs on the basis that it incurred salary and benefit costs for its own staff to perform the reimbursable activities. The city has already acknowledged that no city staff performed the reimbursable activities. In addition, the city did not support claimed salary and benefit costs during our review nor within this IRC filing with any applicable payroll documentation. Instead, the costs were unallowable because the city improperly used salary and benefit costs in its ICRPs as a base to determine indirect costs.

We could have stopped there and issued our final report. The city's IRC states that "the SCO *had to create* [emphasis added] a new overhead cost methodology they named as "Administrative Percentage" rate,…" However, the SCO was under no obligation whatsoever to allow additional costs that the city incurred under its contract with the SBCSD for law enforcement services beyond the contract charges for the county personnel that conducted the reimbursable activities.

Having performed many previous audits and reviews of Identity Theft Program claims, we noticed that it is not uncommon for contracts between cities and counties for law enforcement services to include various types of costs that we describe as "administrative costs." We use the term "administrative costs" because these do not relate to the contract costs for personnel that perform law enforcement services. Examples of the types of costs that we see in contracts include the following:

- San Bernardino County – law enforcement contracts include line-item amounts for such items as administrative support, office automation, services and supplies, vehicle insurance, personnel liability and bonding, county administrative costs (COWCAP), and startup costs.

- Los Angeles County – law enforcement contracts include an additional cost within its contract rates for all county personnel labeled as "Liability Percentage." This amount covers the cost of liability insurance for officers performing law enforcement services within contract cities.

- Orange County – law enforcement contracts include a line item described as "Other Charges and Credits." This line item includes various types of miscellaneous administrative costs.

- San Diego County – law enforcement contracts include an additional line-item charge for "ancillary support, supply, vehicles, space, management support, and liability."

We also observed that not all counties include these types of charges within their contracts for law enforcement services. For those that do, it is not uncommon for us to see calculations within mandated cost claims filed by cities contracting for law enforcement services to include an allocation of these "administrative costs" within the calculation of contract hourly rates. This is a similar methodology to what Los Angeles County does within its contracts.

Absent issues that we identified pertaining to mathematical calculations within these administrative cost allocation methods, the SCO has not had any issues with this type of methodology, even though it is not included as a methodology within the SCO's annual *Mandated Cost Manual for Local Agencies.* As we noted in our final report, "The SCO's *Mandated Cost Manual* states that contract services costs are allowable and can be claimed using hourly billing rates." However, there is no specific guidance on how to calculate contract hourly billing rates. As noted in the previous examples of administrative costs appearing within law enforcement contracts, there are too many variables within contracts for the SCO to establish a "one-size-fits-all" approach to calculating contract hourly rates. However, one thing we do agree on is that using the OMB A-87 methodology to claim indirect costs using salaries and benefits as a base when the clamant incurred contract services costs is an incorrect application of that methodology.

SUMMARY OF ARGUMENT

In this section of the IRC , the city makes a number of incorrect statements:

- "The SCO concluded that indirect costs cannot exist in a contract service model." However, the final report makes no such statement.
- "The SCO misapplied the definition of indirect costs by equating organizational structure with cost allowability." However, our finding is based on the improper use of salaries and benefits as a base within which to calculate indirect costs.
- "The SCO imposed a new "Allowable Administrative Percentage" methodology…" However, the SCO has not "imposed" nor required claimants to use any methodology. In addition, the city has not proposed any alternative methodology, other than insisting that only the OMB A-87 methodology is applicable.
- "The City's ICRPs comply with the Ps&Gs, Claiming Instructions, and applicable federal cost principles." However, they do not. Basing indirect costs on salary and benefit costs that the city did not incur makes this statement incorrect.

ISSUE 1: The SCO's Distinction Between "External" and "Contract-Embedded" Administrative Cost Is Arbitrary and Unsupported by the Claiming Instructions, Ps and Gs, and applicable cost principles:(Section 6, City IRC, PDF pages 11-13)

The city's extensive arguments concerning its ability to prepare ICRPs and claim indirect costs based on contract services costs it incurred demonstrate a fundamental misunderstanding of indirect costs and what they represent. If the city had been operating its own Police Department during the years of the review period, it would have incurred direct costs for providing such law enforcement services as traffic patrols, criminal investigations, incarceration, and public security, just to name a few. The direct cost of providing such direct law enforcement services is typically the cost of the salaries and wages of the personnel assigned to these duties. In addition to the direct costs incurred to provide law enforcement services to the citizens of the City of Hesperia, the city would also have incurred related indirect costs.

The Ps and Gs note that "indirect costs are costs that are incurred for a common or joint purpose, benefitting more than one program and are not directly assignable top a particular department or program without efforts disproportionate to the result achieved." What this means is that if the city had operated its own Police Department, it would have incurred costs for such items as (but not limited to):

- Owning, operating, and maintaining a police station(s),
- Police Officer uniforms,
- Law enforcement tactical gear,
- Owning, operating, and maintaining a fleet of law enforcement vehicles,
- Officer training,
- Utility services (e.g., electricity, water, trash, & sewer),
- Operating and staffing a Human Resources Department,
- Operating a payroll function,
- Calculating, collecting, and submitting withholdings to the appropriate state and federal offices,
- Negotiating and administering employee benefit plans,
- Maintaining and preparing appropriate accounting records and reports,
- Negotiating and administering contracts with unions for police officers and clerical staff,
- Insurance (liability, fire, & automotive), and
- General legal costs as appropriate

While this is not an exhaustive list, it represents legitimate costs associated with operating a law enforcement operation. However, any effort to allocate and assign such costs to a particular program or division within the Police Department would be very difficult, or as the Ps and Gs explain, "without efforts disproportionate to the results achieved." In some cases, the costs originate within other city departments that would typically charge the city's Police Department for its services pursuant to a properly prepared Citywide Cost Allocation Plan using the methodology described in 2 CFR, Part 225, Appendix C (State/Local-Wide Central Services Cost Allocation Plans). To capture such costs when billing for its services and/or preparing reimbursement claims, adding an indirect cost component to the salaries and wages of its employees is the designated method to recover such costs. The methodology to calculate this indirect cost component is outlined in 2 CFR, Part 225 (Cost Principles for State, Local, and Indian Tribal Governments (OMB Circular A-87)), including Appendices A (General Principles for Determining Allowable Costs), B (Select Items of Cost), and E (State and Local Indirect Cost Rate Proposals) **(Section 8, City IRC, PDF pages 620 - 637).**

However, the City of Hesperia did not operate its own Police Department at any time during the review period and did not incur the indirect costs contained in the previous bullet point list. Instead, San Bernardino County incurred such costs. Accordingly, costs appearing in the city's contract with the county are contract services costs, not salaries, benefits, and related indirect costs. Since the city did not incur related indirect costs, section V.B. (Indirect Cost Rates) of the Ps and Gs does not apply to the city's claims.

Our final report noted that in its claims filed for each year of the review period, the city erroneously claimed salaries and benefits costs, which we re-classified in our report as contract services costs. The city also claimed indirect costs by preparing Indirect Cost Rate Proposals ICRPs) for each year of the audit period. Each of the ICRPs appear in Section 10 of the city's IRC filing as follows:

FY 2002-03, pdf pages 663 and 664,
FY 2003-04, pdf pages 670 and 671,
FY 2004-05, pdf pages 677 and 678,
FY 2005-06, pdf pages 684 and 685,
FY 2006-07. pdf pages 691 and 692,
FY 2007-08, pdf pages 698 and 699,
FY 2008-09, pdf pages 705 and 706,
FY 2009-10, pdf pages 712 and 713,
FY 2010-11, pdf pages 719 and 720,
FY 2011-12, pdf pages 727 and 728, and
FY 2012-13, pdf pages 735 and 736.

Our final report **(Section 9 City IRC, pdf pages 639 through 657)**, explains on **PDF pages 650 through 655** that the city's ICRPs did not comply with the Ps and Gs. In the language cited previously from Section V.B. of the Ps and Gs, there are three options for using a distribution base. The city chose option #2 – direct salaries and wages. However, the city did not incur any direct salaries and wages costs. It incurred contract services costs and erroneously re-classified such costs as salaries and benefits for the purpose of preparing its ICRPs. In addition, each of the city's ICRPs were prepared for the City of Hesperia Sheriff, which does not exist as an entity or as a person.

Regardless of any arguments raised by the city in its IRC filing concerning its belief about the allowability of indirect costs for contract services, it did not comply with the Ps and Gs to claim indirect costs in any of its claims during the audit period. The city cannot now use the IRC process to cure its incorrectly prepared claims.

ISSUE 2: The SCO's methodology constitutes an underground regulation. (Section 6, City IRC, PDF page 14)

In its IRC filing, the city states "The SCO's *imposition* [emphasis added] of an "Allowable Administrative Percentage" methodology constitutes an underground regulation…" Despite the city's statement, the SCO has not *imposed* anything. As explained within Issue #1, we devised the administrative cost calculation to allow reimbursement to the city for additional contract costs that, in our estimation, are administrative in nature and have little or no relation with law enforcement activities. The city is free to devise an alternate calculation for consideration, although it did not do so in its correspondence with us nor within this IRC filing. As already expressed, the city's insistence that these costs must *only* be calculated using the OMB A-87 indirect cost methodology is incorrect, as the OMB A-87 methodology was not designed for use with contract services costs.

In addition, the administrative percentage calculation is an additional allowable cost calculation, not a reduction of costs. The reduction of costs is a separate issue, that being the unallowable indirect costs based on salaries and benefit costs that the city did not incur.

Issue 3: The City's ICRP Complies with Claiming Instructions. (Section 6, City IRC, PDF pages 14 and 15)

From the SCO's perspective, the answer is no, the city did not comply with the claiming instructions.

The city's IRC filing includes excerpts from the SCO's *Mandated Cost Manual for Local Agencies* dated as of November 2010 **(Section 8, City IRC pdf pages 582 through 618).** Specifically, the excerpts are from the Filing-A-Claim section of the manual, which provides general instructions for claimants to prepare mandated cost claims.

Section #8 of the Filing-A-Claim instructions begin on **PDF page 588**, where the definition of direct costs is "a cost that can be identified specifically with a particular program or activity." Section #8, subsection (1) also states that "costs typically classified as direct costs are employee wages, salaries, and fringe benefits." For the city's Identity Theft claims, the particular program or activity in its contract with San Bernardino County is law enforcement. In addition, the city did not incur any costs for salaries, wages, or fringe benefits.

Section #8, subsection #3 of the Filing-A-Claim portion of the manual defines contract services costs **(Section 8 City IRC pdf page 591)** which states:

> The cost of contract services is allowable if the local agency lacks the staff resources or necessary expertise, or it is economically feasible to hire a contractor to perform the mandated activity. The claimant must give the name of the contractor; explain the reason for having to hire a contractor; describe the mandated activities performed; give the dates when the activities were performed, the number of hours spent performing the mandate, the hourly billing rate, and the total cost. The hourly billing rate shall not exceed the rate specified in the claiming instructions for the mandated program. The contractor's invoice, or statement, which includes an itemized list of costs for activities performed, must accompany the claim.

However, the city erroneously claimed its contracted services costs as salary and benefit costs. The city's IRC filing did not include a copy of the original contract that it negotiated with San Bernardino County for law enforcement services (Contract #94-937, approved by the San Bernardino County Board of Supervisors on August 30, 1994). The county and city negotiate annual amendments to this contract to update contract costs and any other relevant items. Section VII of the city's original contract with the county for law enforcement services **(Tab 5 - PDF Page 85)** states:

> All persons directly or indirectly employed by COUNTY in the performance of the services and functions to be provided to CITY hereunder, shall be employees of COUNTY, and no COUNTY employees shall have CITY pension, civil service, or other status or right…

Section #8, subsection #9 of the Filing-A-Claim portion of the manual (**Section 8, City IRC, pdf pages 592 through 596)** provides instructions for claiming indirect costs. Subsection 9 (b) provides instructions for preparing an ICRP. On **PDF page 595**, the manual provides a method for preparing an ICRP as Exhibit 1. Note that Exhibit 1 uses salaries and wages as a base to calculate indirect costs. However, the city could not prepare such a schedule, because all of the costs that it incurred for the mandated program are contract services costs. In the notes provided with Exhibit 1 (**Section 8, City IRC, pdf page 596)**, note (1) (c) states that "allowable indirect costs are costs that are not identifiable to a specific program or cost pool and indirectly benefit all cost pools." From our perspective, all of the costs in the city's contract are direct contract services costs identifiable only to the program of providing law enforcement services to the city.

Issue 4: The City's ICRP Fully Complies with Applicable State and Federal Cost Principles. (Section 6, City IRC, PDF pages 15 and 16)

The city's IRC is correct when it states that "The Ps&Gs require that indirect costs be claimed in accordance with federal cost principles," also noting that "compensation for indirect costs is

eligible…utilizing the procedure provided in 2 CFR, Part 225 (OMB Circular A-87." We should note here that there are no applicable state cost principles.

Claiming instructions applicable to state mandated programs follow federal cost principles for claiming indirect costs. The city's IRC goes on to state that "nothing in the claiming instructions, PS&Gs, or Manual excludes contract services from the category of direct costs or from the distribution base used to allocate indirect costs." However, more importantly, we would point out that none of those documents *include* contract services as a distribution base used to allocate indirect costs. From our perspective, it is not logical to state that something *is* included because it is *not* excluded.

2 CFR, Part 225 contains the controlling language for calculating indirect costs. We believe that if the writers that drafted this document meant to include a methodology for claiming indirect costs within a contract for professional services, they would have done so. They did not.

The city's IRC filing includes a copy of 2 CFR, Part 225 (**Section 8, City's IRC, PDF pages 620 through 637).** The document begins on PDF page 620 by stating its purpose, as follows:

> **225.5 Purpose.**
> This part establishes principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments and federally-recognized Indian tribal governments (governmental units).

In other words, 2 CFR, Part 225 was drafted for entities providing services to the federal government (using various reimbursement methods) and for the purpose of determining the costs those entities incur to provide such services. State mandated programs in California function in a manner similar to federal cost reimbursement contracts, in that the State reimburses eligible claimants when they perform activities that are deemed reimbursable within state mandated programs. For the purposes of this IRC, the City of Hesperia did not provide any services to the State. Rather, the city contracted with San Bernardino County to have the SBCSD perform the reimbursable activities. To do that, the city paid the county based on contract rates that it negotiated with the county on an annual basis.

<u>Issue 5: The SCO imposed an Unauthorized Methodology</u>: (Section 6, City IRC, PDF pages 16 and 17

The city already explained its issue with the Administrative Cost Percentage calculation in Issue #2 (**PDF page 14).** As we explained in our response to Issue #2, the SCO has not imposed any requirements on claimants to use any particular methodology to allocate administrative costs that appear within law enforcement contracts. As also explained earlier, we have seen various allocation methods used by contract cities within filed mandated cost claims that have been deemed allowable. To reiterate, what is not allowable is preparing ICRPs using the OMB A-87 methodology by converting contract services costs to salaries and benefit costs in order to create an allocation base.

Issue 6: The Allocation Base the City used was Reasonable and Permissible: (Section 6, City IRC, PDF pages 17 and 18

We wholeheartedly disagree with the views expressed by the city in this section of the IRC. What the city is claiming in this section of its IRC is that its payments to the county for "labor costs" within its contract with the county are somehow the same as salary and benefit costs paid to employees. From our perspective, such a statement is completely at odds with *Generally Accepted Accounting Principles*. In addition, there is no definition of the term "labor costs" contained in 2 CFR, Part 225. On **PDF page 624**, item #8 defines personnel services costs. On **PDF page 630**, item #32 defines professional services costs. The costs that the city incurred are clearly professional services costs. We also noted in our response to Issue #3 the language appearing in the city's contract with the county which clearly reinforces the fact the SBCSD staff are not to be considered as city employees. And we also noted that the city did not provide any payroll documentation supporting that it incurred salary, wage, or employee benefit costs during the audit period.

