

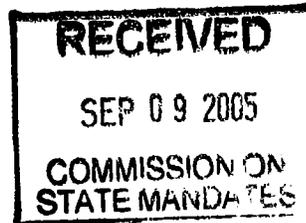
SixTen and Associates

Mandate Reimbursement Services

KEITH B. PETERSEN, MPA, JD, President
5252 Balboa Avenue, Suite 807
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September 7, 2005



Paula Higashi, Executive Director
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814

RE: Mandate Reimbursement Process
Fiscal Years: 1999-00 and 2000-01
Incorrect Reduction Claim

Dear Ms. Higashi:

Enclosed is the original and two copies of the above referenced incorrect reduction claim for Los Rios Community College District.

SixTen and Associates has been appointed by the District as its representative for this matter and all interested parties should direct their inquiries to me, with a copy as follows:

Jon Sharpe, Deputy Chancellor
Los Rios Community College District
1919 Spanos Court
Sacramento, CA 95825-3981

Thank-you.

Sincerely,

A handwritten signature in black ink, appearing to read "KB Petersen". The signature is fluid and cursive, with a long horizontal stroke at the end.

Keith B. Petersen

State of California
COMMISSION ON STATE MANDATES
980 Ninth Street, Suite 300
Sacramento, CA 95814
(916) 323-3562
CSM 2 (12/89)

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COMMISSION ON
STATE MANDATES

INCORRECT REDUCTION CLAIM FORM

Claim No. 05-4485-I-03

Local Agency or School District Submitting Claim

LOS RIOS COMMUNITY COLLEGE DISTRICT

Contact Person

Telephone Number

Keith B. Petersen, President
SixTen and Associates
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Address

Jon Sharpe, Deputy Chancellor
Los Rios Community College District
1919 Spanos Court
Sacramento, CA 95825-3981

Representative Organization to be Notified

Telephone Number

Robert Miyashiro, Consultant, Education Mandated Cost Network
c/o School Services of California
1121 L Street, Suite 1060
Sacramento, CA 95814

Voice: 916-446-7517
Fax: 916-446-2011
E-mail: robertm@SSCal.com

This claim alleges an incorrect reduction of a reimbursement claim filed with the State Controller's Office pursuant to section 17561 of the Government Code. This incorrect reduction claim is filed pursuant to section 17561(b) of the Government Code.

CLAIM IDENTIFICATION: Specify Statute or Executive Order

MANDATE REIMBURSEMENT PROCESS

Chapter 486, Statutes of 1975
Chapter 1459, Statutes of 1984

<u>Fiscal Year</u>	<u>Amount of the Incorrect Reduction</u>
1999-2000	\$8,829
2000-2001	\$1,175
Total Amount	\$10,004

IMPORTANT: PLEASE SEE INSTRUCTIONS AND FILING REQUIREMENTS FOR COMPLETING AN INCORRECT REDUCTION CLAIM ON THE REVERSE SIDE.

Name and Title of Authorized Representative

Telephone No.

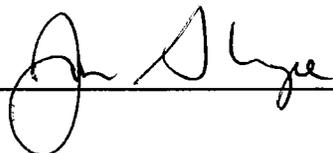
Jon Sharpe, Deputy Chancellor
Los Rios Community College District

Voice: 916-565-3058
Fax: 916-588-3078
E-mail: SharpeJ@losrios.edu

Signature of Authorized Representative

Date

X



August 29, 2005

1 Claim Prepared by:
2 Keith B. Petersen
3 SixTen and Associates
4 5252 Balboa Avenue, Suite 807
5 San Diego, California 92117
6 Voice: (858) 514-8605
7 Fax: (858) 514-8645

8
9 **BEFORE THE**
10
11 **COMMISSION ON STATE MANDATES**
12
13 **STATE OF CALIFORNIA**

14
15 INCORRECT REDUCTION CLAIM OF:) No. CSM _____
16)
17) Chapter 486, Statutes of 1975
18 LOS RIOS) Chapter 1459, Statutes of 1984
19 Community College District,)
20) Mandate Reimbursement Process
21 Claimant.)
22) Annual Reimbursement Claims:
23)
24) Fiscal Year 1999-2000
25) Fiscal Year 2000-2001
26)
27 _____)
28 **INCORRECT REDUCTION CLAIM FILING**

29 **PART I. AUTHORITY FOR THE CLAIM**

30 The Commission on State Mandates has the authority pursuant to Government
31 Code Section 17551(d) " . . . to hear and decide upon a claim by a local agency or
32 school district filed on or after January 1, 1985, that the Controller has incorrectly
33 reduced payments to the local agency or school district pursuant to paragraph (2) of
34 subdivision (d) of Section 17561." Los Rios Community College District (hereafter
35 "District" or "Claimant") is a school district as defined in Government Code Section

Incorrect Reduction Claim of Los Rios Community College District
1459/84 Mandate Reimbursement Process

1 17519.¹ Title 2, CCR, Section 1185 (a), requires the school district to file the incorrect
2 reduction claim with the Commission.

3 This incorrect reduction claim is timely filed. Title 2, CCR, Section 1185 (b),
4 requires incorrect reduction claims to be filed no later than three years following the
5 date of the Controller's remittance advice notifying the claimant of a reduction. A
6 Controller's audit report dated June 24, 2004, has been issued. The audit report
7 constitutes a demand for repayment and adjudication of the claim.

8 There is no alternative dispute resolution process available from the Controller's
9 Office. In response to an audit issued March 10, 2004, Foothill-De Anza Community
10 College attempted to utilize the informal audit review process established by the
11 Controller to resolve factual disputes. Foothill-De Anza was notified by the Controller's
12 legal counsel by letter of July 15, 2004 (attached as Exhibit "A"), that the Controller's
13 informal audit review process was not available for mandate audits and that the proper
14 forum was the Commission on State Mandates.

15 PART II. SUMMARY OF THE CLAIM

16 The Controller's Office has conducted a field audit of the District's annual
17 reimbursement claims for the District's actual costs of complying with the legislatively

¹ Government Code Section 17519, added by Chapter 1459, Statutes of 1984, Section 1:

"'School district' means any school district, community college district, or county superintendent of schools."

Incorrect Reduction Claim of Los Rios Community College District
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1 mandated Mandate Reimbursement Process (Chapter 486, Statutes of 1975, and
2 Chapter 1459 Statutes of 1984) for the period of July 1, 1998 through June 30, 2002.
3 As a result of the audit, the Controller's Office determined that \$10,004 of the claimed
4 costs for were unallowable:

5	Fiscal	Amount	Audit	SCO	Amount Due
6	<u>Year</u>	<u>Claimed</u>	<u>Adjustment</u>	<u>Payments</u>	<u><State> District</u>
7	1998-99	\$ 4,867	\$ 0	\$ 4,867	\$ 0
8	1999-00	\$28,469	\$ 8,829	\$28,469	<\$8,829>
9	2000-01	\$15,245	\$1,175	\$17,289	<\$3,219>
10	2001-02	<u>\$15,425</u>	<u>\$ 0</u>	<u>\$ 8,518</u>	<u>\$6,907</u>
11	Totals	\$64,006	\$10,004	\$59,143	<\$ 5,141>

12 Since the District has been paid \$59,143 for these claims, the audit report concludes
13 that \$5,141 should be repaid by the District to the State.