Issue 7: The SCO's Interpretation Conflicts with the Ps&Gs and existing Claiming Instructions: (Section 6, City IRC, PDF page 18)

In this section of the IRC, the city is stating its belief that the SCO position is "that only city/ in-house staff may be considered the unit performing the mandate." This statement in the IRC appears in quote marks, indicating that it came from our final report. However, the city's IRC does not reflect where this statement is located in the report because the report does not include this statement. Instead, on page 8 of the final report (**Section 9, City IRC, PDF page 654**), in the section regarding indirect costs, the report states "that the entire amount is unallowable, because no city staff members performed any of the reimbursable activities under this program during the review period. Therefore, the city did not incur any direct salary costs or related indirect costs."

Issue 8: The SCO Has Accepted Similar Methodologies in Prior Audits (Section 6, City IRC, PDF page 18)

Comments regarding previous SCO audits of other entities and mandated cost programs are irrelevant for the purposes of this IRC, as each audit and the issues noted within it stand alone.

Issue 9: The SCO Position is Inconsistent with Prior Commission Guidance (Section 6, City IRC, PDF Page 18)

The city included in its IRC filing (**Section 7, City IRC, PDF Pages 100-168**) transcribed discussion which took place during the Commission hearing that occurred on November 30, 2018, for the City of Palmdale's IRC for the Interagency Child Abuse and Neglect Investigation Reports Program – IRC 17-0022-I-01. However, discussions that occurred during that hearing did not establish any "Commission guidance." The Commission ultimately adopted a decision for that IRC, which the city did not happen to include in its IRC filing**.** In that decision (**Tab 6)**, the Commission addressed the Controller's reduction of indirect costs that the City of Palmdale claimed, which were based on salaries and wages costs that the city did not incur. Instead, the City of Palmdale contracted with Los Angeles County for its law enforcement services.

In its decision, the Commission stated the following:

> The claimant here filed its initial reimbursement claims as direct salary costs for the deputies and sergeants conducting the mandate and sought 10 percent of the direct costs as its indirect costs. At all times relevant to this IRC, the claimant, through its reimbursement claims, amended claims, assertions and objections throughout the audit period, and allegations in filing the IRC, has consistently sought indirect costs of *only* the 10 percent default rate applied to the claimant's contract costs. The Final Audit Report states (and the claimant concedes) that "[n]one of the city staff members performed any of the reimbursable activities under this program." Nevertheless, the claimant continued throughout the audit and in this IRC to assert its belief that the 10 percent default rate was a reasonable and conservative estimate of its indirect costs. Accordingly, as noted above, the Controller disallowed all claimed indirect costs.
>
> The Government Code requires a claimant to file its reimbursement claims in accordance with the parameters and guidelines. And the courts have determined that parameters and guidelines are regulatory in nature and binding on the parties. In this case, the claimant has not complied with the Parameters and Guidelines in claiming its indirect costs; the 10 percent rate is allowed when the claimant uses its own employees to perform the mandated activities. This claimant contracts for all law enforcement services, including the mandated activities, and therefore the claimant has no direct salaries and benefits upon which to base its claim of indirect costs. The 10 percent default rate is not available to this claimant based on the plain language of the Parameters and Guidelines, irrespective of whatever documentation might be presented to justify it. Therefore, it is correct as a matter of law for the Controller to deny indirect costs, as claimed.

The same issue has been presented to the Commission once again in this IRC. The only difference is that the city of Hesperia claimed indirect costs using ICRPs that it prepared based on salaries and wages costs that it did not incur instead of claiming the default 10% indirect cost rate that is also available as an option in the IDT. From the SCO's perspective, the issue is clear and the indirect costs claimed are unallowable.

Section V.B, "Indirect Cost Rates," of the parameters and guidelines states, in part:

> Indirect costs are costs that are incurred for a common or joint purpose, benefiting more than one program, and are not directly assignable to a particular department or program without efforts disproportionate to the result achieved. Indirect costs may include: (1) the overhead costs of the unit performing the mandate; and (2) the costs of the central government services distributed to the other departments based on a systematic and rational basis through a cost allocation plan.
>
> Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in [Title 2, Code of Federal Regulations] Part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using 10% of labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate exceeds 10%.
>
> If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.
>
> The distributions base may be: (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.); (2) direct salaries and wages; or (3) another base which results in an equitable distribution.

Issue 10: The Reduction Prevents Full Cost Recovery: (Section 6, City IRC, PDF page 19)

We disagree and believe that the results of our review represent the entirety of reimbursement available to the city for its IDT claims filed during the review period. In addition, our review determined additional allowable administrative costs that the city did not claim. From our perspective, the city is attempting to obtain additional reimbursement to which it is not entitled by misrepresenting the provisions of 2 CFR, Part 225, the Ps&Gs, the claiming instructions, and the SCO's *Mandated Cost Manual for Local Agencies*.

IV. CONCLUSION

The SCO reviewed the city's claims for costs of the legislatively mandated IDT Program (Penal Code Section 530.6(a), as added by Statutes of 2000, Chapter 956 for the period of July 1, 2002, through June 30, 2013. The city claimed $196,301 for costs of the mandated program. Our review found that $115,473 is allowable and $80,828 is unallowable because the city claimed unallowable indirect costs. Our final report also noted that the city should have classified its salary costs as contract services costs because no city staff members performed the reimbursable activities. We reallocated salary costs to the appropriate category of contract services.

The Commission should find that (1) the SCO correctly reduced the city's FY 2002-2003 claim by $4,332; (2) the SCO correctly reduced the city's FY 2003-2004 claim by $3,704; (3) the SCO correctly reduced the city's FY 2004-2005 claim by $5,382; (4) the SCO correctly reduced the city's FY 2005-2006 claim by $5,105; (5) the SCO correctly reduced the city's FY 2006-2007 claim by $8,932; (6) the SCO correctly reduced the city's FY 2007-2008 claim by $12,190; (7) the SCO correctly reduced the city's FY 2008-2009 claim by $11,639; (8) the SCO correctly reduced the city's FY 2009-2010 claim by $8,936; (9) the SCO correctly reduced the city's FY 2010-2011 claim by $4,626; (10) the SCO correctly reduced the city's FY 2011-2012 claim by $9,105; and (11) the SCO correctly reduced the city's FY 2012-2013 claim by $6,877.

V. CERTIFICATION

I hereby certify by my signature below that the statements made in this document are true and correct of my own knowledge, or, as to all other matters, I believe them to be true and correct based upon information and belief.

Executed on July 13, 2026, at Sacramento, California, by:

Lisa Kurokawa

Lisa Kurokawa, Chief
Compliance Audits Bureau
Division of Audits
State Controller's Office

Tab 3
SCO Claiming Instructions

OFFICE OF THE STATE CONTROLLER

STATE MANDATED COSTS CLAIMING INSTRUCTIONS NO. 2011-16

IDENTITY THEFT

SEPTEMBER 30, 2011

In accordance with Government Code (GC) sections 17560 and 17561, eligible claimants may submit claims to the State Controller's Office (SCO) for reimbursement of costs incurred for state-mandated cost programs. This document contains claiming instructions and forms that eligible claimants must use for filing claims for the Identity Theft (IT) program. The Parameters and Guidelines (P's & G's) are included as an integral part of the claiming instructions.

On March 27, 2009, the Commission on State Mandates found that Penal Code section 530.6(a), as added by Chapter 956, Statutes of 2000, mandates a new program or higher level of service for local law enforcement agencies within the meaning of Article XIII B, section 6 of the California Constitution, and imposes costs mandated by the state pursuant to GC section 17514.

Exception

There will be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

Eligible Claimants

Any city or county whose law enforcement agency incurs increased costs as a result of this mandate is eligible to claim for reimbursement.

Reimbursement Claim Deadline

Initial reimbursement claims must be filed within 120 days from the issuance date of the claiming instructions. Costs incurred for compliance with this mandate are reimbursable for fiscal years **2002-2003** through **2009-2010** and must be filed with the SCO by **January 30, 2012**. Claims for fiscal year **2010-2011** must be filed with the SCO by **February 15, 2012. Claims filed more than one year after the filing date will not be accepted.**

Penalty

- **Initial Claims**

  When filed within one year of the initial filing deadline, claims are assessed a late penalty of 10% of the total amount of the initial claim without limitation pursuant to GC section 17561, subdivision (d)(3).

- **Annual Reimbursement Claim**

  When filed within one year of the annual filing deadline, claims are assessed a late penalty of 10% of the claim amount; $10,000 maximum penalty, pursuant to GC section 17568.

Minimum Claim Cost

GC section 17564, subdivision (a), provides that no claim may be filed pursuant to GC sections 17551, 17560 and 17561, unless such a claim exceeds one thousand dollars (**$1,000**).

Reimbursement of Claims

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. These 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 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 (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, these documents cannot be substituted for source documents.

Audit of Costs

All claims submitted to the SCO are subject to review to determine if costs are related to the mandate, are reasonable and not excessive, and if the claim was prepared in accordance with the SCO's claiming instructions and the P's & G's adopted by the CSM. If any adjustments are made to a claim, the claimant will be notified of the amount adjusted, and the reason for the adjustment.

On-site audits will be conducted by the SCO as deemed necessary. Pursuant to GC section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a claimant is subject to audit by the SCO no later than three years after the date 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 the SCO to initiate an audit will commence to run from the date of initial payment of the claim.

All documents used to support the reimbursable activities must be retained during the period subject to audit. 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.

Record Retention

All documentation to support actual costs claimed must be retained for a period of three years after the end of the calendar year in which the reimbursement claim was filed or last amended regardless of the year of costs incurred. If no funds were appropriated for initial claims at the time the claim was filed, supporting documents must be retained for three years from the date of

initial payment of the claim. Therefore, all documentation to support actual costs claimed must be retained for the same period, and must be made available to the SCO on request.

Claim Submission

Submit a signed original FAM-27 and one copy with required documents. **Please sign the FAM-27 in blue ink and attach the copy to the top of the claim package.**

Mandated costs claiming instructions and forms are available online at the SCO's website: **www.sco.ca.gov/ard_mancost.html.**

Use the following mailing addresses:

If delivered by
U.S. Postal Service:

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

If delivered by
other delivery services:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 700
Sacramento, CA 95816

If you have any questions, you may e-mail **LRSDAR@sco.ca.gov** or call the Local Reimbursements Section at (916) 324-5729.

Adopted: July 28, 2011

PARAMETERS AND GUIDELINES

Penal Code Section 530.6(a)

Statutes 2000, Chapter 956

Identity Theft
03-TC-08

I. SUMMARY OF THE MANDATE

The test claim statute requires local law enforcement agencies to take a police report and begin an investigation when a complainant residing within their jurisdiction reports suspected identity theft.

On March 27, 2009, the Commission found that Penal Code section 530.6(a), as added by Statutes 2000, chapter 956, mandates a new program or higher level of service for local law enforcement agencies within the meaning of article XIII B, section 6 of the California Constitution, and imposes costs mandated by the state pursuant to Government Code section 17514 for the following activities only:

- take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information; and,
- begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose.

II. ELIGIBLE CLAIMANTS

Any city, county, or city and county whose law enforcement agency incurs increased costs as a result of this reimbursable state-mandated program is eligible to claim reimbursement of these costs.

III. PERIOD OF REIMBURSEMENT

Government Code section 17557(e), states that a test claim shall be submitted on or before June 30 following a given fiscal year to establish eligibility for that fiscal year. The City of Newport Beach filed the test claim on September 25, 2003, establishing eligibility for reimbursement beginning July 1, 2002. Therefore, costs incurred for compliance with the mandated activities are reimbursable on or after July 1, 2002.

Reimbursement for state-mandated costs may be claimed as follows:

1. Actual costs for one fiscal year shall be included in each claim.
2. Pursuant to Government Code section 17561(d)(1)(A), all claims for reimbursement of initial fiscal year costs shall be submitted to the State Controller within 120 days of the issuance date for the claiming instructions.
3. Pursuant to Government Code section 17560(a), a local agency may, by February 15 following the fiscal year in which costs were incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year.
4. In the event revised claiming instructions are issued by the Controller pursuant to Government Code section 17558(c), between November 15 and February 15, a local agency filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim. (Gov. Code §17560 (b).)
5. If the total costs for a given fiscal year do not exceed $1,000, no reimbursement shall be allowed except as otherwise allowed by Government Code section 17564(a).
6. There shall be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

IV. REIMBURSABLE ACTIVITIES

To be eligible for mandated cost reimbursement for any given 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 to 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, time sheets, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, calendars, 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 reported 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.

For each eligible claimant, the following ongoing activities are eligible for reimbursement:

1. Either a) or b) below:

   a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected

claimed. Submit contract consultant and invoices with the claim and a description of the contract scope of services.

4. Fixed Assets

Report the purchase price paid for fixed assets (including computers) necessary to implement the reimbursable activities. The purchase price includes taxes, delivery costs, and installation costs. If the fixed asset is also used for purposes other than the reimbursable activities, only the pro-rata portion of the purchase price used to implement the reimbursable activities can be claimed.

5. Travel

Report the name of the employee traveling for the purpose of the reimbursable activities. Include the date of travel, destination, the specific reimbursable activity requiring travel, and related travel expenses reimbursed to the employee in compliance with the rules of the local jurisdiction. Report employee travel time according to the rules of cost element A.1, Salaries and Benefits, for each applicable reimbursable activity.

B. Indirect Cost Rates

Indirect costs are costs that are incurred for a common or joint purpose, benefiting more than one program, and are not directly assignable to a particular department or program without efforts disproportionate to the result achieved. Indirect costs may include: (1) the overhead costs of the unit performing the mandate; and (2) the costs of the central government services distributed to the other departments based on a systematic and rational basis through a cost allocation plan.

Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in 2 CFR Part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using 10% of labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.

The distributions base may be: (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.); (2) direct salaries and wages; or (3) another base which results in an equitable distribution.

In calculating an ICRP, the claimant shall have the choice of one of the following methodologies:

1. The allocation of allowable indirect costs (as defined and described in 2 CRF Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by: (1) classifying a department's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The

identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or

b) Reviewing the identity theft report completed on-line by the identity theft victim.

2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

Providing a copy of the report to the complainant is not reimbursable under this program.

Referring the matter to the law enforcement agency where the suspected crime was committed for further investigation of the facts is also not reimbursable under this program,

V. CLAIM PREPARATION AND SUBMISSION

Each of the following cost elements must be identified for the reimbursable activities identified in section IV of this document. Each reimbursable cost must be supported by source documentation as described in section IV. Additionally, each reimbursement claim must be filed in a timely manner.

A. Direct Cost Reporting

Direct costs are those costs incurred specifically for reimbursable activities. The following direct costs are eligible for reimbursement.

1. Salaries and Benefits

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

2. Materials and Supplies

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities. Purchases shall be claimed at the actual price after deducting discounts, rebates, and allowances received by the claimant. Supplies that are withdrawn from inventory shall be charged on an appropriate and recognized method of costing, consistently applied.

3. Contracted Services

Report the name of the contractor and services performed to implement the reimbursable activities and attach a copy of the contract to the claim. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the dates when services were performed and itemize all costs for those services during the period covered by the reimbursement claim. If the contract services were also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be

rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected; or

2. The allocation of allowable indirect costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by: (1) separating a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected.

VI. RECORD RETENTION

Pursuant to Government Code section 17558.5(a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter[1] is subject to the initiation of an audit by the State 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 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.

VII. OFFSETTING REVENUES AND REIMBURSEMENTS

Any offsets the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any federal, state or non-local source shall be identified and deducted from this claim.

VIII. STATE CONTROLLER'S CLAIMING INSTRUCTIONS

Pursuant to Government Code section 17558(b), the Controller shall issue claiming instructions for each mandate that requires state reimbursement not later than 60 days after receiving the adopted parameters and guidelines from the Commission, to assist local agencies and school districts in claiming costs to be reimbursed. The claiming instructions shall be derived from the test claim decision and the parameters and guidelines adopted by the Commission.

Pursuant to Government Code section 17561(d)(1)(A), issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the Commission.

IX. REMEDIES BEFORE THE COMMISSION

Upon the request of a local agency or school district, the Commission shall review the claiming instructions issued by the State Controller or any other authorized state agency for

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

PROGRAM 321	IDENTITY THEFT CLAIM FOR PAYMENT INSTRUCTIONS	FORM FAM-27

(01) Enter the claimant number assigned by the State Controller's Office.

(02) Enter claimant official name, county of location, street or postal office box address, city, State, and zip code.

(03) to (08) Leave blank.

(09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.

(10) Not applicable

(11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.

(12) Enter the fiscal year for which actual costs are being claimed.

(13) Enter the amount of the reimbursement claim as shown on Form 1 line (11). The total claimed amount must exceed $1,000; minimum claim must be $1,001.

(14) Initial claims must be filed as specified in the claiming instructions. Annual reimbursement claims must be filed by **February 15** of the following fiscal year in which costs were incurred or the claims must be reduced by a late penalty. Enter zero if the claim was filed on time. Otherwise, enter the penalty amount as a result of the calculation formula as follows:

- Late Initial Claims: FAM-27 line(13) multiplied by 10%, without limitation; or
- Late Annual Reimbursement Claims: FAM-27, line (13) multiplied by 10%, late penalty not to exceed $10,000.

(15) Enter the amount of payment, if any, received for the claim. If no payment was received, enter zero.

(16) Enter the net claimed amount by subtracting the sum of lines (14) and (15) from line (13).

(17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.

(18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.

(19) to (21) Leave blank.

(22) to (36) Reimbursement Claim Data. Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., Form 1, (04) **1**. a) (g), means the information is located on Form 1, line (04) **1**.a), column (g). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 35.19% should be shown as 35. **Completion of this data block will expedite the process**.

(37) Read the statement of Certification of Claim. The claim must be dated, signed by the district's authorized officer, and must type or print name, title, date signed, telephone number, and email address. **Claims cannot be paid unless accompanied by an original signed certification**. **(Please sign the FAM-27 in blue ink and attach the copy to the top of the claim package.)**

(38) Enter the name, telephone number, and e-mail address of the agency contact person for the claim. If the claim was prepared by a consultant, type or print the name of the consulting firm, the claim preparer, telephone number, and e-mail address.

SUBMIT A SIGNED ORIGINAL FAM-27 AND ONE COPY WITH ALL OTHER FORMS TO:

Address, if delivered by U.S. Postal Service:

OFFICE OF THE STATE CONTROLLER
ATTN: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

Address, if delivered by other delivery service:

OFFICE OF THE STATE CONTROLLER
ATTN: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 700
Sacramento, CA 95816

reimbursement of mandated costs pursuant to Government Code section 17571. If the Commission determines that the claiming instructions do not conform to the parameters and guidelines, the Commission shall direct the Controller to modify the claiming instructions to conform to the parameters and guidelines as directed by the Commission.

In addition, requests may be made to amend parameters and guidelines pursuant to Government Code section 17557(d)(1), and California Code of Regulations, title 2, section 1183.2.

X. LEGAL AND FACTUAL BASIS FOR THE PARAMETERS AND GUIDELINES

The statement of decision is legally binding on all parties and provides the legal and factual basis for the parameters and guidelines. The support for the legal and factual findings is found in the administrative record for the test claim. The administrative record, including the statement of decision, is on file with the Commission.

IDENTITY THEFT

CLAIM FOR PAYMENT

For State Controller Use Only

(19) Program Number 00321
(20) Date Filed
(21) LRS Input

PROGRAM

321

(01) Claimant Identification Number			**Reimbursement Claim Data**	
(02) Claimant Name			(22) FORM 1, (04) **1**. a) (g)	
County of Location			(23) FORM 1, (04) **1.** b) (g)	
Street Address or P.O. Box		Suite	(24) FORM 1, (04) **2**. (g)	
City	State	Zip Code	(25) FORM 1, (06)	
		Type of Claim	(26) FORM 1, (07)	
	(03)	(09) Reimbursement ☐	(27) FORM 1, (09)	
	(04)	(10) Combined ☐	(28) FORM 1, (10)	
	(05)	(11) Amended ☐	(29)	
Fiscal Year of Cost	(06)	(12)	(30)	
Total Claimed Amount	(07)	(13)	(31)	
Less: **10% Late Penalty** **(refer to attached Instructions)**		(14)	(32)	
Less: **Prior Claim Payment Received**		(15)	(33)	
Net Claimed Amount		(16)	(34)	
Due from State	(08)	(17)	(35)	
Due to State		(18)	(36)	

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code Sections 17560 and 17561, I certify that I am the officer authorized by the local agency to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Article 4, Chapter 1 of Division 4 of Title 1 Government Code.

I further certify that there was no application other than from the claimant, nor any grants or payments received for reimbursement of costs claimed herein and claimed costs are for a new program or increased level of services of an existing program. All offsetting revenues and reimbursements set forth in the parameters and guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.

The amount for this reimbursement is hereby claimed from the State for payment of actual costs set forth on the attached statements.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Officer

Date Signed _____

_____ Telephone Number _____

_____ E-Mail Address _____

Type or Print Name and Title of Authorized Signatory

(38) Name of Agency Contact Person for Claim

Telephone Number _____

_____ E-mail Address _____

Name of Consulting Firm/Claim Preparer

Telephone Number _____

_____ E-mail Address _____

PROGRAM 321	IDENTITY THEFT CLAIM SUMMARY	FORM 1

(01) Claimant	(02) Fiscal Year 20___/20___
(03) Department	

Direct Costs — **Object Accounts**

(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(f) Travel	(g) Total
1. Choose either a) or b)							
a) Taking police report in violation of PC §530.5							
b) Reviewing online ID theft report							
2. Investigation of facts							
(05) Total Direct Costs							

Indirect Costs

(06) Indirect Cost Rate	[From ICRP or 10%]	%
(07) Total Indirect Costs	[Refer to Claiming Instructions]	
(08) Total Direct and Indirect Costs	[Line (05)(g) + line (07)]	

Cost Reduction

(09) Less: Offsetting Revenues		
(10) Less: Other Reimbursements		
(11) Total Claimed Amount	[Line (08) - {line (09) + line (10)}]	

PROGRAM 321	IDENTITY THEFT CLAIM SUMMARY INSTRUCTIONS	FORM 1

(01) Enter the name of the claimant.

(02) Enter the fiscal year of costs.

(03) Department. If more than one department has incurred costs for this mandate, give the name of each department. A separate Form 1 should be completed for each department.

(04) Reimbursable Activities. For each reimbursable activity, enter the totals from Form 2, line (05), columns (d) through (i), to Form 1, block (04), columns (a) through (f), in the appropriate row. Total each row.

(05) Total Direct Costs. Total columns (a) through (g).

(06) Indirect Cost Rate. Indirect costs may be computed as 10% of direct labor costs, excluding fringe benefits, without preparing an ICRP. If an indirect cost rate of greater than 10% is used, include the Indirect Cost Rate Proposal (ICRP) with the claim.

(07) Local agencies have the option of using the flat rate of 10% of direct labor costs or using a department's indirect cost rate proposal (ICRP) in accordance with the Office of Management and Budget OMB Circular A-87 (Title 2 CFR Part 225). If the flat rate is used for indirect costs, multiply Total Salaries, line (05)(a), by 10%. If an ICRP is submitted, multiply applicable costs used in the distribution base for the computation of the indirect cost rate by the Indirect Cost Rate, line (06). If more than one department is reporting costs, each must have its own ICRP for the program.

(08) Total Direct and Indirect Costs. Enter the sum of Total Direct Costs, line (05)(g), and Total Indirect Costs, line (07).

(09) Less: Offsetting Revenues. If applicable, enter any revenue received by the claimant for this mandate from any state or federal source.

(10) Less: Other Reimbursements. If applicable, enter the amount of other reimbursements received from any source including, but not limited to, service fees collected, federal funds, and other state funds that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.

(11) Total Claimed Amount. From Total Direct and Indirect Costs, line (08), subtract the sum of Offsetting Revenues, line (09), and Other Reimbursements, line (10). Enter the remainder on this line and carry the amount forward to form FAM-27, line (13) for the Reimbursement Claim.

PROGRAM 321	IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant

(02) Fiscal Year 20___/20___

(03) Reimbursable Activities: Check only one box per form to identify the activity being claimed.

☐ Taking police report in violation of PC §530.5 ☐ Investigation of facts

☐ Reviewing online ID theft report

(04) Description of Expenses			Object Accounts					
(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Materials and Supplies	(g) Contract Services	(h) Fixed Assets	(i) Travel
(05) Total ☐ Subtotal ☐ Page:____of____								

PROGRAM 321	IDENTITY THEFT ACTIVITY COST DETAIL INSTRUCTIONS	FORM 2

(01) Claimant. Enter the name of the claimant.

(02) Fiscal Year. Enter the fiscal year for which costs were incurred.

(03) Reimbursable Activities. Check the box which indicates the activity being claimed. Check only one box per form. A separate Form 2 must be prepared for each applicable activity.

(04) Description of Expenses. The following table identifies the type of information required to support reimbursable costs. To detail costs for the activity box checked in block (03), enter the employee names, position titles, a brief description of the activities performed, actual time spent by each employee, productive hourly rates, fringe benefits, supplies used, contract services, and travel expenses. **The descriptions required in column (4)(a) must be of sufficient detail to explain the cost of activities or items being claimed.** For audit purposes, all supporting documents must be retained by the claimant for a period of not less than three years after the date the claim was filed or last amended, whichever is later. If no funds were appropriated and no payment was made at the time the claim was filed, the time for the Controller to initiate an audit will be from the date of initial payment of the claim. Such documents must be made available to the SCO on request.

Object/ Sub object Accounts	Columns									Submit supporting documents with the claim
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Salaries	Employee Name/Title	Hourly Rate	Hours Worked	Salaries = Hourly Rate x Hours Worked						
Benefits	Activities Performed	Benefit Rate			Benefits = Benefit Rate x Salaries					
Materials and Supplies	Description of Supplies Used	Unit Cost	Quantity Used			Cost = Unit Cost x Quantity Used				
Contract Services	Name of Contractor Specific Tasks Performed	Hourly Rate	Hours Worked Inclusive Dates of Service				Cost = Hourly Rate x Hours Worked			Copy of Contract and Invoices
Fixed Assets	Description of Equipment Purchased	Unit Cost	Usage					Cost = Unit Cost x Usage		
Travel	Purpose of Trip Name and Title Departure and Return Date	Per Diem Rate Mileage Rate Travel Cost	Days Miles Travel Mode						Total Travel Cost = Rate x Days or Miles	

(05) Total line (04), columns (d) through (i) and enter the sum on this line. Check the appropriate box to indicate if the amount is a total or subtotal. If more than one form is needed to detail the activity costs, number each page. Enter totals from line (05), columns (d) through (i) to Form 1, block (04), columns (a) through (f) in the appropriate row.

Minimum Claim Cost

GC section 17564, subdivision (a), provides that no claim may be filed pursuant to GC sections 17551 and 17561, unless such a claim exceeds one thousand dollars (**$1,000**).

Reimbursement of Claims

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. These 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 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 (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, these documents cannot be substituted for source documents.

Audit of Costs

All claims submitted to the SCO are subject to review to determine if costs are related to the mandate, are reasonable and not excessive, and if the claim was prepared in accordance with the SCO's claiming instructions and the P's & G's adopted by the CSM. If any adjustments are made to a claim, the claimant will be notified of the amount adjusted, and the reason for the adjustment.

On-site audits will be conducted by the SCO as deemed necessary. Pursuant to GC section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a claimant is subject to audit by the SCO no later than three years after the date 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 the SCO to initiate an audit will commence to run from the date of initial payment of the claim.

All documents used to support the reimbursable activities must be retained during the period subject to audit. 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.

Record Retention

All documentation to support actual costs claimed must be retained for a period of three years after the date the claim was filed or last amended, whichever is later. If no funds were appropriated or no payment was made at the time the claim was filed, the time for the Controller to initiate an audit will be from the date of initial payment of the claim. Therefore, all

OFFICE OF THE STATE CONTROLLER

STATE MANDATED COSTS CLAIMING INSTRUCTIONS NO. 2011-16

IDENTITY THEFT

SEPTEMBER 30, 2011

REVISED JULY 1, 2012

In accordance with Government Code (GC) sections 17560 and 17561, eligible claimants may submit claims to the State Controller's Office (SCO) for reimbursement of costs incurred for state-mandated cost programs. This document contains claiming instructions and forms that eligible claimants must use for filing claims for the Identity Theft (IT) program. The Parameters and Guidelines (P's & G's) are included as an integral part of the claiming instructions.

On March 27, 2009, the Commission on State Mandates found that Penal Code section 530.6(a), as added by Chapter 956, Statutes of 2000, mandates a new program or higher level of service for local law enforcement agencies within the meaning of Article XIII B, section 6 of the California Constitution, and imposes costs mandated by the state pursuant to GC section 17514.

Exception

There will be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

Eligible Claimants

Any city or county whose law enforcement agency incurs increased costs as a result of this mandate is eligible to claim for reimbursement.

Reimbursement Claim Deadline

Claims for the **2011-2012** fiscal year may be filed by **February 15, 2013**, without a late penalty**. Claims filed more than one year after the filing date will not be accepted.**

Penalty

- **Initial Claims**

  When filed within one year of the initial filing deadline, claims are assessed a late penalty of 10% of the total amount of the initial claim without limitation pursuant to GC section 17561, subdivision (d)(3).

- **Annual Reimbursement Claim**

  When filed within one year of the annual filing deadline, claims are assessed a late penalty of 10% of the claim amount; $10,000 maximum penalty, pursuant to GC section 17568.

Reimbursement for state-mandated costs may be claimed as follows:

1. Actual costs for one fiscal year shall be included in each claim.
2. Pursuant to Government Code section 17561(d)(1)(A), all claims for reimbursement of initial fiscal year costs shall be submitted to the State Controller within 120 days of the issuance date for the claiming instructions.
3. Pursuant to Government Code section 17560(a), a local agency may, by February 15 following the fiscal year in which costs were incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year.
4. In the event revised claiming instructions are issued by the Controller pursuant to Government Code section 17558(c), between November 15 and February 15, a local agency filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim. (Gov. Code §17560 (b).)
5. If the total costs for a given fiscal year do not exceed $1,000, no reimbursement shall be allowed except as otherwise allowed by Government Code section 17564(a).
6. There shall be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

IV. REIMBURSABLE ACTIVITIES

To be eligible for mandated cost reimbursement for any given 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 to 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, time sheets, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, calendars, 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 reported 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.

For each eligible claimant, the following ongoing activities are eligible for reimbursement:

1. Either a) or b) below:

   a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected

documentation to support actual costs claimed must be retained for the same period, and must be made available to the SCO on request.

Claim Submission

Submit a signed original Form FAM-27 and one copy with required documents. **Please sign the Form FAM-27 in blue ink and attach the copy to the top of the claim package.**

Mandated costs claiming instructions and forms are available online at the SCO's website: **www.sco.ca.gov/ard_mancost.html.**

Use the following mailing addresses:

If delivered by
U.S. Postal Service:

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

If delivered by
other delivery services:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 700
Sacramento, CA 95816

If you have any questions, you may e-mail **LRSDAR@sco.ca.gov** or call the Local Reimbursements Section at (916) 324-5729.

claimed. Submit contract consultant and invoices with the claim and a description of the contract scope of services.

4. Fixed Assets

Report the purchase price paid for fixed assets (including computers) necessary to implement the reimbursable activities. The purchase price includes taxes, delivery costs, and installation costs. If the fixed asset is also used for purposes other than the reimbursable activities, only the pro-rata portion of the purchase price used to implement the reimbursable activities can be claimed.

5. Travel

Report the name of the employee traveling for the purpose of the reimbursable activities. Include the date of travel, destination, the specific reimbursable activity requiring travel, and related travel expenses reimbursed to the employee in compliance with the rules of the local jurisdiction. Report employee travel time according to the rules of cost element A.1, Salaries and Benefits, for each applicable reimbursable activity.

B. Indirect Cost Rates

Indirect costs are costs that are incurred for a common or joint purpose, benefiting more than one program, and are not directly assignable to a particular department or program without efforts disproportionate to the result achieved. Indirect costs may include: (1) the overhead costs of the unit performing the mandate; and (2) the costs of the central government services distributed to the other departments based on a systematic and rational basis through a cost allocation plan.

Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in 2 CFR Part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using 10% of labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.

The distributions base may be: (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.); (2) direct salaries and wages; or (3) another base which results in an equitable distribution.

In calculating an ICRP, the claimant shall have the choice of one of the following methodologies:

1. The allocation of allowable indirect costs (as defined and described in 2 CRF Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by: (1) classifying a department's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The

rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected; or

2. The allocation of allowable indirect costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by: (1) separating a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected.