14 PART III. PREVIOUS INCORRECT REDUCTION CLAIMS

15 The District has not filed any previous incorrect reduction claims for this
16 mandate program. The District is not aware of any other incorrect reduction claims
17 having been filed on the specific issues or subject matter raised by this incorrect
18 reduction claim.

19 PART IV. BASIS FOR REIMBURSEMENT

20 1. Mandate Legislation

21 Chapter 486, Statutes of 1975, established the Board of Control's authority to

Incorrect Reduction Claim of Los Rios Community College District
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1 hear and make determinations on claims submitted by local governments that allege
2 costs mandated by the State. In addition, Chapter 486/75 contained provisions
3 authorizing the State Controller to receive, review, and pay reimbursement claims for
4 mandated costs submitted by local governments. Chapter 1459, Statutes of 1984,
5 created the Commission on State Mandates, which replaced the Board of Control with
6 respect to hearing appeals of mandated costs claims. This law established the "sole
7 and exclusive procedure" by which a local agency or school district is allowed to claim
8 reimbursement as required by Section 6 of Article XIII B of the California Constitution.
9 Together these laws establish the process by which local agencies are to receive
10 reimbursement for State-mandated programs. As such, they prescribe the procedures
11 which must be followed before mandated costs are to be recognized.

12 2. Test Claim

13 The test claim was filed by the County of Fresno on November 27, 1985. On
14 March 27, 1986, the Commission on State Mandates determined that local agencies
15 and school districts incurred "costs mandated by the State" as a result of Chapter 486,
16 Statutes of 1975 and Chapter 1459, Statutes of 1984. Specifically, the Commission
17 found that these two statutes imposed a new program by requiring local governments to
18 file claims in order to establish the existence of a mandated program as well as to
19 obtain reimbursement for the costs of mandated programs.

20 3. Parameters and Guidelines

21 On November 20, 1986, the original parameters and guidelines were adopted

Incorrect Reduction Claim of Los Rios Community College District
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1 and have been amended twelve times through the last amendment on December 9,
2 2004. A copy of the Parameters and guidelines, as amended on October 25, 2001, is
3 attached hereto as Exhibit "B." The October 25, 2001, parameters and guidelines are
4 believed to be representative of the parameters and guidelines in effect during the
5 fiscal years which are the subject of this incorrect reduction claim.

6 4. Claiming Instructions

7 The Controller has annually issued or revised claiming instructions for the
8 Mandate Reimbursement Process mandate. A copy of the April 1996 revision of the
9 claiming instructions is attached as Exhibit "C." These claiming instructions are
10 believed to be representative for the purposes and scope of this incorrect reduction
11 claim. However, since the Controller's claim forms and instructions have not been
12 adopted as regulations, they have no force of law, and therefore, have no effect on the
13 outcome of this incorrect reduction claim.

14 PART V. STATE CONTROLLER CLAIM ADJUDICATION

15 The Controller conducted an audit of District's annual reimbursement claims for
16 the Fiscal Years 1998-99, 1999-00, 2000-01 and 2001-02. A copy of the June 24,
17 2004-final audit report, is attached hereto as Exhibit "D."

18 VI. CLAIMANT'S RESPONSE TO THE STATE CONTROLLER

19 By letter dated May 5, 2004, the Controller transmitted its draft audit report. By
20 letter dated May 24, 2004, District objected to the proposed adjustments set forth in the
21 draft audit report. A copy of District's letter of May 24, 2004 is attached as Exhibit "E."

1 The Controller then issued its final audit report which deleted Finding 2 (relating to the
2 indirect cost rate) of the draft audit report but made no changes to the balance of the
3 draft audit report.

4 **PART VII. STATEMENT OF THE ISSUES**

5 **Finding: Unallowable salaries and benefits**

6 The Controller asserts unallowable salaries and related benefits totaling \$10,004
7 for FY 1999-00 and FY 2000-01.

8 Legal Requirements for Claim Preparation

9 The Controller concluded that the district did not comply with the parameters and
10 guidelines. The parameters and guidelines, so far as is relevant to the issues
11 addressed herein, state:

12 "VI. CLAIM PREPARATION

13
14 A. Supporting Data

15
16 For audit purposes, all costs claimed shall be traceable to source documents
17 (e.g., employee time records, invoices, receipts, purchase orders, contracts,
18 worksheets, calendars, declarations, etc.) that show evidence of the validity of
19 such costs and their relationship to the state-mandated program.

20
21 B. Salaries and Benefits

22
23 Employee costs should be supported by the following: employee name, position
24 (job title), productive hourly rate, hours worked, salary and benefit amounts, and
25 a description of the tasks performed as they relate to this mandate."
26

27 **PRODUCTIVE HOURLY RATE:**

28 The audit report states that the district "did not support the productive hourly rate

Incorrect Reduction Claim of Los Rios Community College District
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1 claimed for various employees.” The computation of the productive hourly rate has
2 three components: salary, benefits, and productive hours. The District claims include a
3 list of productive hourly for each employee, the benefit rate, and productive hours for
4 the work year. No reasons were provided in the audit report for each adjustment, and
5 there is no indication of why the payroll information reported by the District in the
6 normal course of business has to be adjusted for purposes of the productive hourly rate
7 computation. The propriety of these adjustments cannot be determined until the
8 Controller states the reason for each change to the employee payroll information.

9 **UNSUPPORTED EMPLOYEE TIME**

10 The audit report states that “[t]he district was unable to provide supporting
11 documentation for hours claimed by various employees during the two fiscal years.”
12 The entire basis of the adjustments is the quantity of District documentation. None of
13 the adjustments were made because the costs claimed were excessive or
14 unreasonable.

15 Source Documentation

16 The parameters and guidelines require that for “audit purposes, all costs claimed
17 shall be traceable to source documents (e.g., employee time records, invoices,
18 receipts, purchase orders, contracts, worksheets, calendars, declarations, etc.) that
19 show evidence of the validity of such costs and their relationship to the state-mandated
20 program.” The District has complied with the parameters and guidelines as it has
21 provided source documents that show evidence of the validity of such costs and their

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1 relationship to the state-mandated program. It has also provided employee names,
2 positions (job titles), productive hourly rates, hours worked, salary and benefit amounts,
3 and a description of the tasks performed as they relate to this mandate. Thus, the
4 District has provided documentation generated in the usual course of business as well
5 as staff time logs generated for the purpose of claiming mandate reimbursement.