VI. RECORD RETENTION

Pursuant to Government Code section 17558.5(a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter[1] is subject to the initiation of an audit by the State 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 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.

VII. OFFSETTING REVENUES AND REIMBURSEMENTS

Any offsets the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any federal, state or non-local source shall be identified and deducted from this claim.

VIII. STATE CONTROLLER'S CLAIMING INSTRUCTIONS

Pursuant to Government Code section 17558(b), the Controller shall issue claiming instructions for each mandate that requires state reimbursement not later than 60 days after receiving the adopted parameters and guidelines from the Commission, to assist local agencies and school districts in claiming costs to be reimbursed. The claiming instructions shall be derived from the test claim decision and the parameters and guidelines adopted by the Commission.

Pursuant to Government Code section 17561(d)(1)(A), issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the Commission.

IX. REMEDIES BEFORE THE COMMISSION

Upon the request of a local agency or school district, the Commission shall review the claiming instructions issued by the State Controller or any other authorized state agency for

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

Adopted: July 28, 2011

PARAMETERS AND GUIDELINES

Penal Code Section 530.6(a)

Statutes 2000, Chapter 956

Identity Theft
03-TC-08

I. SUMMARY OF THE MANDATE

The test claim statute requires local law enforcement agencies to take a police report and begin an investigation when a complainant residing within their jurisdiction reports suspected identity theft.

On March 27, 2009, the Commission found that Penal Code section 530.6(a), as added by Statutes 2000, chapter 956, mandates a new program or higher level of service for local law enforcement agencies within the meaning of article XIII B, section 6 of the California Constitution, and imposes costs mandated by the state pursuant to Government Code section 17514 for the following activities only:

- take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information; and,
- begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose.

II. ELIGIBLE CLAIMANTS

Any city, county, or city and county whose law enforcement agency incurs increased costs as a result of this reimbursable state-mandated program is eligible to claim reimbursement of these costs.

III. PERIOD OF REIMBURSEMENT

Government Code section 17557(e), states that a test claim shall be submitted on or before June 30 following a given fiscal year to establish eligibility for that fiscal year. The City of Newport Beach filed the test claim on September 25, 2003, establishing eligibility for reimbursement beginning July 1, 2002. Therefore, costs incurred for compliance with the mandated activities are reimbursable on or after July 1, 2002.

identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or

b) Reviewing the identity theft report completed on-line by the identity theft victim.

2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

Providing a copy of the report to the complainant is not reimbursable under this program.

Referring the matter to the law enforcement agency where the suspected crime was committed for further investigation of the facts is also not reimbursable under this program,

V. CLAIM PREPARATION AND SUBMISSION

Each of the following cost elements must be identified for the reimbursable activities identified in section IV of this document. Each reimbursable cost must be supported by source documentation as described in section IV. Additionally, each reimbursement claim must be filed in a timely manner.

A. Direct Cost Reporting

Direct costs are those costs incurred specifically for reimbursable activities. The following direct costs are eligible for reimbursement.

1. Salaries and Benefits

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

2. Materials and Supplies

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities. Purchases shall be claimed at the actual price after deducting discounts, rebates, and allowances received by the claimant. Supplies that are withdrawn from inventory shall be charged on an appropriate and recognized method of costing, consistently applied.

3. Contracted Services

Report the name of the contractor and services performed to implement the reimbursable activities and attach a copy of the contract to the claim. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the dates when services were performed and itemize all costs for those services during the period covered by the reimbursement claim. If the contract services were also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be

reimbursement of mandated costs pursuant to Government Code section 17571. If the Commission determines that the claiming instructions do not conform to the parameters and guidelines, the Commission shall direct the Controller to modify the claiming instructions to conform to the parameters and guidelines as directed by the Commission.

In addition, requests may be made to amend parameters and guidelines pursuant to Government Code section 17557(d)(1), and California Code of Regulations, title 2, section 1183.2.

X. LEGAL AND FACTUAL BASIS FOR THE PARAMETERS AND GUIDELINES

The statement of decision is legally binding on all parties and provides the legal and factual basis for the parameters and guidelines. The support for the legal and factual findings is found in the administrative record for the test claim. The administrative record, including the statement of decision, is on file with the Commission.

IDENTITY THEFT
CLAIM FOR PAYMENT

For State Controller Use Only

(19) Program Number 00321
(20) Date Filed
(21) LRS Input

PROGRAM 321

(01) Claimant Identification Number

(02) Claimant Name

County of Location

Street Address or P.O. Box Suite

City State Zip Code

		Type of Claim	Reimbursement Claim Data	
			(22) FORM 1, (04) 1. (a) (g)	
			(23) FORM 1, (04) 1. (b) (g)	
			(24) FORM 1, (04) 2. (g)	
			(25) FORM 1, (06)	
			(26) FORM 1, (07)	
	(03)	(09) Reimbursement ☐	(27) FORM 1, (09)	
	(04)	(10) Combined ☐	(28) FORM 1, (10)	
	(05)	(11) Amended ☐	(29)	
Fiscal Year of Cost	(06)	(12)	(30)	
Total Claimed Amount	(07)	(13)	(31)	
Less: **10% Late Penalty** (refer to attached Instructions)		(14)	(32)	
Less: **Prior Claim Payment Received**		(15)	(33)	
Net Claimed Amount		(16)	(34)	
Due from State	(08)	(17)	(35)	
Due to State		(18)	(36)	

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code Sections 17560 and 17561, I certify that I am the officer authorized by the local agency to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Article 4, Chapter 1 of Division 4 of Title 1 Government Code.

I further certify that there was no application other than from the claimant, nor any grants or payments received for reimbursement of costs claimed herein and claimed costs are for a new program or increased level of services of an existing program. All offsetting revenues and reimbursements set forth in the parameters and guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.

The amount for this reimbursement is hereby claimed from the State for payment of actual costs set forth on the attached statements.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Officer

Date Signed _____

Telephone Number _____

E-Mail Address _____

Type or Print Name and Title of Authorized Signatory

(38) Name of Agency Contact Person for Claim

Telephone Number _____

E-mail Address _____

Name of Consulting Firm/Claim Preparer

Telephone Number _____

E-mail Address _____

PROGRAM 321	IDENTITY THEFT CLAIM SUMMARY INSTRUCTIONS	FORM 1

(01) Enter the name of the claimant.

(02) Enter the fiscal year of costs.

(03) If more than one department has incurred costs for this mandate, give the name of each department. A separate Form 1 should be completed for each department.

(04) For each reimbursable activity, enter the totals from Form 2, line (05), columns (d) through (i), to Form 1, block (04), columns (a) through (f), in the appropriate row. Total each row.

(05) Total columns (a) through (g).

(06) Indirect costs may be computed as 10% of direct labor costs, excluding fringe benefits, without preparing an Indirect Cost Rate Proposal (ICRP). If an indirect cost rate of greater than 10% is used, include the ICRP with the claim.

(07) Local agencies have the option of using the flat rate of 10% of direct labor costs or using a department's ICRP in accordance with the Office of Management and Budget OMB Circular A-87 (Title 2 CFR Part 225). If the flat rate is used for indirect costs, multiply Total Salaries, line (05)(a), by 10%. If an ICRP is submitted, multiply applicable costs used in the distribution base for the computation of the indirect cost rate by the Indirect Cost Rate, line (06). If more than one department is reporting costs, each must have its own ICRP for the program.

(08) Enter the sum of Total Direct Costs, line (05)(g), and Total Indirect Costs, line (07).

(09) If applicable, enter any revenue received by the claimant for this mandate from any state or federal source.

(10) If applicable, enter the amount of other reimbursements received from any source including, but not limited to, service fees collected, federal funds, and other state funds that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.

(11) From Total Direct and Indirect Costs, line (08), subtract the sum of Offsetting Revenues, line (09), and Other Reimbursements, line (10). Enter the remainder on this line and carry the amount forward to Form FAM-27, line (13) for the Reimbursement Claim.

PROGRAM 321	IDENTITY THEFT CLAIM FOR PAYMENT INSTRUCTIONS	FORM FAM-27

(01) Enter the claimant identification number assigned by the State Controller's Office.

(02) Enter claimant official name, county of location, street or postal office box address, city, State, and zip code.

(03) to (08) Leave blank.

(09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.

(10) Not applicable.

(11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.

(12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate Form FAM-27 for each fiscal year.

(13) Enter the amount of the reimbursement claim as shown on Form 1 line (11). The total claimed amount must exceed $1,000; minimum claim must be $1,001.

(14) Initial claims must be filed as specified in the claiming instructions. Annual reimbursement claims must be filed by **February 15** of the following fiscal year in which costs were incurred or the claims must be reduced by a late penalty. Enter zero if the claim was filed on time. Otherwise, enter the penalty amount as a result of the calculation formula as follows:

- Late Initial Claims: Form FAM-27 line (13) multiplied by 10%, without limitation; or
- Late Annual Reimbursement Claims: Form FAM-27, line (13) multiplied by 10%, late penalty not to exceed $10,000.

(15) Enter the amount of payment, if any, received for the claim. If no payment was received, enter zero.

(16) Enter the net claimed amount by subtracting the sum of lines (14) and (15) from line (13).

(17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.

(18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.

(19) to (21) Leave blank.

(22) to (36) Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., Form 1, (04) 1. a) (g), means the information is located on Form 1, line (04) **1**.a), column (g). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 35.19% should be shown as 35. **Completion of this data block will expedite the process**.

(37) Read the statement of Certification of Claim. The claim must be dated, signed by the agency's authorized officer, and must type or print name, title, date signed, telephone number, and email address. **Claims cannot be paid unless accompanied by an original signed certification**. **(Please sign the Form FAM-27 in blue ink and attach the copy to the top of the claim package.)**

(38) Enter the name, telephone number, and e-mail address of the agency contact person for the claim. If the claim was prepared by a consultant, type or print the name of the consulting firm, the claim preparer, telephone number, and e-mail address.

SUBMIT A SIGNED ORIGINAL Form FAM-27 AND ONE COPY WITH ALL OTHER FORMS TO:

Address, if delivered by U.S. Postal Service:

OFFICE OF THE STATE CONTROLLER
ATTN: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

Address, if delivered by other delivery service:

OFFICE OF THE STATE CONTROLLER
ATTN: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 700
Sacramento, CA 95816

PROGRAM 321	IDENTITY THEFT CLAIM SUMMARY	FORM 1

(01) Claimant	(02) Fiscal Year 20___/20___
(03) Department	

Direct Costs — **Object Accounts**

(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(f) Travel	(g) Total
1. Choose either a) or b)							
a) Taking police report in violation of PC §530.5							
b) Reviewing online ID theft report							
2. Investigation of facts							
(05) Total Direct Costs							

Indirect Costs

(06) Indirect Cost Rate	[From ICRP or 10%]	%
(07) Total Indirect Costs	[Refer to Claim Summary Instructions]	
(08) Total Direct and Indirect Costs	[Line (05)(g) + line (07)]	

Cost Reduction

(09) Less: Offsetting Revenues		
(10) Less: Other Reimbursements		
(11) Total Claimed Amount	[Line (08) - {line (09) + line (10)}]	

PROGRAM 321	IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant

(02) Fiscal Year 20___/20___

(03) Reimbursable Activities: Check only one box per form to identify the activity being claimed.

☐ Taking police report in violation of PC §530.5 ☐ Investigation of facts

☐ Reviewing online ID theft report

(04) Description of Expenses			Object Accounts					
(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Materials and Supplies	(g) Contract Services	(h) Fixed Assets	(i) Travel
(05) Total ☐ Subtotal ☐ Page:____of____								

PROGRAM 321	IDENTITY THEFT ACTIVITY COST DETAIL INSTRUCTIONS	FORM 2

(01) Enter the name of the claimant.

(02) Enter the fiscal year for which costs were incurred.

(03) Check the box which indicates the activity being claimed. Check only one box per form. A separate Form 2 must be prepared for each applicable activity.

(04) The following table identifies the type of information required to support reimbursable costs. To detail costs for the activity box checked in block (03), enter the employee names, position titles, a brief description of the activities performed, actual time spent by each employee, productive hourly rates, fringe benefits, supplies used, contract services, and travel expenses. **The descriptions required in column (4)(a) must be of sufficient detail to explain the cost of activities or items being claimed.** For audit purposes, all supporting documents must be retained by the claimant for a period of not less than three years after the date the claim was filed or last amended, whichever is later. If no funds were appropriated or no payment was made at the time the claim was filed, the time for the Controller to initiate an audit will be from the date of initial payment of the claim. Such documents must be made available to the SCO on request.

Object/ Sub object Accounts	Columns									Submit supporting documents with the claim
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Salaries	Employee Name/Title	Hourly Rate	Hours Worked	Salaries = Hourly Rate x Hours Worked						
Benefits	Activities Performed	Benefit Rate			Benefits = Benefit Rate x Salaries					
Materials and Supplies	Description of Supplies Used	Unit Cost	Quantity Used			Cost = Unit Cost x Quantity Used				
Contract Services	Name of Contractor Specific Tasks Performed	Hourly Rate	Hours Worked Inclusive Dates of Service				Cost = Hourly Rate x Hours Worked			Copy of Contract and Invoices
Fixed Assets	Description of Equipment Purchased	Unit Cost	Usage					Cost = Unit Cost x Usage		
Travel	Purpose of Trip Name and Title Departure and Return Date	Per Diem Rate Mileage Rate Travel Cost	Days Miles Travel Mode						Total Travel Cost = Rate x Days or Miles	

(05) Total line (04), columns (d) through (i) and enter the sum on this line. Check the appropriate box to indicate if the amount is a total or subtotal. If more than one form is needed to detail the activity costs, number each page. Enter totals from line (05), columns (d) through (i) to Form 1, block (04), columns (a) through (f) in the appropriate row.

OFFICE OF THE STATE CONTROLLER

STATE MANDATED COSTS CLAIMING INSTRUCTIONS NO. 2011-16

IDENTITY THEFT

SEPTEMBER 30, 2011

REVISED JULY 1, 2013

In accordance with Government Code (GC) sections 17560 and 17561, eligible claimants may submit claims to the State Controller's Office (SCO) for reimbursement of costs incurred for state-mandated cost programs. This document contains claiming instructions and forms that eligible claimants must use for filing claims for the Identity Theft (IT) program. The Parameters and Guidelines (P's & G's) are included as an integral part of the claiming instructions.

On March 27, 2009, the Commission on State Mandates found that Penal Code section 530.6(a), as added by Chapter 956, Statutes of 2000, mandates a new program or higher level of service for local law enforcement agencies within the meaning of Article XIII B, section 6 of the California Constitution, and imposes costs mandated by the state pursuant to GC section 17514.

Exception

There will be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

Eligible Claimants

Any city or county whose law enforcement agency incurs increased costs as a result of this mandate is eligible to claim for reimbursement.

Reimbursement Claim Deadline

Claims for the **2012-13** fiscal year may be filed by **February 18, 2014**, without a late penalty**. Claims filed more than one year after the filing date will not be accepted.**

Penalty

- **Initial Claims**

  When filed within one year of the initial filing deadline, claims are assessed a late penalty of 10% of the total amount of the initial claim without limitation pursuant to GC section 17561, subdivision (d)(3).

- **Annual Reimbursement Claim**

  When filed within one year of the annual filing deadline, claims are assessed a late penalty of 10% of the claim amount; $10,000 maximum penalty, pursuant to GC section 17568.

Minimum Claim Cost

GC section 17564, subdivision (a), provides that no claim may be filed pursuant to GC sections 17551 and 17561, unless such a claim exceeds one thousand dollars (**$1,000**).

Reimbursement of Claims

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. These 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 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 (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, these documents cannot be substituted for source documents.

Audit of Costs

All claims submitted to the SCO are subject to review to determine if costs are related to the mandate, are reasonable and not excessive, and if the claim was prepared in accordance with the SCO's claiming instructions and the P's & G's adopted by the CSM. If any adjustments are made to a claim, the claimant will be notified of the amount adjusted, and the reason for the adjustment.

On-site audits will be conducted by the SCO as deemed necessary. Pursuant to GC section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a claimant is subject to audit by the SCO no later than three years after the date 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 the SCO to initiate an audit will commence to run from the date of initial payment of the claim.