6 Employee Declarations

7 Although the Controller's audit report does not identify the employee time
8 specifically disallowed, it appears most of the disallowance pertains to documentation
9 which the Controller characterizes as "employee declarations." The Controller has, as
10 a matter of policy rather than law, rejected the use of employee declarations because
11 they are not contemporaneous documentation and are without corroborating evidence.

12 The parameters and guidelines specifically provide for the use of employee
13 declarations as acceptable documentation. The parameters and guidelines are silent
14 as to whether the declarations and other supporting documentation must be prepared
15 contemporaneously. The fact that the declarations are dated after the activity reported
16 occurred is not a valid objection because the annual reimbursement claims are
17 prepared months after the activity reported. In fact, in every court and tribunal in this
18 nation, witnesses competently testify as to facts that occurred weeks, months and years
19 previously. The Commission on State Mandates, which has appellate jurisdiction for
20 Controller audits, does not conduct hearings according to technical rules relating to
21 evidence and witnesses and allows the admission of all relevant evidence (including

Incorrect Reduction Claim of Los Rios Community College District
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1 testimony on past events and specifically including declarations) on which responsible
2 persons are accustomed to rely in the conduct of serious affairs (Title 2, California
3 Code of Regulations, Section 1187.5). The Controller cannot establish a standard by
4 audit practice which exceeds that of the Commission and the courts which have
5 jurisdiction over the audit.

6 The Controller did not cite any statutory basis for its audit adjustments, other
7 than its general authority to audit. Chapter 486, Statutes of 1975 and Chapter 1459,
8 Statutes of 1984 do not provide any authority for the Controller to eliminate the claimed
9 cost. Nor do Government Code Section 17561 or the Commission regulations
10 (Chapter 2.5, Title 2, California Code of Regulations) provide any authority for the
11 Controller to eliminate the claimed costs. Absent some statutory authorization, another
12 source of authority must be stated by the Controller.

13 Unreasonable or Excessive

14 None of the adjustments were made because the costs claimed were excessive
15 or unreasonable. The Controller does not assert that the claimed costs were
16 excessive or unreasonable, which is the only mandated cost audit standard in statute
17 (Government Code Section 17561(d) (2)). It would therefore appear that the entire
18 findings are based upon the wrong standard for review. If the Controller wishes to
19 enforce other audit standards for mandated cost reimbursement, the Controller should
20 comply with the Administrative Procedure Act.

1 **Statute of Limitations for Audit**

2 This issue is not a finding of the Controller. The District asserts that the FY
3 1998-99 and FY1999-00 annual claims are beyond the statute of limitations for an audit
4 when the Controller completed its audit on June 24, 2004. The District raised this issue
5 at the beginning of the audit and in its letter dated May 24, 2004 in response to the
6 draft audit report. In its final audit report, the Controller responded as follows:

7 "There is no statutory language defining when an audit report must be
8 issued. Furthermore, there is no statutory language requiring an entrance
9 conference or some other formal event to be held before the two-year period
10 expires. SCO staff contacted the district to initiate the audit in December 2002,
11 within the statute of limitations. At the district's request, the audit started in
12 January 2003, rather than December 2002. Government Code Section 17558.5
13 (c), effective July 1, 1996, states, 'Nothing in this section shall be construed to
14 limit the adjustment of payments . . . when a delay in the completion of an audit
15 is the result of willful acts by the claimant or inability to reach agreement on
16 terms of final settlement.'"
17

18 The Controller is thus asserting that when the audit was "initiated" is relevant to
19 the period of limitations, and that some "willful" act of the District prevented the
20 Controller from "completing" the audit. However, if the date the audit was initiated is
21 the relevant event for the tolling of the statute, then the alleged delay in completion is
22 not relevant, and would be harmless. In any case, a review of the legislative history of
23 Government Code Section 17558.5 indicates that the matter of the audit "initiation" date
24 is not relevant to any fiscal year claims which are the subject of this audit.

25 **Chronology of Claim Action Dates**

26 January 13, 2000 FY 1998-99 Claim filed by District

**Incorrect Reduction Claim of Los Rios Community College District
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1	January 16, 2001	FY 1999-00 Claim filed by District
2	December 12, 2002	SCO telephone call to District
3	December 31, 2002	FY 1998-99 Statute of Limitations for audit expires
4	December 31, 2003	FY 1999-00 Statute of Limitations for audit expires
5	January 16, 2003	Entrance Conference meeting
6	June 24, 2004	SCO Final Audit Report

7 **Statutory History**

8 Prior to January 1, 1994, no statute specifically governed the statute of
9 limitations for audits of mandate reimbursement claims. Statutes of 1993, Chapter 906,
10 Section 2, operative January 1, 1994, added Government Code Section 17558.5 to
11 establish for the first time a specific statute of limitations for an audit of mandate
12 reimbursement claims:

13 “(a) A reimbursement claim for actual costs filed by a local agency or school
14 district pursuant to this chapter is subject to audit by the Controller no later than
15 four years after the end of the calendar year in which the reimbursement claim is
16 filed or last amended. However, if no funds are appropriated for the program for
17 the fiscal year for which the claim is made, the time for the Controller to initiate
18 an audit shall commence to run from the date of initial payment of the claim.”
19

20 Thus, there were two standards. A funded claim was “subject to audit” for four years
21 after the end of the calendar year in which the claim was filed. An “unfunded” claim
22 must have its audit “initiated” within four years of first payment.

23 Statutes of 1995, Chapter 945, Section 18, operative July 1, 1996, repealed and
24 replaced Section 17558.5, changing only the period of limitations:

Incorrect Reduction Claim of Los Rios Community College District
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1 “(a) A reimbursement claim for actual costs filed by a local agency or school
2 district pursuant to this chapter is subject to audit by the Controller no later than
3 two years after the end of the calendar year in which the reimbursement claim is
4 filed or last amended. However, if no funds are appropriated for the program for
5 the fiscal year for which the claim is made, the time for the Controller to initiate
6 an audit shall commence to run from the date of initial payment of the claim.”
7

8 FY 1989-99 and FY1999-00 are subject to the two-year statute of limitations

9 established by Chapter 945/95 and were no longer subject to audit when the audit
10 report was issued on June 24,2004. Since funds were appropriated for the program for
11 all the fiscal years which are the subject of the audit, the alternative measurement date
12 is not applicable, and the potential factual issue of when the audit is initiated is not
13 relevant.