All documents used to support the reimbursable activities must be retained during the period subject to audit. 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.

Record Retention

All documentation to support actual costs claimed must be retained for a period of three years after the date the claim was filed or last amended, whichever is later. If no funds were appropriated or no payment was made at the time the claim was filed, the time for the Controller to initiate an audit will be from the date of initial payment of the claim. Therefore, all

documentation to support actual costs claimed must be retained for the same period, and must be made available to the SCO on request.

Claim Submission

Submit a signed original Form FAM-27 and one copy with required documents. **Please sign the Form FAM-27 in blue ink and attach the copy to the top of the claim package.**

Mandated costs claiming instructions and forms are available online at the SCO's website: **www.sco.ca.gov/ard_mancost.html.**

Use the following mailing addresses:

If delivered by
U.S. Postal Service:

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

If delivered by
other delivery services:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 700
Sacramento, CA 95816

If you have any questions, you may e-mail **LRSDAR@sco.ca.gov** or call the Local Reimbursements Section at (916) 324-5729.

Adopted: July 28, 2011

PARAMETERS AND GUIDELINES

Penal Code Section 530.6(a)

Statutes 2000, Chapter 956

Identity Theft
03-TC-08

I. SUMMARY OF THE MANDATE

The test claim statute requires local law enforcement agencies to take a police report and begin an investigation when a complainant residing within their jurisdiction reports suspected identity theft.

On March 27, 2009, the Commission found that Penal Code section 530.6(a), as added by Statutes 2000, chapter 956, mandates a new program or higher level of service for local law enforcement agencies within the meaning of article XIII B, section 6 of the California Constitution, and imposes costs mandated by the state pursuant to Government Code section 17514 for the following activities only:

- take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information; and,
- begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose.

II. ELIGIBLE CLAIMANTS

Any city, county, or city and county whose law enforcement agency incurs increased costs as a result of this reimbursable state-mandated program is eligible to claim reimbursement of these costs.

III. PERIOD OF REIMBURSEMENT

Government Code section 17557(e), states that a test claim shall be submitted on or before June 30 following a given fiscal year to establish eligibility for that fiscal year. The City of Newport Beach filed the test claim on September 25, 2003, establishing eligibility for reimbursement beginning July 1, 2002. Therefore, costs incurred for compliance with the mandated activities are reimbursable on or after July 1, 2002.

Reimbursement for state-mandated costs may be claimed as follows:

1. Actual costs for one fiscal year shall be included in each claim.
2. Pursuant to Government Code section 17561(d)(1)(A), all claims for reimbursement of initial fiscal year costs shall be submitted to the State Controller within 120 days of the issuance date for the claiming instructions.
3. Pursuant to Government Code section 17560(a), a local agency may, by February 15 following the fiscal year in which costs were incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year.
4. In the event revised claiming instructions are issued by the Controller pursuant to Government Code section 17558(c), between November 15 and February 15, a local agency filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim. (Gov. Code §17560 (b).)
5. If the total costs for a given fiscal year do not exceed $1,000, no reimbursement shall be allowed except as otherwise allowed by Government Code section 17564(a).
6. There shall be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

IV. REIMBURSABLE ACTIVITIES

To be eligible for mandated cost reimbursement for any given 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 to 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, time sheets, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, calendars, 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 reported 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.

For each eligible claimant, the following ongoing activities are eligible for reimbursement:

1. Either a) or b) below:

   a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected

identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or

b) Reviewing the identity theft report completed on-line by the identity theft victim.

2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

Providing a copy of the report to the complainant is not reimbursable under this program.

Referring the matter to the law enforcement agency where the suspected crime was committed for further investigation of the facts is also not reimbursable under this program,

V. CLAIM PREPARATION AND SUBMISSION

Each of the following cost elements must be identified for the reimbursable activities identified in section IV of this document. Each reimbursable cost must be supported by source documentation as described in section IV. Additionally, each reimbursement claim must be filed in a timely manner.

A. Direct Cost Reporting

Direct costs are those costs incurred specifically for reimbursable activities. The following direct costs are eligible for reimbursement.

1. Salaries and Benefits

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

2. Materials and Supplies

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities. Purchases shall be claimed at the actual price after deducting discounts, rebates, and allowances received by the claimant. Supplies that are withdrawn from inventory shall be charged on an appropriate and recognized method of costing, consistently applied.

3. Contracted Services

Report the name of the contractor and services performed to implement the reimbursable activities and attach a copy of the contract to the claim. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the dates when services were performed and itemize all costs for those services during the period covered by the reimbursement claim. If the contract services were also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be

claimed. Submit contract consultant and invoices with the claim and a description of the contract scope of services.

4. Fixed Assets

Report the purchase price paid for fixed assets (including computers) necessary to implement the reimbursable activities. The purchase price includes taxes, delivery costs, and installation costs. If the fixed asset is also used for purposes other than the reimbursable activities, only the pro-rata portion of the purchase price used to implement the reimbursable activities can be claimed.

5. Travel

Report the name of the employee traveling for the purpose of the reimbursable activities. Include the date of travel, destination, the specific reimbursable activity requiring travel, and related travel expenses reimbursed to the employee in compliance with the rules of the local jurisdiction. Report employee travel time according to the rules of cost element A.1, Salaries and Benefits, for each applicable reimbursable activity.

B. Indirect Cost Rates

Indirect costs are costs that are incurred for a common or joint purpose, benefiting more than one program, and are not directly assignable to a particular department or program without efforts disproportionate to the result achieved. Indirect costs may include: (1) the overhead costs of the unit performing the mandate; and (2) the costs of the central government services distributed to the other departments based on a systematic and rational basis through a cost allocation plan.

Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in 2 CFR Part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using 10% of labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.

The distributions base may be: (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.); (2) direct salaries and wages; or (3) another base which results in an equitable distribution.

In calculating an ICRP, the claimant shall have the choice of one of the following methodologies:

1. The allocation of allowable indirect costs (as defined and described in 2 CRF Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by: (1) classifying a department's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The

rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected; or

2. The allocation of allowable indirect costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by: (1) separating a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected.

VI. RECORD RETENTION

Pursuant to Government Code section 17558.5(a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter[1] is subject to the initiation of an audit by the State 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 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.

VII. OFFSETTING REVENUES AND REIMBURSEMENTS

Any offsets the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any federal, state or non-local source shall be identified and deducted from this claim.

VIII. STATE CONTROLLER'S CLAIMING INSTRUCTIONS

Pursuant to Government Code section 17558(b), the Controller shall issue claiming instructions for each mandate that requires state reimbursement not later than 60 days after receiving the adopted parameters and guidelines from the Commission, to assist local agencies and school districts in claiming costs to be reimbursed. The claiming instructions shall be derived from the test claim decision and the parameters and guidelines adopted by the Commission.

Pursuant to Government Code section 17561(d)(1)(A), issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the Commission.

IX. REMEDIES BEFORE THE COMMISSION

Upon the request of a local agency or school district, the Commission shall review the claiming instructions issued by the State Controller or any other authorized state agency for

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

reimbursement of mandated costs pursuant to Government Code section 17571. If the Commission determines that the claiming instructions do not conform to the parameters and guidelines, the Commission shall direct the Controller to modify the claiming instructions to conform to the parameters and guidelines as directed by the Commission.

In addition, requests may be made to amend parameters and guidelines pursuant to Government Code section 17557(d)(1), and California Code of Regulations, title 2, section 1183.2.

X. LEGAL AND FACTUAL BASIS FOR THE PARAMETERS AND GUIDELINES

The statement of decision is legally binding on all parties and provides the legal and factual basis for the parameters and guidelines. The support for the legal and factual findings is found in the administrative record for the test claim. The administrative record, including the statement of decision, is on file with the Commission.

IDENTITY THEFT
CLAIM FOR PAYMENT

For State Controller Use Only

(19) Program Number 00321
(20) Date Filed
(21) LRS Input

PROGRAM 321

(01) Claimant Identification Number

(02) Claimant Name

County of Location

Street Address or P.O. Box Suite

City State Zip Code

		Type of Claim	Reimbursement Claim Data	
			(22) FORM 1, (04) 1. (a) (g)	
			(23) FORM 1, (04) 1. (b) (g)	
			(24) FORM 1, (04) 2. (g)	
			(25) FORM 1, (06)	
			(26) FORM 1, (07)	
	(03)	(09) Reimbursement ☐	(27) FORM 1, (09)	
	(04)	(10) Combined ☐	(28) FORM 1, (10)	
	(05)	(11) Amended ☐	(29)	
Fiscal Year of Cost	(06)	(12)	(30)	
Total Claimed Amount	(07)	(13)	(31)	
Less: **10% Late Penalty** (refer to attached Instructions)		(14)	(32)	
Less: **Prior Claim Payment Received**		(15)	(33)	
Net Claimed Amount		(16)	(34)	
Due from State	(08)	(17)	(35)	
Due to State		(18)	(36)	

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code Sections 17560 and 17561, I certify that I am the officer authorized by the local agency to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Article 4, Chapter 1 of Division 4 of Title 1 Government Code.

I further certify that there was no application other than from the claimant, nor any grants or payments received for reimbursement of costs claimed herein and claimed costs are for a new program or increased level of services of an existing program. All offsetting revenues and reimbursements set forth in the parameters and guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.

The amount for this reimbursement is hereby claimed from the State for payment of actual costs set forth on the attached statements.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Officer

Date Signed _____

Telephone Number _____

E-Mail Address _____

Type or Print Name and Title of Authorized Signatory

(38) Name of Agency Contact Person for Claim

Telephone Number _____

E-mail Address _____

Name of Consulting Firm/Claim Preparer

Telephone Number _____

E-mail Address _____

PROGRAM 321	IDENTITY THEFT ACTIVITY COST DETAIL INSTRUCTIONS	FORM 2

(01) Enter the name of the claimant.

(02) Enter the fiscal year for which costs were incurred.

(03) Check the box which indicates the activity being claimed. Check only one box per form. A separate Form 2 must be prepared for each applicable activity.

(04) The following table identifies the type of information required to support reimbursable costs. To detail costs for the activity box checked in block (03), enter the employee names, position titles, a brief description of the activities performed, actual time spent by each employee, productive hourly rates, fringe benefits, supplies used, contract services, and travel expenses. **The descriptions required in column (4)(a) must be of sufficient detail to explain the cost of activities or items being claimed.** For audit purposes, all supporting documents must be retained by the claimant for a period of not less than three years after the date the claim was filed or last amended, whichever is later. If no funds were appropriated or no payment was made at the time the claim was filed, the time for the Controller to initiate an audit will be from the date of initial payment of the claim. Such documents must be made available to the SCO on request.

Object/ Sub object Accounts	Columns									Submit supporting documents with the claim
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Salaries	Employee Name/Title	Hourly Rate	Hours Worked	Salaries = Hourly Rate x Hours Worked						
Benefits	Activities Performed	Benefit Rate			Benefits = Benefit Rate x Salaries					
Materials and Supplies	Description of Supplies Used	Unit Cost	Quantity Used			Cost = Unit Cost x Quantity Used				
Contract Services	Name of Contractor Specific Tasks Performed	Hourly Rate	Hours Worked Inclusive Dates of Service				Cost = Hourly Rate x Hours Worked			Copy of Contract and Invoices
Fixed Assets	Description of Equipment Purchased	Unit Cost	Usage					Cost = Unit Cost x Usage		
Travel	Purpose of Trip Name and Title Departure and Return Date	Per Diem Rate Mileage Rate Travel Cost	Days Miles Travel Mode						Total Travel Cost = Rate x Days or Miles	

(05) Total line (04), columns (d) through (i) and enter the sum on this line. Check the appropriate box to indicate if the amount is a total or subtotal. If more than one form is needed to detail the activity costs, number each page. Enter totals from line (05), columns (d) through (i) to Form 1, block (04), columns (a) through (f) in the appropriate row.

PROGRAM 321	IDENTITY THEFT CLAIM FOR PAYMENT INSTRUCTIONS	FORM FAM-27

(01) Enter the claimant identification number assigned by the State Controller's Office.

(02) Enter claimant official name, county of location, street or postal office box address, city, State, and zip code.

(03) to (08) Leave blank.

(09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.

(10) Not applicable.

(11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.

(12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate Form FAM-27 for each fiscal year.

(13) Enter the amount of the reimbursement claim as shown on Form 1 line (11). The total claimed amount must exceed $1,000; minimum claim must be $1,001.

(14) Initial claims must be filed as specified in the claiming instructions. Annual reimbursement claims must be filed by **February 15** of the following fiscal year in which costs were incurred or the claims must be reduced by a late penalty. Enter zero if the claim was filed on time. Otherwise, enter the penalty amount as a result of the calculation formula as follows:

- Late Initial Claims: Form FAM-27 line (13) multiplied by 10%, without limitation; or
- Late Annual Reimbursement Claims: Form FAM-27, line (13) multiplied by 10%, late penalty not to exceed $10,000.

(15) Enter the amount of payment, if any, received for the claim. If no payment was received, enter zero.

(16) Enter the net claimed amount by subtracting the sum of lines (14) and (15) from line (13).

(17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.

(18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.

(19) to (21) Leave blank.

(22) to (36) Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., Form 1, (04) 1. a) (g), means the information is located on Form 1, line (04) **1**.a), column (g). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 35.19% should be shown as 35. **Completion of this data block will expedite the process**.

(37) Read the statement of Certification of Claim. The claim must be dated, signed by the agency's authorized officer, and must type or print name, title, date signed, telephone number, and email address. **Claims cannot be paid unless accompanied by an original signed certification**. **(Please sign the Form FAM-27 in blue ink and attach the copy to the top of the claim package.)**

(38) Enter the name, telephone number, and e-mail address of the agency contact person for the claim. If the claim was prepared by a consultant, type or print the name of the consulting firm, the claim preparer, telephone number, and e-mail address.

SUBMIT A SIGNED ORIGINAL Form FAM-27 AND ONE COPY WITH ALL OTHER FORMS TO:

Address, if delivered by U.S. Postal Service:

OFFICE OF THE STATE CONTROLLER
ATTN: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

Address, if delivered by other delivery service:

OFFICE OF THE STATE CONTROLLER
ATTN: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 700
Sacramento, CA 95816

PROGRAM 321	IDENTITY THEFT CLAIM SUMMARY	FORM 1

(01) Claimant	(02) Fiscal Year 20___/20___
(03) Department	

Direct Costs	**Object Accounts**						
(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(f) Travel	(g) Total
1. Choose either (a) or (b)							
a) Taking police report in violation of PC §530.5							
b) Reviewing online ID theft report							
2. Investigation of facts							
(05) Total Direct Costs							

Indirect Costs		
(06) Indirect Cost Rate	[From ICRP or 10%]	%
(07) Total Indirect Costs	[Refer to Claim Summary Instructions]	
(08) Total Direct and Indirect Costs	[Line (05)(g) + line (07)]	

Cost Reduction		
(09) Less: Offsetting Revenues		
(10) Less: Other Reimbursements		
(11) Total Claimed Amount	[Line (08) - {line (09) + line (10)}]	

PROGRAM 321	IDENTITY THEFT CLAIM SUMMARY INSTRUCTIONS	FORM 1

(01) Enter the name of the claimant.

(02) Enter the fiscal year of costs.

(03) If more than one department has incurred costs for this mandate, give the name of each department. A separate Form 1 should be completed for each department.

(04) For each reimbursable activity, enter the totals from Form 2, line (05), columns (d) through (i), to Form 1, block (04), columns (a) through (f), in the appropriate row. Total each row.

(05) Total columns (a) through (g).

(06) Indirect costs may be computed as 10% of direct labor costs, excluding fringe benefits, without preparing an Indirect Cost Rate Proposal (ICRP). If an indirect cost rate of greater than 10% is used, include the ICRP with the claim.

(07) Local agencies have the option of using the flat rate of 10% of direct labor costs or using a department's ICRP in accordance with the Office of Management and Budget OMB Circular A-87 (Title 2 CFR Part 225). If the flat rate is used for indirect costs, multiply Total Salaries, line (05)(a), by 10%. If an ICRP is submitted, multiply applicable costs used in the distribution base for the computation of the indirect cost rate by the Indirect Cost Rate, line (06). If more than one department is reporting costs, each must have its own ICRP for the program.

(08) Enter the sum of Total Direct Costs, line (05)(g), and Total Indirect Costs, line (07).

(09) If applicable, enter any revenue received by the claimant for this mandate from any state or federal source.

(10) If applicable, enter the amount of other reimbursements received from any source including, but not limited to, service fees collected, federal funds, and other state funds that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.

(11) From Total Direct and Indirect Costs, line (08), subtract the sum of Offsetting Revenues, line (09), and Other Reimbursements, line (10). Enter the remainder on this line and carry the amount forward to Form FAM-27, line (13) for the Reimbursement Claim.

PROGRAM 321	IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant

(02) Fiscal Year 20___/20___

(03) Reimbursable Activities: Check only one box per form to identify the activity being claimed.

☐ 1.(a) Taking police report in violation of PC §530.5 ☐ 2. Investigation of facts

☐ 1.(b) Reviewing online ID theft report

(04) Description of Expenses			Object Accounts					
(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Materials and Supplies	(g) Contract Services	(h) Fixed Assets	(i) Travel
(05) Total ☐ Subtotal ☐ Page:____of____								

Tab 4
Parameters and Guidelines – Identity Theft Program

BEFORE THE

COMMISSION ON STATE MANDATES

STATE OF CALIFORNIA

IN RE TEST CLAIM ON:	Case No. 03-TC-08 *Identity Theft* PARAMETERS AND GUIDELINES AND DECISION PURSUANT TO GOVERNMENT CODE SECTION 1700 ET SEQ.; TITLE 2, CALIFORNIA CODE OF REGULATIONS, DIVISION 2, CHAPTER 2.5, ARTICLE 7. (Adopted July 28, 2011)
Penal Code Section 530.6(a) Statutes 2000, Chapter 956 Filed September 25, 2003, by the City of Newport Beach, Claimant.	

PARAMETERS AND GUIDELINES

On July 28, 2011, the Commission on State Mandates adopted the staff analysis as its decision and the attached parameters and guidelines for the above-named matter.

Drew Bohan, Executive Director

Dated: July 29, 2011

Adopted: July 28, 2011

PARAMETERS AND GUIDELINES

Penal Code Section 530.6(a)

Statutes 2000, Chapter 956

Identity Theft
03-TC-08

I. SUMMARY OF THE MANDATE

The test claim statute requires local law enforcement agencies to take a police report and begin an investigation when a complainant residing within their jurisdiction reports suspected identity theft.

On March 27, 2009, the Commission found that Penal Code section 530.6(a), as added by Statutes 2000, chapter 956, mandates a new program or higher level of service for local law enforcement agencies within the meaning of article XIII B, section 6 of the California Constitution, and imposes costs mandated by the state pursuant to Government Code section 17514 for the following activities only:

- take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information; and,
- begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose.

II. ELIGIBLE CLAIMANTS

Any city, county, or city and county whose law enforcement agency incurs increased costs as a result of this reimbursable state-mandated program is eligible to claim reimbursement of these costs.

III. PERIOD OF REIMBURSEMENT

Government Code section 17557(e), states that a test claim shall be submitted on or before June 30 following a given fiscal year to establish eligibility for that fiscal year. The City of Newport Beach filed the test claim on September 25, 2003, establishing eligibility for reimbursement beginning July 1, 2002. Therefore, costs incurred for compliance with the mandated activities are reimbursable on or after July 1, 2002.

Reimbursement for state-mandated costs may be claimed as follows:

1. Actual costs for one fiscal year shall be included in each claim.
2. Pursuant to Government Code section 17561(d)(1)(A), all claims for reimbursement of initial fiscal year costs shall be submitted to the State Controller within 120 days of the issuance date for the claiming instructions.
3. Pursuant to Government Code section 17560(a), a local agency may, by February 15 following the fiscal year in which costs were incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year.
4. In the event revised claiming instructions are issued by the Controller pursuant to Government Code section 17558(c), between November 15 and February 15, a local agency filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim. (Gov. Code §17560 (b).)
5. If the total costs for a given fiscal year do not exceed $1,000, no reimbursement shall be allowed except as otherwise allowed by Government Code section 17564(a).
6. There shall be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

IV. REIMBURSABLE ACTIVITIES

To be eligible for mandated cost reimbursement for any given 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 to 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, time sheets, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, calendars, 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 reported 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.

For each eligible claimant, the following ongoing activities are eligible for reimbursement:

1. Either a) or b) below:

   a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected

rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected; or

2. The allocation of allowable indirect costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by: (1) separating a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected.

VI. RECORD RETENTION

Pursuant to Government Code section 17558.5(a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter[1] is subject to the initiation of an audit by the State 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 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.

VII. OFFSETTING REVENUES AND REIMBURSEMENTS

Any offsets the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any federal, state or non-local source shall be identified and deducted from this claim.

VIII. STATE CONTROLLER'S CLAIMING INSTRUCTIONS

Pursuant to Government Code section 17558(b), the Controller shall issue claiming instructions for each mandate that requires state reimbursement not later than 60 days after receiving the adopted parameters and guidelines from the Commission, to assist local agencies and school districts in claiming costs to be reimbursed. The claiming instructions shall be derived from the test claim decision and the parameters and guidelines adopted by the Commission.

Pursuant to Government Code section 17561(d)(1)(A), issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the Commission.

IX. REMEDIES BEFORE THE COMMISSION

Upon the request of a local agency or school district, the Commission shall review the claiming instructions issued by the State Controller or any other authorized state agency for

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

reimbursement of mandated costs pursuant to Government Code section 17571. If the Commission determines that the claiming instructions do not conform to the parameters and guidelines, the Commission shall direct the Controller to modify the claiming instructions to conform to the parameters and guidelines as directed by the Commission.

In addition, requests may be made to amend parameters and guidelines pursuant to Government Code section 17557(d)(1), and California Code of Regulations, title 2, section 1183.2.

X. LEGAL AND FACTUAL BASIS FOR THE PARAMETERS AND GUIDELINES

The statement of decision is legally binding on all parties and provides the legal and factual basis for the parameters and guidelines. The support for the legal and factual findings is found in the administrative record for the test claim. The administrative record, including the statement of decision, is on file with the Commission.

identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or

b) Reviewing the identity theft report completed on-line by the identity theft victim.

2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

Providing a copy of the report to the complainant is not reimbursable under this program.

Referring the matter to the law enforcement agency where the suspected crime was committed for further investigation of the facts is also not reimbursable under this program,

V. CLAIM PREPARATION AND SUBMISSION

Each of the following cost elements must be identified for the reimbursable activities identified in section IV of this document. Each reimbursable cost must be supported by source documentation as described in section IV. Additionally, each reimbursement claim must be filed in a timely manner.

A. Direct Cost Reporting

Direct costs are those costs incurred specifically for reimbursable activities. The following direct costs are eligible for reimbursement.

1. Salaries and Benefits

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

2. Materials and Supplies

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities. Purchases shall be claimed at the actual price after deducting discounts, rebates, and allowances received by the claimant. Supplies that are withdrawn from inventory shall be charged on an appropriate and recognized method of costing, consistently applied.

3. Contracted Services

Report the name of the contractor and services performed to implement the reimbursable activities and attach a copy of the contract to the claim. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the dates when services were performed and itemize all costs for those services during the period covered by the reimbursement claim. If the contract services were also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be

claimed. Submit contract consultant and invoices with the claim and a description of the contract scope of services.

4. Fixed Assets

Report the purchase price paid for fixed assets (including computers) necessary to implement the reimbursable activities. The purchase price includes taxes, delivery costs, and installation costs. If the fixed asset is also used for purposes other than the reimbursable activities, only the pro-rata portion of the purchase price used to implement the reimbursable activities can be claimed.

5. Travel

Report the name of the employee traveling for the purpose of the reimbursable activities. Include the date of travel, destination, the specific reimbursable activity requiring travel, and related travel expenses reimbursed to the employee in compliance with the rules of the local jurisdiction. Report employee travel time according to the rules of cost element A.1, Salaries and Benefits, for each applicable reimbursable activity.

B. Indirect Cost Rates

Indirect costs are costs that are incurred for a common or joint purpose, benefiting more than one program, and are not directly assignable to a particular department or program without efforts disproportionate to the result achieved. Indirect costs may include: (1) the overhead costs of the unit performing the mandate; and (2) the costs of the central government services distributed to the other departments based on a systematic and rational basis through a cost allocation plan.

Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in 2 CFR Part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using 10% of labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.

The distributions base may be: (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.); (2) direct salaries and wages; or (3) another base which results in an equitable distribution.

In calculating an ICRP, the claimant shall have the choice of one of the following methodologies:

1. The allocation of allowable indirect costs (as defined and described in 2 CRF Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by: (1) classifying a department's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The

Tab 5

Law Enforcement Service Contract #94-937 between San Bernardino County and The City of Hesperia

MINUTES OF THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA

09/13/94

Sheriff-Gen'l;
Inc. Cities-Hesperia;
Fixed Assets;
Admin/Pers/Classif.;
Agreements 85-677
and 94-937

AUGUST 30, 1994

ORIGINAL: BOB TREMAINE
COPY: CAPTAIN ABERNATHY
KARI CANADY
DONNA LARSON
PAYROLL
AUTOMOTIVE
FILE

FROM: RICHARD G. WILLIAMS, SHERIFF

SUBJECT: LAW ENFORCEMENT SERVICE CONTRACT WITH THE CITY OF HESPERIA

RECOMMENDATION:

1. Approve law enforcement service contract with the City of Hesperia.

2. Authorize the addition of the following positions with pending classification effective August 30, 1994.

   1 - Sheriff's Sergeant
   1 - Sheriff's Service Specialist

3. Authorize the purchase of the following fixed assets:

   1 - Marked Mini Van
   1 - Mobile Data Terminal

4. Authorize the following increase in appropriations and revenue for Sheriff's FY 94/95 budget:

AAA	SHR	SHR	1010	$155,470
AAA	SHR	SHR	4040	7,000
AAA	SHR	SHR	4050	17,800
AAA	SHR	SHR	9565	180,270

REASON FOR RECOMMENDATION:

During the past year the County and Cities receiving contract law enforcement services have negotiated a variety of issues which has resulted in revised language for the contracts. Approval of this contract will allow for the previous contract (85-677) language to be replaced and update costs to current fiscal year levels and continue services for FY 94/95. The above requested positions and equipment are necessary to make the service change as requested. Appropriations and revenue adjustments are necessary to fund the requested positions and purchase equipment.

cc: Sheriff Admin.-Linda Tennant w/agreement
City of Hesperia w/agreement c/o Sheriff Admin.
Auditor w/agreement
Central Payroll re Rec. #2
Purchasing re Rec. #3
Vehicle Services
Human Resources (4)
SBPEA; DIS; Affirm. Action
Risk Management
CAO-Hallen
File w/agreement

mll

Action of the Board of Supervisors
AGREEMENT NO. 94-937

APPROVED BOARD OF SUPERVISORS
COUNTY OF SAN BERNARDINO

MOTION	AYE	ABSENT	SECOND	ABSENT	MOVE
	1	2	3	4	5

EARLENE SPROAT, CLERK OF THE BOARD

BY Mary Louise Lenard

DATED: AUGUST 30, 1994

ITEM 39a

14-9507-000
Rev. 10/81

LAW ENFORCEMENT SERVICE CONTRACT WITH THE CITY OF HESPERIA
DATE: AUGUST 30, 1994

Authorization of the above-requested positions and fixed asset purchase is necessary to meet a request by the City for a change in service level. Appropriations and revenue adjustments are necessary to fund the requested positions and purchase equipment.

REVIEW BY OTHER DEPARTMENTS:

This contract has been reviewed and approved as to form by County Risk Management and Deputy County Counsel Kevin Norris.

FINANCIAL DATA:

This action increases the annual cost of the contract to $3,538,711. The cost of this contract will be recovered through contract revenue. No net cost to the County.

County of San Bernardino

FAS

STANDARD CONTRACT

FOR COUNTY ONLY

E/M/X		Vendor Code	Dept.		Contract Number
E	X New		SC	SHR A	94-937
M	Change				
X	Cancel				

County Department	Dept.	Orgn.	Contractor's License No.
SHERIFF	SHR	SHR	

County Department Contract Representative	Ph. Ext.	Amount of Contract
ROBERT W. TREMAINE	(909) 387-3746	$7,037,406.00

Fund	Dept.	Organization	Appr.	Obj/Rev Source	Activity	GRC/PROJ/JOB Number

Commodity Code	Estimated Payment Total by Fiscal Year					
	FY	Amount	I/D	FY	Amount	I/D
Project Name	93/94	$3,498,695	I			
CONTRACT LAW ENFORCEMENT	94/95	$3,538,711	I			

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino, hereinafter called the County, and

Name: CITY OF HESPERIA — hereinafter called CITY

Address: 15776 MAIN STREET

HESPERIA, CA 92345

Phone — Birth Date

Federal ID No. or Social Security No.

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

AMENDED LAW ENFORCEMENT SERVICE CONTRACT

WHEREAS, CITY and COUNTY desire to provide by contract for performance of law enforcement services within the territorial boundaries of CITY;

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

I.

COUNTY shall provide, through the Sheriff of San Bernardino County (hereinafter referred to as "Sheriff"), law enforcement within the corporate limits of CITY as same now exist, or as such limits may be modified by annexation or exclusion during the term of this agreement.

II.

The law enforcement services to be provided by COUNTY and furnished to CITY hereunder shall include:

A. Enforcement of state statutes;

B. Enforcement of ordinances of CITY of the type customarily enforced by the Sheriff within the unincorporated territory of the County;

C. Traffic enforcement, with the exception of such traffic enforcement as may be provided by the California Highway Patrol on the freeway traversing CITY;

D. Detective, juvenile, and other specialized services such as arson, homicide, and narcotics enforcement;

E. Attendance at meetings of the City Counsel of CITY and such other meetings of commissions or boards of CITY as CITY may specify.

III.

Services to be provided by COUNTY shall include Sheriff's personnel and automobiles as specified in Schedule "A" for law enforcement services. Those personnel and automobiles are to be assigned at the discretion of the Sheriff based on the needs of the community.

The services to be provided by COUNTY hereunder shall also include all equipment (including repairs thereto or depreciation thereon), supplies, communications, administration, labor, vacation, and sick leave, any COUNTY retirement contributions, gasoline, oil, and traveling expenses and all other services, obligations or expenditures necessary or incidental to the performance of the duties to be performed by Sheriff under the terms of this agreement. There shall be no reduction in COUNTY compensation under this agreement for normal downtime of vehicles. In all instances where special supplies, stationary, notices, forms, and the like are to be issued in the name of CITY and approved by the Sheriff, the same shall be supplied by CITY at its own cost and expense.

Nothing in this contract is intended to alter the effect of any statute or COUNTY ordinance related to fees for housing of inmates detained for CITY ordinance violations or for criminal justice administrative fees (Government Code Section 29550, et seq., San Bernardino County Code Section 16.027A). The CITY will be separately billed for those items.

IV.

In consideration for COUNTY'S furnishing and performance of all the services provided for herein, CITY shall pay to COUNTY, upon contract approval, the sum as per Schedule "A," attached per year, payable in monthly installments at the beginning of each calendar month during the period of this agreement. Payments shall be due by the fifth day of each month for that same month's services. Payments received after sixty (60) days of when due shall include simple interest after the 60th day against the amount owing, calculated at the COUNTY'S then current investment pool rate. Said sum is subject to adjustment for any salary increases or fringe benefits which may be granted by the Board of Supervisors to Sheriff's employees. The actual cost of overtime, court appearances, and travel expenses will be billed quarterly.

COUNTY shall have the right to renegotiate the rate for services performed under this agreement at the end of each fiscal year, and said rate may be adjusted upward or downward to reflect the actual cost.

CITY is responsible for the validity of its ordinances, including any ordinances or codes incorporated by reference in CITY'S ordinances, and CITY shall defend, hold harmless, and indemnify COUNTY, its officers and employees with respect to any lawsuit or action challenging the validity of a CITY ordinance or with respect to any allegation that any arrest, citation, or other action taken by COUNTY, its officers or employees was taken under an invalid CITY ordinance, except in those cases where the invalidity of such ordinance is the result of actions by the Sheriff's Department.