14 Statutes of 2002, Chapter 1128, Section 14.5, operative January 1, 2003

15 amended Section 17558.5 to state:

16 “(a) A reimbursement claim for actual costs filed by a local agency or school
17 district pursuant to this chapter is subject to the initiation of an audit by the
18 Controller no later than three years after the ~~end of the calendar year in which~~
19 the date that the actual reimbursement claim is filed or last amended, whichever
20 is later. However, if no funds are appropriated or no payment is made to a
21 claimant for the program for the fiscal year for which the claim is ~~made~~ filed, the
22 time for the Controller to initiate an audit shall commence to run from the date of
23 initial payment of the claim.”
24

25 None of the fiscal period claims which are the subject of the incorrect reduction claim
26 are subject to this amended version of Section 17558.5. The amendment is pertinent
27 in that it indicates this is the first time that the factual issue of the date the audit is
28 “initiated” for mandate programs for which funds are appropriated is introduced.

29 Therefore, at the time the claim is filed, it is impossible for the claimant to know when

Incorrect Reduction Claim of Los Rios Community College District
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1 the statute of limitations will expire, which is contrary to the purpose of a statute of
2 limitations.

3 Statutes of 2004, Chapter 890, Section 18, operative January 1, 2005 amended
4 Section 17558.5 to state:

5 “(a) A reimbursement claim for actual costs filed by a local agency or school
6 district pursuant to this chapter is subject to the initiation of an audit by the
7 Controller no later than three years after the date that the actual reimbursement
8 claim is filed or last amended, whichever is later. However, if no funds are
9 appropriated or no payment is made to a claimant for the program for the fiscal
10 year for which the claim is filed, the time for the Controller to initiate an audit
11 shall commence to run from the date of initial payment of the claim. In any case,
12 an audit shall be completed not later than two years after the date that the audit
13 is commenced.”

14
15 None of the fiscal period claims which are the subject of the incorrect reduction claim
16 are subject to this amended version of Section 17558.5. The amendment is pertinent
17 since it indicates this is the first time that the Controller audits may be completed at a
18 time other than the stated period of limitations.

19 Initiation of An Audit

20 The audit report states that the Controller’s staff telephone contact with the
21 District in December 2002 initiated the audit. First, initiation of the audit is not relevant
22 to the claims which are the subject of this incorrect reduction claim. The words “initiate
23 an audit” are used only in the second sentence of Section 17558.5, that is, in a
24 situation when no funds are appropriated for the program for the fiscal year for which
25 the claim is made. Then, and only then, is the Controller authorized to “initiate an
26 audit” within two years from the date of initial payment. The claims at issue here were

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1 not subject to the “no funds appropriated” provision, they were subject only to the first
2 sentence of the statute, i.e., they were only “subject to audit” through December 2002.

3 The unmistakable language of Section 17558.5 is confirmed by the later actions
4 of the Legislature. Chapter 1128, Statutes of 2002, amended subdivision (a) of
5 Government Code Section 17558.5 to change the “subject to audit” language of the first
6 sentence to “subject to the initiation of an audit.” Had the Legislature intended the
7 former Section to mean “subject to the initiation of an audit,” there would have been no
8 need to amend the statute to now say “subject to the initiation of an audit.” Even if the
9 Controller had “initiated” the audit on the date of the first phone call, it could not have
10 completed its two months of field work, exit conference, office review, draft audit report,
11 and issued a final audit report before December 31, 2002.

12 Second, the Controller’s standard for “initiation” of an audit is actually the date of
13 the entrance conference, not the date of the phone contact. In this audit, and the
14 concurrent audit of the Los Rios Health Fee Elimination claims, the State Controller
15 asserts the telephone contact as the initiation date for the audit. In other mandate audit
16 reports issued after the Los Rios audits, the Controller states that the entrance
17 conference date initiates the audit.² Further, in the matter of the Health Fee

² Some of those other audit reports where the entrance date is specifically stated as the initiation date for the audit are:

- Newport-Mesa Unified School District, School District of Choice, issued August 31, 2004
- Clovis Unified School District, Graduation Requirements, issued October 22,

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1 Elimination audit of North Orange Community College District, the draft audit report
2 dated May 6, 2005 included the three fiscal years audited by the Controller: FY 2000-
3 01, FY 2001-02, and FY2002-03. In its response letter dated June 15, 2005, North
4 Orange County asserted that the statute of limitations for the audit of the FY 2000-01
5 claim expired December 31, 2003, pursuant to Government Code Section 17558.5,
6 because the audit report was issued after that date. In the final audit report dated July
7 22, 2005, the Controller agreed that FY 2000-01 was past audit, but for another reason,
8 the stated reason being that the "FY 2000-01 claim was not subject to audit due to the
9 expiration of the statute of limitations within which to initiate an audit." The audit
10 entrance conference date for North Orange County was January 25, 2004, which is the
11 date, according to the Controller, that an audit is "initiated."

12 Given this contradiction in measurement dates, there does not appear to be a
13 consistent Controller position on this issue. It can therefore be concluded that the
14 Controller has no legal basis for their policy on the initiation date of audits.

15

-
- 2004
State Center Community College District, Health Fee Elimination, issued
September 17, 2004.
 - West Valley-Mission Community College District, Health Fee Elimination, issued
April 8, 2005.
 - Long Beach Community College District, Health Fee Elimination, issued April 27,
2005.

All of these audit reports were issued after the Los Rios audit report

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1 Delay of the Audit

2 The Controller asserts that the District somehow committed a willful act intended
3 to delay the completion of the audit. However, the Controller provides no evidence that
4 there was any willful act by the District intended to delay the completion of the audit. If
5 there was any delay to the start of the audit, it was by unilateral action of the Controller.
6 Regardless, the delay in the start of an audit which could not have been timely
7 completed is not relevant.

8 The Controller's audit staff first called the District on December 12, 2002 (two
9 weeks prior to the Christmas holidays) and asked to speak to Ms. Bray "about an
10 audit." When Ms. Bray was able to return the call on December 18, 2002 (the week
11 prior to the Christmas holidays), the employee of the Controller's office stated to Ms.
12 Bray that "she assumed that [they] were too busy to meet in December, so she
13 requested a meeting during the first or second week of January." Ms. Bray called the
14 Controller's employee again on December 19, 2002 to set a date in January as
15 requested by the Controller's employee. A copy of Ms. Bray's declaration dated
16 September 30, 2004 is attached as Exhibit "F." There was no credible attempt by the
17 Controller's office "to initiate the audit" in December 2002. But as stated above, the
18 argument that an attempt was made to "initiate an audit" in December 2002 is not
19 legally relevant since the claims were only "subject to audit" through December 2002.

20 Clearly, the Controller did not complete the audit within the statutory period
21 allowed for the first two fiscal year claims included in this audit. The date the audit was

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1 "initiated" for these two years is irrelevant, only the date the audit was completed is
2 relevant as evidenced by the (final) Controller's audit report. The audit findings are
3 therefore void for those two claims. Of course, the matter is academic for FY 1998-99
4 which did not result in any adjustments.