Otherwise than is stated in this agreement, CITY shall not be obliged to pay, and assumes no liability for any cost, expenditure, charge, or liability whatsoever incurred by COUNTY in or related to the performance of the provisions of this agreement by COUNTY, and COUNTY shall, in consideration for the payment of the sums herein above provided to be paid by CITY to COUNTY, hold CITY harmless from any and all such costs, expenditures, charges, or liabilities except as otherwise provided in this agreement. CITY shall not be liable for compensation or indemnity to any COUNTY employee for injury or sickness arising out of his or her employment while engaged in the performance of this agreement by COUNTY.

CITY shall hold COUNTY harmless for a reduction in law enforcement services resulting from labor relation actions and CITY'S obligation to pay COUNTY shall be reduced for services not performed for that reason.

V.

The term of this contract shall be a period of time commencing on January 1, 1994, and terminating only as hereinafter provided. This agreement may be terminated at any time with or without cause by CITY or by COUNTY upon written notice given to the other at least one (1) year before the date specified for such termination. Any such termination date shall coincide with the end of a calendar month. In the event of such termination, each party shall fully pay and discharge all obligations in favor of the other accruing prior to the date of such termination and each party shall be released from all obligations or performance which would otherwise accrue subsequent to the date of such termination. In the event of termination of this agreement, the COUNTY shall refund any sum previously paid by CITY, which when prorated represents advance payment for months of service which are not performed as a result of such termination. Neither party shall incur any liability to the other by reason of such termination.

Notwithstanding the foregoing, in the event the Sheriff provides any services to CITY on a holdover basis after the date of contract termination, CITY shall fully reimburse COUNTY for all costs of providing such services.

COUNTY shall have the right to terminate this contract if CITY does not make timely payment of its obligations hereunder to COUNTY.

Any and all notices required to be given hereunder shall be given in writing by registered or certified mail, postage prepaid. The addresses of the parties hereto until further notice are as follows:

CITY: City of Hesperia
15776 Main Street
Hesperia, CA 92345

COUNTY: San Bernardino County Sheriff's Department
Bureau of Administration
P. O. Box 569
San Bernardino, CA 92402-0569

VI.

The standards of performance, the methods of performance, the discipline of officers, the control of personnel, the advancement in compensation of personnel, the determination of proper law enforcement practices and procedures, and all other matters incidental to the manner of performance of services by Sheriff hereunder shall be determined by the Sheriff at his sole discretion. The responsibility of Sheriff and of COUNTY to CITY hereunder shall be to provide, as an independent contracting agency, effective law enforcement of the level herein contracted for, and the CITY shall not have the right to determine or direct the manner or means of the performance.

VII.

All persons directly or indirectly employed by COUNTY in the performance of the services and functions to be provided to CITY hereunder, shall be employees of COUNTY, and no COUNTY employees shall have CITY pension, civil service, or other status or right. Notwithstanding the foregoing, and in order to give official status to the performance of duties by Sheriff's personnel hereunder, every Sheriff's officer or employee engaged in performing any such service or function shall be deemed to be an officer of CITY while performing service for CITY within the scope of this agreement, and such service function shall be a municipal function.

An arrest made by Sheriff's personnel while engaged in the performance of this agreement shall constitute an arrest by an officer employed by CITY, and not an arrest by COUNTY officer, within the meaning of Section 1463 of the Penal Code and any similar or related statute.

VIII.

CITY shall have the right at any time and from time to time during the term of this agreement to request a higher level of law enforcement than that herein contracted for, and within a reasonable time after such requests, COUNTY shall provide such additional personnel and vehicles as may be required to provide such additional law enforcement.

In such event, all provisions of this agreement with respect to compensation to be paid by CITY shall remain in full force and effect, but in addition to payment of the sums herein provided, CITY shall pay COUNTY in monthly installments the cost of such additional law enforcement service.

IX.

In the event of riot, civil commotion, or other emergency in the CITY which requires additional emergency or "back-up" service, COUNTY shall provide the same.

In the event of authorized public gatherings in the CITY requiring additional police services, salaries and related costs shall be borne by CITY, except where such authorized public gatherings occur on state or federal property within the CITY limits, such additional costs shall not be chargeable against the CITY.

Not included in riots or related services are salaries or related costs of additional police services for authorized public gatherings. In the event of such an emergency outside of the corporate limits of CITY, personnel or equipment assigned by Sheriff to the performance of COUNTY'S duties hereunder may be utilized by COUNTY in connection with such emergency, however no more than fifty percent (50%) of available personnel and equipment may be assigned outside the CITY boundaries without the mutual agreement of the Sheriff and the City manager. In the event of a major emergency in the CITY and surrounding communities, Sheriff's personnel and equipment shall not be assigned outside the CITY boundaries at a level which would deter from the CITY'S ability to respond to the existing emergency. In cases where the City Manager or his or her designee cannot be consulted prior to such deployment, such advisement must be made to the City Manager's Office immediately or as soon as possible thereafter. In any case the City Manager must be personally informed of the situation immediately or as soon as possible thereafter. The CITY shall be reimbursed for any resultant service not performed.

X.

To facilitate the performance of services hereunder by COUNTY, CITY, its officers, agents, and employeee shall give their full cooperation and assistance within the scope of the duties and responsibilities of such officers, agents, and employees.

CITY shall hold COUNTY, its Sheriff, officers, and employee harmless from any and all liability for intentional acts or negligence on the part of CITY, its officers and employees (excluding any employees of COUNTY engaged in the performance of municipal duties hereunder) arising out of or relating to the performance of this contract.

XI.

Sheriff shall be designated as the Chief of Police of CITY at all times during the term of this agreement.

Said Sheriff shall designate a station commander to work directly with and provide liaison with the City Manager and other CITY officers of the CITY. The Sheriff's commander shall make regular monthly reports to the City Manager, and such other reports as may be appropriate as determined by the Sheriff, with respect to law enforcement within the corporate limits of CITY.

COUNTY OF SAN BERNARDINO

► Jon D Mikels
Chairman, Board of Supervisors

Dated AUG 30 1994

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD.

Clerk of the Board of Supervisors of the County of San Bernardino.

By Mary Louise Lovasco
Deputy

CITY OF HESPERIA
(State if corporation, company, etc.)

By ► [signature]
(Authorized Signature)

Dated August 18, 1994

Title City Manager

Address ~~P. O. BOX 2966~~ 15776 Main Street

HESPERIA, CA 92345

Approved as to Legal Form	Reviewed as to Affirmative Action	Reviewed for Processing
► [signature]	►	► [signature]
County Counsel		Agency Administrator/CAO
Date 7-13-94	Date	Date 8/24/94

SCHEDULE A RATES
LAW ENFORCEMENT CONTRACT
CITY OF HESPERIA
FY 1993/94

SERVICE	FY 93/94 COST*
4 - 168 Hour General Law Patrol Units	$1,837,764**
1 - 80 Hour General Law Patrol Unit	224,331**
1 - 40 Hour General Law Patrol Units	113,759**
1 - 40 Hour School Resource Officer (No Relief)	102,485**
3 - 40 Hour Detective Units	353,106**
MENU ITEMS	
1 - Captain	102,534
3 - Senior Deputy Differential	17,814
2 - Deputy II (Traffic Grant)	190,220
1 - Deputy II D.A.R.E. Officer	67,570
3 - Sheriff's Service Specialists	196,284
1 - Secretary I	34,608
3 - Marked Units	24,561**
2 - Marked Units (Traffic Grant)	16,374**
4 - Unmarked Units	26,156**
1 - 4X4	10,114**
1 - K-9 Marked Units	10,629**
3 - Mini Vans	25,061**
2 - Citizen Patrol	1,530**
1 - Identi-Kit ($31 per month rental)	372
2 - Radar Units	1,102
County Direct Cost	110,433
CAD/CLETS/RMS Annual Maintenance	9,267
Rounding Factor Less Unassigned Positions Credits	22,621
TOTAL	**$3,498,695***

County Direct Costs are those costs assessed to the Sheriff's Department by the County for:

Vehicle Liability Insurance	$61,407
Personnel Liability Insurance	$48,665
Bonding Fee	$ 361

SCHEDULE A RATES
LAW ENFORCEMENT CONTRACT
CITY OF HESPERIA
FY 1993/94

MONTHLY PAYMENT SCHEDULE:

1st payment due 15th of July 1993	$291,568
2nd thru 12th payment due the 5th of each month	$291,557

ADDITIONAL COST BILLED QUARTERLY:

OVERTIME: Overtime estimated for FY 93/94 is $100,000. Actual cost will be billed quarterly.

City will be billed on a quarterly basis for:

- o Actual Overtime Cost
- o Professional Services From Private Vendors
- o Services and Supplies Above Contract Formula
- o Fuel and Maintenance (if applicable)

* Subject to change due to changes in salaries and benefits or Board of Supervisors action.

** Less Fuel and Maintenance. City is responsible for fuel and maintenance costs of all contract vehicles. Maintenance is defined as all routine maintenance, all necessary repairs (mechanical or body repair), and replacement of any destroyed vehicle.

CITY OF HESPERIA
LAW ENFORCEMENT CONTRACT
LEVEL OF SERVICE STAFFING GUIDE
FY 1993/94

SAFETY

1	Captain
1	Lieutenant
5	Sergeant
6	Deputy III'S
23	Deputy II's
36	

GENERAL

1.00	Secretary I
5.00	Station Clerks
3.00	Sheriff Serv Spec
4.63	Dispatchers
1.00	Automotive Svcs
14.63	

VEHICLES

12	Marked
7	Unmarked
3	Mini Vans (1 with MDT)
1	4X4
1	K-9 Marked Units
2	Citizen Patrol
26	

EQUIPMENT

2	Radar Unit
5	Cellular Phones
1	Identi-Kit

SCHEDULE A RATES
LAW ENFORCEMENT CONTRACT
CITY OF HESPERIA
FY 1994/95

SERVICE	FY 94/95 COST*
4 - 168 Hour General Law Patrol Units	$1,913,904**
1 - 80 Hour General Law Patrol Unit	233,495**
1 - 40 Hour General Law Patrol Units	118,738**
3 - 40 Hour Detective Units	372,075**
MENU ITEMS	
1 - Captain	107,323
1 - Sergeant	86,309
2 - Senior Deputy Differential	12,436
1 - Deputy II	99,333
4 - Sheriff's Service Specialists	276,648
1 - Secretary I	36,095
5 - Marked Units	42,385**
4 - Unmarked Units	27,448**
1 - 4X4	12,977**
4 - Mini Vans (2 with MDT's)	34,148**
2 - Citizen Patrol	2,942**
1 - Identi-Kit ($31 per month rental)	372
1 - Radar Units	575
County Direct Cost	102,043
CAD/CLETS/RMS Annual Maintenance	9,267
Rounding Factor To Create Even Positions	47,788
Employee/Vehicle Startup	2,410
TOTAL	**$3,538,711***

County Direct Costs are those costs assessed to the Sheriff's Department by the County for:

Vehicle Liability Insurance	$55,442
Personnel Liability Insurance	$46,248
Bonding Fee	$ 353

SCHEDULE A RATES
LAW ENFORCEMENT CONTRACT
CITY OF HESPERIA
FY 1994/95

MONTHLY PAYMENT SCHEDULE:

1st payment due 15th of July 1994	$294,899
2nd thru 12th payment due the 5th of each month	$294,892

ADDITIONAL COST BILLED QUARTERLY:

OVERTIME: Overtime estimated for FY 94/95 is $100,000. Actual cost will be billed quarterly.

City will be billed on a quarterly basis for:

- o Actual Overtime Cost
- o Professional Services From Private Vendors (i.e., towing, etc.)
- o Services and Supplies Above Contract Formula
- o Fuel and Maintenance (if applicable)

* Subject to change due to changes in salaries and benefits or Board of Supervisors action.

** Less Fuel and Maintenance. City is responsible for fuel and maintenance costs of all contract vehicles. Maintenance is defined as all routine maintenance, all necessary repairs (mechanical or body repair), and replacement of any destroyed vehicle.

CITY OF HESPERIA
LAW ENFORCEMENT CONTRACT
LEVEL OF SERVICE STAFFING GUIDE
FY 1994/95

SAFETY

1	Captain
1	Lieutenant
6	Sergeants
5	Deputy III'S
21	Deputy II's
34	

GENERAL

1.00	Secretary I
6.00	Station Clerks
4.00	Sheriff Serv Spec
4.48	Dispatchers
1.00	Automotive Svcs
16.48	

VEHICLES

11	Marked
7	Unmarked
4	Mini Vans (2 with MDT's)
1	4X4
2	Citizen Patrol
25	

EQUIPMENT

1	Radar Units
5	Cellular Phones
1	Identi-Kit
1	Radar Trailer
1	Utility Trailer

(07/01/94)

Tab 6
City of Palmdale IRC Decision

STATE of CALIFORNIA
COMMISSION ON STATE MANDATES

December 7, 2018

Ms. Annette Chinn
Cost Recovery Systems, Inc.
705-2 East Bidwell Street, #294
Folsom, CA 95630

Ms. Jill Kanemasu
Division of Accounting and Reporting
State Controller's Office
3301 C Street, Suite 700
Sacramento, CA 95816

And Parties, Interested Parties, and Interested Persons (See Mailing List)

Re: **Decision**
Interagency Child Abuse and Neglect Investigation Reports (ICAN), 17-0022-I-01
Penal Code Sections 11165.9, 11166, 11166.2, 11166.9[1], 11168 (formerly 11161.7), 11169, 11170, and 11174.34 (formerly 11166.9) as added or amended by Statutes 1977, Chapter 958; Statutes 1980, Chapter 1071; Statutes 1981, Chapter 435; Statutes 1982, Chapters 162 and 905; Statutes 1984, Chapters 1423 and 1613; Statutes 1985, Chapter 1598; Statutes 1986, Chapters 1289 and 1496; Statutes 1987, Chapters 82, 531, and 1459; Statutes 1988, Chapters 269, 1497, and 1580; Statutes 1989, Chapter 153; Statutes 1990, Chapters 650, 1330, 1363, 1603; Statutes 1992, Chapters 163, 459, and 1338; Statutes 1993, Chapters 219 and 510; Statutes 1996, Chapters 1080 and 1081; Statutes 1997, Chapters 842, 843, and 844; Statutes 1999, Chapters 475 and 1012; and Statutes 2000, Chapter 916; California Code of Regulations, Title 11, Section 903 (Register 98, Number 29); "Child Abuse Investigation Report" Form SS 8583 (Rev. 3/91)
Fiscal Years: 1999-2000, 2000-2001, 2001-2002, 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, and 2012-2013
City of Palmdale, Claimant

Dear Ms. Chinn and Ms. Kanemasu:

On November 30, 2018, the Commission on State Mandates adopted the Decision on the above-entitled matter.

Sincerely,

Heather Halsey
Executive Director

[1] Renumbered as Penal Code section 11174.34 (Stats. 2004, ch. 842 (SB 1313)).

Commission on State Mandates
980 9th Street, Suite 300 Sacramento, CA 95814 | www.csm.ca.gov | tel (916) 323-3562 | email: csminfo@csm.ca.gov

E. The Controller's Reduction of Indirect Costs Is Correct as a Matter of Law, and Not Arbitrary, Capricious, or Entirely Lacking in Evidentiary Support.

The final reduction at issue in this IRC relates to the disallowance of indirect costs during the audit period. The Parameters and Guidelines allow claimants to use either a 10 percent indirect cost rate based on direct labor costs, excluding benefits, or prepare an Indirect Cost Rate Proposal if indirect costs exceed the 10 percent rate.[205] In this case, the claimant claimed the 10 percent indirect cost rate for each fiscal year and applied it to *contract services costs* that were incorrectly claimed as direct labor costs.[206] The claimant did not incur any direct labor costs in any fiscal year of the audit period for the mandated activities. The claimant contracts with the Los Angeles County Sheriff's Department to perform all law enforcement activities, including the reimbursable activities here.[207] Therefore, the Controller found that the claimant did not incur any direct labor costs for this program, and that the claimant's methodology to classify and compute costs as indirect based on contract costs is not appropriate. The Controller also found that the claimant's contracted rates *included* overhead costs, which would normally be characterized as indirect costs.[208] In other words, the Controller concluded that much of what would normally be claimed as indirect costs was already included in the contract.