5 **PART VIII. RELIEF REQUESTED**

6 The District filed its annual reimbursement claims within the time limits
7 prescribed by the Government Code. The amounts claimed by the District for
8 reimbursement of the costs of implementing the program imposed by Chapter 486,
9 Statutes of 1975 and Chapter 1459, Statutes of 1984 represent the actual costs
10 incurred by the District to carry out this program. These costs were properly claimed
11 pursuant to the Commission's parameters and guidelines. Reimbursement of these
12 costs is required under Article XIII B, Section 6 of the California Constitution. The
13 Controller denied reimbursement without any basis in law or fact. The District has met
14 its burden of going forward on this claim by complying with the requirements of Section
15 1185, Title 2, California Code of Regulations. Because the Controller has enforced
16 and is seeking to enforce these adjustments without benefit of statute or regulation, the
17 burden of proof is now upon the Controller to establish a legal basis for its actions.

18 The District requests that the Commission make findings of fact and law on each
19 and every adjustment made by the Controller and each and every procedural and
20 jurisdictional issue raised in this claim, and order the Controller to correct its audit
21 report findings therefrom.

Incorrect Reduction Claim of Los Rios Community College District
1459/84 Mandate Reimbursement Process

PART IX. CERTIFICATION

By my signature below, I hereby declare, under the penalty of perjury under the laws of the State of California, that the information in this incorrect reduction claim submission is true and complete to the best of my own knowledge or information or belief, and that the attached documents are true and correct copies of documents received from or sent by the state agency which originated the document.

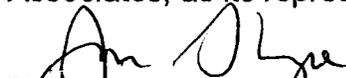
Executed on August 29, at Sacramento, California, by



Jon Sharpe, Deputy Chancellor
Los Rios Community College District
1919 Spanos Court
Sacramento, California 95825-3981
Voice: 916-568-3058
Fax: 916-568-3078
E-mail: SharpeJ@losrios.edu

APPOINTMENT OF REPRESENTATIVE

Los Rios Community College District appoints Keith B. Petersen, SixTen and Associates, as its representative for this incorrect reduction claim.



Jon Sharpe, Deputy Chancellor
Los Rios Community College District

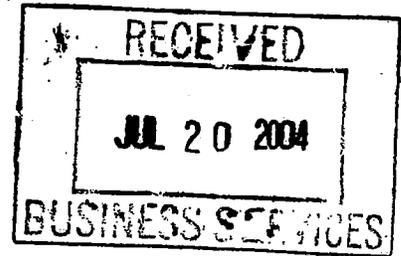
8/29/05

Date

Attachments:

Exhibit "A"	Controller's Legal Counsel Letter dated July 15, 2004
Exhibit "B"	Parameters and Guidelines, as amended May 26, 1989
Exhibit "C"	Controller's April 1996 Claiming Instructions
Exhibit "D"	SCO Audit Report dated June 24, 2004
Exhibit "E"	District's Letter dated May 24, 2004
Exhibit "F"	Declaration of Carrie Bray, dated September 30, 2004

Exhibit A



STEVE WESTLY
California State Controller

July 15, 2004

Mike Brandy, Vice Chancellor
Foothill-De Anza Community College District
12345 El Monte Road
Los Altos, CA 94022

Re: Foothill-De Anza Community College District Audit

Dear Mr. Brandy:

This is in response to your letter to me dated May 13, 2004, concerning the Controller's Audit of the Health Fee claim.

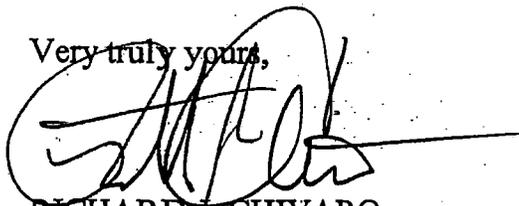
The Controller's informal audit review process was established to resolve factual disputes where no other forum for resolution, other than a judicial proceeding, is available.

The proper forum for resolving issues involving mandated cost programs is through the incorrect reduction process through the Commission on State Mandates. As such, this office will not be scheduling an informal conference for this matter.

However, in light of the concerns expressed in your letter concerning the auditors assigned and the validity of the findings, I am forwarding your letter to Vince Brown, Chief Operating Officer, for his review and response.

If you have any questions you may contact Mr. Vince Brown at (916) 445-2038.

Very truly yours,



RICHARD J. CHIVARO
Chief Counsel

RJC/st

cc: Vincent P. Brown, Chief Operating Officer, State Controller's Office
Jeff Brownfield, Chief, Division of Audits, State Controller's Office

BEFORE THE
COMMISSION ON STATE MANDATES
STATE OF CALIFORNIA

IN RE AMENDMENT TO PARAMETERS
AND GUIDELINES ON:

Statutes of 1975, Chapter 486; Statutes of 1984,
Chapter 1459; Statutes of 1995, Chapter 303
(Budget Act of 1995); Statutes of 1996, Chapter
162 (Budget Act of 1996); Statutes of 1997,
Chapter 282 (Budget Act of 1997); Statutes of
1998, Chapter 324 (Budget Act of 1998); Statutes
of 1999, Chapter 50 (Budget Act of 1999),
Statutes of 2000, Chapter 52 (Budget Act of
2000), Statutes of 2001, Chapter 106 (Budget Act
of 2001)

NO. CSM-4485-00

Mandate Reimbursement Process

ADOPTION OF AMENDMENT TO
PARAMETERS AND GUIDELINES
PURSUANT TO GOVERNMENT CODE
SECTION 17557 AND TITLE 2,
CALIFORNIA CODE OF REGULATIONS,
SECTIONS 1183.2 AND 1185.3.

(Adopted on October 25, 2001)

PARAMETERS AND GUIDELINES AMENDMENT

On October 25, 2001, the Commission on State Mandates adopted the attached Amended Parameters and Guidelines. This decision shall become effective on October 26, 2001.