The claimant replies that it is entitled to fair compensation of all direct and indirect actual costs related to the mandated program.[209] In addition, the claimant asserts that the hourly rates of the deputies do not include all overhead, such as additional administrative and support positions, and facility costs.[210] The claimant further explains:

> In the Los Angeles County Sheriff Contract, most overhead charges are included in the cost of each Deputy in the contract rate. This overhead includes services such as dispatch, special unit services (homicide, sexual crimes, forensics, etc.), equipment, and other overhead positions such as a base level of administrative and clerical support.
>
> In addition to this base amount of overhead built into the sworn staff rates, each city has the option of purchasing additional supplemental overhead positions to their contract if they require and can afford additional support (such as clerical) or administrative staff (dedicated Lieutenants, and extra Sergeants or Watch Deputies). Each fiscal year, the City purchased additional supplemental overhead positions through the contract. (See Appendix B)

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[205] See Exhibit A, IRC, page 247 [Parameters and Guidelines, p. 15].

[206] See, e.g., Exhibit A, IRC, pages 299 [Reimbursement Claim Form, Fiscal Year 2006-2007]; 111 [Claimant's "Indirect Cost Rate Proposal," showing 15.4% claimed indirect costs, but failing to show the nature or to otherwise describe the direct and indirect costs alleged].

[207] See Exhibit A, IRC, page 61 [Email from Karen Johnson, Finance Manager for the City of Palmdale, to Douglas Brejnak, Auditor, dated August 19, 2015].

[208] Exhibit B, Controller's Comments on the IRC, page 22.

[209] Exhibit A, IRC, page 5.

[210] Exhibit A, IRC, page 5.

> In some years the cities may be able to afford more direct staff and more overhead items and in other years they cannot. In the lean years, response times and customer service may decline due to limited fiscal resources. When the actual overhead rates were calculated, they were found to range between 12%-15%. (See Appendix B)[211]

The claimant further asserts that it incurred "approximately $1 million in City Staff Costs related to the management and oversight of the Sheriff's Contract/Public Safety program (or 5% of total Law Enforcement Contract with the County)."[212] And finally, the claimant asserts that the donation of 11 acres of land, and "infrastructure improvements associated with the construction of the Palmdale Sheriff's Station in 2004" constitute reimbursable indirect costs outside the contract.[213]

The Draft Proposed Decision concluded that the Controller's reduction of indirect costs was correct as a matter of law because the claimant did not comply with the Parameters and Guidelines, and there was no evidence in the record that the claimant developled an indirect cost rate proposal.[214] The Draft Proposed Decision also noted that the claimant was still asserting its indirect cost documentation supported the 10 percent default rate:

> As support, the city created sample Indirect Cost Rate Proposals (ICRPs) for FY 2006-07 through FY 2012-13…The city provided its ICRPs to show additional overhead costs that it asserts should be reimbursable. However, the city is asking for the restoration of the 10% rate claimed and not the indirect cost rates based on the proposed ICRPs.[215]

In response to the Draft Proposed Decision, the claimant asserts that it provided sufficient documentation to the Controller to show that the indirect cost rates "were on average, similar to the default rate (10%) claimed."[216] The claimant further states: "If the Commission feels that the default 10% rate cannot be used, we request that the City's actual Indirect Cost rates, which we had available and presented to the SCO auditors during and after the audit, on more than one occasion for their review and approval, and that these actual overhead costs be allowed and reinstated."[217] The claimant's response also included additional copies, substantially similar to

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[211] Exhibit A, IRC, page 6.

[212] Exhibit A, IRC, page 6.

[213] Exhibit A, IRC, page 6.

[214] Exhibit D, Draft Proposed Decision, pages 42-43.

[215] Exhibit D, Draft Proposed Decision, page 42 [citing Exhibit B, Controller's Comments on the IRC, p. 25].

[216] Exhibit F, Claimant's Comments on the Draft Proposed Decision, page 9 [Declaration of Karen Johnston, Finance Manager/City Treasurer].

[217] Exhibit F, Claimant's Comments on the Draft Proposed Decision, page 10 [Declaration of Karen Johnston, Finance Manager/City Treasurer].

those previously in the record,[218] of documents entitled "Indirect Cost Rate Proposal" for fiscal years 2006-2007 through 2012-2013. However, those documents are not explained in the narrative comments and do not include a description of what costs are listed as direct and indirect; nor is there any indirect cost documentation provided for the first six years of the audit period, fiscal years 1999-2000 through 2005-2006.[219]

Finally, in response to the Controller's Late Comments on the Draft Proposed Decision, the claimant continues to stress that it "had already developed and presented indirect cost rate proposals for FY 2006-07 through FY 2012-13," and that "[t]hese rates were computed for use in the preparation of other, prior State Mandate Reimbursement claims." The claimant also asserts that its rates "were prepared in compliance with Federal OMB and CRF guidelines and reflected actual allowable cost pursuant to the Parameters and Guidelines."[220] Accordingly, the claimant now requests "that actual overhead rates be allowed in our claims for State Reimbursement."[221]

The Commission cannot reweigh the evidence and substitute its judgment for the Controller's.[222] The Commission's review is limited to ensuring that the Controller has adequately considered all relevant factors, and has demonstrated a rational connection between those factors, and the choices made.[223]

The Parameters and Guidelines state that when claiming indirect costs claimants have the option of using *10 percent of direct labor*, excluding fringe benefits, *or preparing an Indirect Cost Rate Proposal* (ICRP) *if* the indirect cost rate claimed *exceeds the 10 percent default rate*, as follows:

> Indirect costs are costs that are incurred for a common or joint purpose, benefiting more than one program, and are not directly assignable to a particular department or program without efforts disproportionate to the result achieved. Indirect costs may include both: (1) overhead costs of the unit performing the mandate; and (2) the costs of the central government services distributed to the other departments based on a systematic and rational basis through a cost allocation plan.
>
> Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in 2 CFR Part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using *10% of direct labor*,

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[218] See Exhibit F, Claimant's Comments on the Draft Proposed Decision, pages 49-70; Exhibit A, IRC, pages 110-131.

[219] Exhibit F, Claimant's Comments on the Draft Proposed Decision, pages 49-70.

[220] Exhibit H, Claimant's Response to the Controller's Late Comments on the Draft Proposed Decision, page 2.

[221] Exhibit H, Claimant's Response to the Controller's Late Comments on the Draft Proposed Decision, page 2.

[222] See generally, *Chevron, U.S.A., Inc. v. Natural Resources Defense Council, Inc.* (1984) 467 U.S. 837.

[223] *American Bd. of Cosmetic Surgery, Inc. v. Medical Bd. of California* (2008) 162 Cal.App.4th 534, 547-548.

> excluding fringe benefits, *or preparing an Indirect Cost Rate Proposal* (ICRP) *if the indirect cost rate claimed exceeds 10%.*
>
> If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable. The distribution base may be: (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.); (2) direct salaries and wages; or (3) another base which results in an equitable distribution.[224]

The claimant here filed its initial reimbursement claims as direct salary costs for the deputies and sergeants conducting the mandate, and sought 10 percent of the direct costs as its indirect costs. At all times relevant to this IRC, the claimant, through its reimbursement claims,[225] amended claims,[226] assertions and objections throughout the audit period,[227] and allegations in filing the IRC,[228] has consistently sought indirect costs of *only* the 10 percent default rate applied to the claimant's contract costs. The Final Audit Report states (and the claimant concedes) that "[n]one of the city staff members performed any of the reimbursable activities under this program."[229] Nevertheless, the claimant continued throughout the audit and in this IRC to assert its belief that the 10 percent default rate was a reasonable and conservative estimate of its indirect costs.[230] Accordingly, as noted above, the Controller disallowed all claimed indirect costs.

The Government Code requires a claimant to file its reimbursement claims in accordance with the parameters and guidelines.[231] And the courts have determined that parameters and guidelines

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[224] Exhibit A, IRC, page 247 [Parameters and Guidelines, p. 15 (emphasis added)].

[225] See, e.g., Exhibit B, Controller's Comments on the IRC, page 30 [Original Reimbursement Claim, Fiscal Year 2012-2013, dated July 3, 2014].

[226] Exhibit A, IRC, pages 299-380 [Amended Claim Forms].

[227] See, e.g., Exhibit A, IRC, pages 60 [July 27, 2015 Email from Annette Chinn, Claimant Representative, to Douglas Brejnak, Auditor]; 297 [Claimant's Response to Draft Audit Report ("[W]e believe that we have already provided more than enough support to justify the inclusion of the default 10% rate allowed in the State instructions.")].

[228] Exhibit A, IRC, page 5 ["The city has attached the Cost Schedules for each year showing the Supplemental costs incurred through the contract as well as has prepared sample ICRPs to show that the default overhead rate of 10% is justified."].

[229] Exhibit A, IRC, page 271 [Final Audit Report, p. 10].

[230] Exhibit A, IRC, pages 287 [Final Audit Report, p. 26]; 297 [Claimant's Response to the Draft Audit Report ("We request the restoration of the additional 10% default overhead ICRP costs in the claims.")].

[231] Government Code section 17561(d)(1).

are regulatory in nature and binding on the parties.[232] In this case, the claimant has not complied with the Parameters and Guidelines in claiming its indirect costs; the 10 percent rate is allowed when the claimant uses its own employees to perform the mandated activities. This claimant contracts for all law enforcement services, including the mandated activities, and therefore the claimant has no direct salaries and benefits upon which to base its claim of indirect costs. The 10 percent default rate is not available to this claimant based on the plain language of the Parameters and Guidelines, irrespective of whatever documentation might be presented to justify it. Therefore, it is correct as a matter of law for the Controller to deny indirect costs, as claimed.

The remaining question then, is whether it was arbitrary and capricious for the Controller to reject the claimant's indirect cost documentation. The Commission finds that it was not. As noted above, in response to the Draft Proposed Decision, the claimant asserts that it provided sufficient documentation to the Controller to show that the indirect cost rates "were on average, similar to the default rate (10%) claimed."[233] The claimant further states: "If the Commission feels that the default 10% rate cannot be used, we request that the City's actual Indirect Cost rates, which we had available and presented to the SCO auditors during and after the audit, on more than one occasion for their review and approval, and that these actual overhead costs be allowed and reinstated."[234]

However, as noted above, the Commission's review is limited to ensuring that the Controller has adequately considered all relevant factors, and has demonstrated a rational connection between those factors, and the choices made.[235] Based on the evidence and documentation in the record, at no time prior to its comments on the Draft Proposed Decision has the claimant requested reimbursement on the basis of its sample Indirect Cost Rate Proposals. The Controller explains:

> As support, the city created sample Indirect Cost Rate Proposals (ICRPs) for FY 2006-07 through FY 2012-13 (Exhibit F). The city did not provide ICRPs for FY 1999-00 through FY 2005-06. The city provided its ICRPs to show additional overhead costs that it asserts should be reimbursable. However, the city is asking for the restoration of the 10% rate claimed and not the indirect cost rates based on the proposed ICRPs.[236]

The sample ICRPs that the Controller refers to are each one to three pages, and include "City Wide Costs" without any evidence of an allocation basis for this mandated program; "Allowable Indirect Costs," which coincide with costs for additional sergeants and administrative support (which the Controller suggests are also contract costs, and therefore include some overhead); and

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[232] *California School Boards Association v. State of California* (2009) 171 Cal.App.4th 1183, 1201; *Clovis Unified School Dist. v. Chiang* (2010) 188 Cal.App.4th 794, 799.

[233] Exhibit F, Claimant's Comments on the Draft Proposed Decision, page 9 [Declaration of Karen Johnston, Finance Manager/City Treasurer].

[234] Exhibit F, Claimant's Comments on the Draft Proposed Decision, page 10 [Declaration of Karen Johnston, Finance Manager/City Treasurer].

[235] *American Bd. of Cosmetic Surgery, Inc. v. Medical Bd. of California* (2008) 162 Cal.App.4th 534, 547-548.

[236] Exhibit B, Controller's Comments on the IRC, page 25.

"Allocation of Land/Facility Costs," listed as $300,000, without any information of the origin of that amount.

Moreover, the documents included in the Claimant's Comments on the Draft Proposed Decision, which appear to be substantially similar to those provided to the Controller in the context of the audit, do not explain the origin of the purported indirect cost rates calculated, do not identify a distribution base, as required under the Parameters and Guidelines, and are characterized by the Controller as "support" for the claimant requesting "the restoration of the 10% rate claimed."[237] Both parties also characterize these documents as "*sample* Indirect Cost Rate Proposals."[238]

The Controller also describes a number of other issues within the sample ICRPs,[239] including the assignment of direct and indirect costs; and the apparent duplication of costs inherent in using contract costs (which already contain overhead and support, i.e., indirect costs) as a direct cost basis for calculating indirect costs; and especially that the OMB regulations prohibit donations, including of real property, from being considered as indirect costs.[240] One of the costs that the claimant asserted as justification for indirect costs, and documented in its amended claims was the donation of land to build a Palmdale station for the Los Angeles County Sheriff's Department.[241] This cost item has been omitted from the claimant's more recent filings,[242] but as of the time of the audit the indirect cost documentation included this unallowable cost item.

Based on the evidence in the record, at no time during the audit, or in the early stages of this IRC, did the claimant seek reimbursement based on anything other than the 10 percent default rate, which was correctly denied consistent with the Parameters and Guidelines. Based on the claimant's position and assertions at that time, as reflected in the record, and based on the many flaws and insufficiencies in the evidence, as identified by the Controller, and which have not been rebutted, it was not arbitrary and capricious for the Controller to deny all indirect costs, as claimed.

Accordingly, the Commission finds that the Controller's reduction of indirect costs, as claimed, is correct as a matter of law, and not arbitrary, capricious, or entirely lacking in evidentiary support.

V. Conclusion

Based on the forgoing analysis, the Commission denies this IRC.

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[237] See Exhibit F, Claimant's Comments on the Draft Proposed Decision, pages 49-70; Exhibit B, Controller's Comments on the IRC, page 25.

[238] See Exhibit A, IRC, page 109; Exhibit B, Controller's Comments on the IRC, page 25.

[239] Exhibit B, Controller's Comments on the IRC, pages 25-27.

[240] Exhibit B, Controller's Comments on the IRC, page 26 [Citing 2 CFR Part 225].

[241] See Exhibit A, IRC, pages 6 [IRC Narrative]; 111 [Indirect Cost Documentation, Fiscal Year 2006-2007].

[242] Compare Exhibit A, IRC, page 111 [Indirect Cost Documentation, Fiscal Year 2006-2007]; with Exhibit F, Claimant's Comments on the Draft Proposed Decision, page 50.

DECLARATION OF SERVICE BY EMAIL

I, the undersigned, declare as follows:

I am a resident of the County of Sacramento and I am over the age of 18 years, and not a party to the within action. My place of employment is 980 Ninth Street, Suite 300, Sacramento, California 95814.

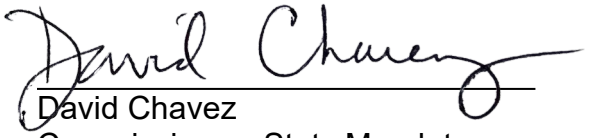
On July 13, 2026, I served the:

- **Current Mailing List dated July 2, 2026**
- **Controller's Comments on the IRC filed July 13, 2026**

  Identity Theft, 25-0308-I-02
  Statutes 2000, Chapter 956 (AB 1897); Penal Code Section 530.6(a)
  Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013
  City of Hesperia, Claimant

by making it available on the Commission's website and providing notice of how to locate it to the email addresses provided on the attached mailing list.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on July 13, 2026 at Sacramento, California.



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COMMISSION ON STATE MANDATES

Mailing List

Last Updated: 7/2/26

Claim Number: 25-0308-I-02

Matter: Identity Theft

Claimant: City of Hesperia

TO ALL PARTIES, INTERESTED PARTIES, AND INTERESTED PERSONS:

Each commission mailing list is continuously updated as requests are received to include or remove any party or person on the mailing list. A current mailing list is provided with commission correspondence, and a copy of the current mailing list is available upon request at any time. Except as provided otherwise by commission rule, when a party or interested party files any written material with the commission concerning a claim, it shall simultaneously serve a copy of the written material on the parties and interested parties to the claim identified on the mailing list provided by the commission. (Cal. Code Regs., tit. 2, § 1181.3.)

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