PAULA HIGASHI, Executive Director

File: CSM-4485-01
Adopted: November 20, 1986
First Amendment Adopted: March 26, 1987
Second Amendment Adopted: October 26, 1995
Third Amendment Adopted: January 30, 1997
Fourth Amendment Adopted: September 25, 1997
Fifth Amendment Adopted: October 29, 1998
Sixth Amendment Adopted: September 30, 1999
Seventh Amendment Adopted: September 28, 2000
Eighth Amendment Adopted: October 25, 2001
f:\mandates\csm4000\4485\2001\adoptedpga102501

AMENDMENTS TO PARAMETERS AND GUIDELINES

Statutes of 1975, Chapter 486
Statutes of 1984, Chapter 1459
Statutes of 1995, Chapter 303 (Budget Act of 1995)
Statutes of 1996, Chapter 162 (Budget Act of 1996)
Statutes of 1997, Chapter 282 (Budget Act of 1997)
Statutes of 1998, Chapter 324 (Budget Act of 1998)
Statutes of 1999, Chapter 50 (Budget Act of 1999)
Statutes of 2000, Chapter 52 (Budget Act of 2000)
Statutes of 2001, Chapter 106 (Budget Act of 2001)

Mandate Reimbursement Process

[For fiscal years 1995-96, 1996-97, 1997-98, 1998-99, 1999-00, 2000-01, and 2001-02 only, these parameters and guidelines are amended, pursuant to the requirements of (1) provision 11 of Item 0840-001-001 and provision 1 of Item 8885-001-0001 of the Budget Act of 1995, (2) provision 9 of Item 0840-001-0001 and provision 1 of Item 8885-001-0001 of the Budget Act of 1996, (3) provision 9 of Item 0840-001-0001 and provision 1 of Item 8885-001-0001 of the Budget Act of 1997, (4) provision 8 of Item 0840-001-0001 and provision 1 of Item 8885-001-0001 of the Budget Act of 1998, (5) provision 8 of Item 0840-001-0001 and provision 1 of Item 8885-001-0001 of the Budget Act of 1999, (6) provision 8 of Item 0840-001-0001 and provision 1 of Item 8885-001-0001 of the Budget Act of 2000, (7) provision 8 of Item 0840-001-0001 and provision 1 of Item 8885-001-0001 of the Budget Act of 2001, to include Appendix A.]

I. Summary of Mandate

Chapter 486, Statutes of 1975, established the Board of Control's authority to hear and make determinations on claims submitted by local governments that allege costs mandated by the state. In addition, Chapter 486/75 contains provisions authorizing the State Controller's Office to receive, review, and pay reimbursement claims for mandated costs submitted by local governments.

Chapter 1459, Statutes of 1984, created the Commission on State Mandates, which replaced the Board of Control with respect to hearing mandate cost claims. This law established the "sole and exclusive procedure" by which a local agency or school district is allowed to claim reimbursement as required by article XIII B, section 6 of the California Constitution for state mandates under the Government Code, section 17552.

Together these laws establish the process by which local agencies receive reimbursement for state-mandated programs. As such, they prescribe the procedures that must be followed before mandated costs are recognized. They also dictate reimbursement activities by requiring local agencies and school districts to file claims according to instructions issued by the Controller.

II. Commission on State Mandates Decision

On March 27, 1986, the Commission on State Mandates determined that local agencies and school districts incurred "costs mandated by the state" as a result of Chapter 486, Statutes of 1975, and Chapter 1459, Statutes of 1984. Specifically, the commission found that these two statutes imposed a new program by requiring local governments to file claims in order to establish the existence of a mandated program as well as to obtain reimbursement for the costs of mandated programs.

III. Eligible Claimants

All local agencies and school districts incurring increased costs as a result of this mandate are eligible to claim reimbursement of those costs.

IV. Period of Claim

Pursuant to Government Code section 17560, reimbursement for state-mandated costs may be claimed as follows:

- (a) A local agency or school district may file an estimated reimbursement claim by January 15 of the fiscal year in which costs are to be incurred, and, by January 15 following that fiscal year shall file an annual reimbursement claim that details the costs actually incurred for that fiscal year; or it may comply with the provisions of subdivision (b).
- (b) A local agency or school district may, by January 15 following the fiscal year in which costs are incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year.
- (c) In the event revised claiming instructions are issued by the Controller pursuant to subdivision (c) of Section 17558 between October 15 and January 15, a local agency or school district filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim.

If the total costs for a given fiscal year do not exceed \$200, no reimbursement shall be allowed.

V. Reimbursable Costs

A. Scope of Mandate

Local agencies and school districts filing successful test claims and reimbursement claims incur state-mandated costs. The purpose of this test claim is to establish that local governments (counties, cities, school districts, special districts, etc.) cannot be made financially whole unless all state-mandated costs -- both direct and indirect -- are reimbursed. Since local costs would not have been incurred for test claims and reimbursement claims but for the implementation of state-imposed mandates, all resulting costs are recoverable.

B. Reimbursable Activities -- Test Claims

All costs incurred by local agencies and school districts in preparing and presenting successful test claims are reimbursable, including those same costs of an unsuccessful test claim if an adverse Commission ruling is later reversed as a result of a court order. These activities include, but are not limited to, the following: preparing and presenting test claims, developing parameters and guidelines, collecting cost data, and helping with the drafting of required claiming instructions. The costs of all successful test claims are reimbursable.

Costs that may be reimbursed include the following: salaries and benefits, materials and supplies, consultant and legal costs, transportation, and indirect costs.

C. Reimbursable Activities -- Reimbursement Claims

All costs incurred during the period of this claim for the preparation and submission of successful reimbursement claims to the State Controller are recoverable by the local agencies and school districts. Allowable costs include, but are not limited to, the following: salaries and benefits, service and supplies, contracted services, training, and indirect costs.

Incorrect Reduction Claims are considered to be an element of the reimbursement process. Reimbursable activities for successful incorrect reduction claims include the appearance of necessary representatives before the Commission on State Mandates to present the claim, in addition to the reimbursable activities set forth above for successful reimbursement claims.

VI. Claim Preparation

A. Supporting Data

For audit purposes, all costs claimed shall be traceable to source documents (e.g., employee time records, invoices, receipts, purchase orders, contracts, worksheets, calendars, declarations, etc.) that show evidence of the validity of such costs and their relationship to the state-mandated program. All documentation in support of the claimed costs shall be made available to the State Controller's Office, as may be requested, and all reimbursement claims are subject to audit during the period specified in Government Code section 17558.5, subdivision (a).

B. Salaries and Benefits

Employee costs should be supported by the following: employee name, position (job title), productive hourly rate, hours worked, salary and benefit amounts, and a description of the tasks performed as they relate to this mandate.

C. Service and Supplies

Identify any direct costs for materials that have been consumed or expended specifically for this mandate.

D. Contract Services

Costs incurred for contract services and/or legal counsel that assist in the preparation, submission and/or presentation of claims are recoverable. Provide copies of the invoices and/or claims that were paid.

E. Training

1. Classes

Include the costs of classes designed to assist the claimant in identifying and correctly preparing state-required documentation for specific reimbursable mandates. Such costs include, but are not limited to, salaries and benefits, transportation, registration fees, per diem, and related costs incurred because of this mandate.

2. Commission Workshops

Participation in workshops convened by the Commission is reimbursable. Such costs include, but are not limited to, salaries and benefits, transportation, and per diem. This does not include reimbursement for participation in rulemaking proceedings.

F. Indirect Costs

1. Local Agencies

Compensation for indirect costs is eligible for reimbursement. Indirect costs are those that have been incurred for common or joint purposes. These costs benefit more than one cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved. After direct costs have been determined and assigned to other activities, as appropriate, indirect costs are those remaining to be allocated to benefited cost objectives. A cost may not be allocated as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been claimed as a direct cost.

Indirect costs include (a) the indirect costs originating in each department or agency of the governmental unit carrying out state mandated programs and (b) the costs of central governmental services distributed through the central service cost allocation plan and not otherwise treated as direct costs.

Local agencies have the option of using 10% of direct labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) pursuant to the Office of Management and Budget (OMB) Circular A-87.

2. School Districts

School districts must use the J-380 (or subsequent replacement) non-restrictive indirect cost rate provisionally approved by the California Department of Education.

3. County Offices of Education

County offices of education must use the J-580 (or subsequent replacement) non-restrictive indirect cost rate provisionally approved by the California Department of Education.

4. Community College Districts

Community College Districts must use one of the following three alternatives:

- a. An ICRP based on OMB Circular A-21;
- b. The State Controller's FAM-29C which uses the CCFS-311; or
- c. Seven percent (7%).

VII. Offsetting Savings and Other Reimbursement

Any offsetting savings the claimants experience as a direct result of this statute must be deducted from the costs claims. In addition, reimbursement for this mandate received from any source, e.g., federal, state, etc., shall be identified and deducted from this claim.

VIII. Required Certification

The following certification must accompany the claim:

I DO HEREBY CERTIFY:

THAT sections 1090 to 1096, inclusive, of the Government Code and other applicable provisions of the law have been complied with; and

THAT I am the person authorized by the local agency to file claims for funds with the State of California.

SIGNATURE OF AUTHORIZED REPRESENTATIVE

DATE

TITLE

TELEPHONE NUMBER

(Continue to Appendix A)

PARAMETERS AND GUIDELINES

Statutes of 1975, Chapter 486

and

Statutes of 1984, Chapter 1459

APPENDIX A

Limitation on Reimbursement for Independent Contractor Costs During Fiscal Years 1995-96, 1996-97, 1997-98, 1998-99, 1999-00, 2000-01, and 2001-02¹

- A. If a local agency or school district contracts with an independent contractor for the preparation and submission of reimbursement claims, the costs reimbursable by the state for that purpose shall not exceed the lesser of (1) 10 percent of the amount of the claims prepared and submitted by the independent contractor, or (2) the actual costs that would necessarily have been incurred for that purpose if performed by employees of the local agency or school district.

The maximum amount of reimbursement provided in subdivision (a) for an independent contractor may be exceeded only if the local agency or school district establishes, by appropriate documentation, that the preparation and submission of these claims could not have been accomplished without the incurring of the additional costs claimed by the local agency or school district.

- B. Costs incurred for contract services and/or legal counsel that assist in the preparation, submission and/or presentation of claims are recoverable within the limitations imposed under A. above. Provide copies of the invoices and/or claims that were paid. For the preparation and submission of claims pursuant to Government Code sections 17561 and 17564, submit an estimate of the actual costs that would have been incurred for that purpose if performed by employees of the local agency or school district; this cost estimate is to be certified by the governing body or its designee.

¹ The limitation added by (1) the Budget Act of 1995, Chapter 303, Statutes of 1995, in Item 0840-001-001, Provision 11, and in Item 8885-001-001, Provision 1, (2) the Budget Act of 1996, Chapter 162, Statutes of 1996, in Item 0840-001-0001, Provision 9, and in Item 8885-001-0001, Provision 1, (3) the Budget Act of 1997, Chapter 282, Statutes of 1997, in Item 0840-001-0001, Provision 9, and in Item 8885-001-0001, Provision 1, and (4) the Budget Act of 1998, Chapter 324, Statutes of 1998, in Item 0840-001-0001, Provision 8, and Item 8885-001-0001, Provision 1, (5) the Budget Act of 1999, Chapter 50, Statutes of 1999, in Item 0840-001-0001, Provision 8, and in Item 8885-001-0001, Provision 1, (6) the Budget Act of 2000, Chapter 52, Statutes of 2000, in Item 0840-001-0001, Provision 8, and in Item 8885-001-0001, Provision 1, (7) the Budget Act of 2001, Chapter 106, Statutes of 2001, in Item 0840-001-0001, Provision 8, and in Item 8885-001-0001, Provision 1, is shown as part A. of this Appendix.

If reimbursement is sought for independent contractor costs that are in excess of [Test (1)] ten percent of the claims prepared and submitted by the independent contractor or [Test (2)] the actual costs that necessarily would have been incurred for that purpose if performed by employees or the local school district, appropriate documentation must be submitted to show that the preparation and submission of these claims could not have been accomplished without the incurring of the additional costs claimed by the local agency or school district. Appropriate documentation includes the record of dates and time spent by staff of the contractor for the preparation and submission of claims on behalf of the local agency or school district, the contractor's billed rates, and explanation on reasons for exceeding Test (1) and/or Test (2). In the absence of appropriate documentation, reimbursement is limited to the lesser of Test (1) and/or Test (2). No reimbursement shall be permitted for the cost of contracted services without the submission of an estimate of actual costs by the local agency or school district.

MANDATE REIMBURSEMENT PROCESS

1. Summary of Chapters 486/75 and 1459/84

On March 27, 1986, the Commission on State Mandates determined that both Chapter 486, Statutes of 1975, and Chapter 1459, Statutes of 1984, resulted in State mandated costs that are reimbursable pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code. Chapter 486, Statutes of 1975, established the Board of Control's authority to hear and make determinations on claims submitted by local governments that allege costs mandated by the State. In addition, Chapter 486/75 contained provisions authorizing the State Controller's Office to receive, review, and pay reimbursement claims for mandated costs submitted by local governments.

Chapter 1459, Statutes of 1984, created the Commission on State Mandates which replaced the Board of Control with respect to hearing mandate cost claims. This law established the "sole and exclusive procedure" by which a local agency or school district is allowed to claim reimbursement as required by Section 6 of Article XIII B of the California Constitution for State mandates under the Revenue and Taxation Code (Government Code Section 17552).

Together these laws established the process by which local agencies and school districts are to receive reimbursement for State mandated programs. They also dictated reimbursement activities by requiring localities to file claims according to instructions issued by the State Controller's Office.

2. Eligible Claimants

Any school district, county office of education or community college district that incurs increased costs as a result of this mandate is eligible to claim reimbursement of these costs.

3. Appropriations

Claims may only be filed with the State Controller's Office for programs that have been funded in the state budget, the State Mandates Claims Fund, or in special legislation. To determine funding available for the current fiscal year, refer to the schedule "Appropriations for State Mandated Cost Programs" in the "Annual Claiming Instructions for State Mandated Costs" issued in mid-September of each year to county superintendents of schools and superintendents of schools.

4. Types of Claims

A. Reimbursement and Estimated Claims

An eligible claimant may file a reimbursement and/or an estimated claim. A reimbursement claim details the costs actually incurred for a prior fiscal year. An estimated claim shows the costs to be incurred for the current fiscal year.

B. Minimum Claim

A claim for reimbursement or an estimate must exceed \$200 per year. However, a county superintendent of schools, as fiscal agent for the district, may submit a combined claim in excess of \$200 on behalf of school districts within the county even if the individual district's claim does not exceed \$200. The combined claim must show the individual claim costs for each district. Once a combined claim is filed, all subsequent claims for the same mandate must be filed in a combined form. A school

district may withdraw from the combined claim form by providing a written notice to the county superintendent of schools and the State Controller's Office, of its intent to file a separate claim at least 180 days prior to the deadline for filing the claim.

5. Filing Deadline

- (1) Refer to item 3 "Appropriations" to determine if the program is funded for the current fiscal year. If funding is available, an estimated claim must be filed with the State Controller's Office and postmarked by November 30 of the fiscal year in which costs are to be incurred. Timely filed estimated claims will be paid before late claims.
- (2) After having received payment for an estimated claim, the claimant must file a reimbursement claim by November 30 of the following fiscal year regardless whether the payment was more or less than the actual costs. If the district fails to file a reimbursement claim, monies received must be returned to the State. If no estimated claim was filed, the district may file a reimbursement claim detailing the actual costs incurred for the fiscal year, provided there was an appropriation for the program for that fiscal year. (See item 3 above).

A reimbursement claim detailing the actual costs must be filed with the State Controller's Office and postmarked by November 30 following the fiscal year in which the costs were incurred. If the claim is filed after the deadline but by November 30 of the succeeding fiscal year, the approved claim must be reduced by a late penalty of 10%, not to exceed \$1,000. Claims filed more than one year after the deadline will not be accepted.

6. Reimbursable Components

Eligible claimants will be reimbursed for costs incurred in the filing of successful test claims and reimbursement claims. The purpose of a test claim is to establish that local governments (counties, cities, school districts, special districts, etc.) cannot be made financially whole unless all state mandated costs, both direct and indirect, are reimbursed. Since local costs would not have been incurred for test claims and reimbursement claims but for implementing State imposed mandates, all resulting costs are recoverable.

A. Test Claims

All costs of successful test claims presented to the Commission on State Mandates are reimbursable, including unsuccessful test claims if an adverse Commission ruling is later reversed as a result of a court order. The following costs would be reimbursable:

Accumulated costs (current and prior years) for presenting a test claim which was successful shall be claimed in the fiscal year in which the Commission determined a reimbursable mandate exists for the program. After a successful test claim, costs incurred for developing parameters and guidelines, and necessary cost data for the program shall be claimed in the fiscal year in which costs were incurred.

(1) Preparing and Presenting Test Claims

The costs of preparing and presenting test claims to the Commission and the additional costs of litigation, if an unsuccessful test claim is later revised by a court order.

(2) Developing Parameters and Guidelines

The costs of developing parameters and guidelines for the successful test claim.

(3) Collection of Cost Data

The collection of cost data to determine the statewide impact of the successful test claim.

(4) Drafting Claiming Instructions

The costs of assisting the State Controller's Office in drafting the required claiming instructions.

B. Reimbursement Claims

(1) Preparation of the Claim

All costs incurred for the preparation and submission of successful reimbursement claims to the State Controller's Office are claimable.

(2) Classes for Claim Preparation

The costs of attending classes designed to assist the claimant in identifying and correctly preparing the required documentation for a specific mandate are reimbursable. Allowable costs include, but are not limited to, salaries and benefits, transportation, registration fees and per diem.

Please note that costs of preparing and submitting reimbursement claims should be claimed in the fiscal year in which costs were incurred rather than in the fiscal year of the program cost.

For example, the initial filing deadline for Chapter 1117/84, Airport Land Use, for the increased costs incurred in the 1985/86 through 1988/89 fiscal years was May 15, 1990. The costs would be incurred in the 1989/90 fiscal year to prepare and file reimbursement claims for all four fiscal years. Therefore, the costs should be identified in the 1989/90 Mandate Reimbursement Process claim.

C. Incorrect Reduction Claims

If a claimant files a successful appeal with the Commission on State Mandates regarding the incorrect reduction of a claim and the Commission rules for the claimant, the following costs are reimbursable:

(1) Preparation of the Claim

All costs incurred for the preparation and submission of a claim to the State Controller's Office.

(2) Presentation to the Commission

The cost of presenting a successful incorrect reduction claim to the Commission.

Accumulated costs (current and prior years) to present a successful incorrect reduction claim shall be claimed in the fiscal year in which the Commission determined that the claim was incorrectly reduced.

7. Reimbursement Limitations

- A. Legal costs not exceeding \$90 per hour will be considered reimbursable, subject to proper documentation. Any amount exceeding \$90 per hour will be subject to review and subsequent approval by the State Controller's Office.
- B. For programs funded during the 1995/96 fiscal year only, reimbursement limitation for independent contractor costs is detailed under Item 8.A.(3) of these claiming instructions for the preparation and submission of reimbursement claims.
- C. Any offsetting savings or reimbursement the claimant received from any source (e.g. federal, state grants, foundations, etc.) as a result of this mandate shall be identified and deducted so only net costs are claimed.

8. Claiming Forms and Instructions

The diagram "Illustration of Claim Forms" provides a general graphical presentation of forms required to be filed with a claim. A claimant may submit a computer generated report in substitution for form MRP-1 and form MRP-2 provided the format of the report and data fields contained within the report are identical to the claim forms included with these instructions. The claim forms provided with these instructions should be duplicated and used by the claimant to file estimated and reimbursement claims. The State Controller's Office will revise the manual and claim forms as necessary. In such instances, new replacement forms will be mailed to claimants.

A. Form MRP-2, Component/Activity Cost Detail

This form is used to segregate the detailed costs by claim component. A separate form MRP-2 must be completed for each cost component being claimed. Costs reported on this form must be supported as follows:

(1) Salaries and Benefits

Identify the district employee(s), and/or show the classification of the employee(s) involved. Describe the mandated activities performed by each employee and specify the actual time spent, the productive hourly rate and the related fringe benefits.

Source documents required to be maintained by the claimant may include, but are not limited to, employee time records that show the employee's actual time spent on the mandate.

(2) Materials and Supplies

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

Source documents required to be maintained by the claimant may include but are not limited to, invoices, receipts, purchase orders and other documents evidencing the validity of the expenditures.

(3) Contracted Services

Give the name(s) of contractor(s) who performed the service. Describe the activities performed by each named contractor, inclusive dates when services were performed, and actual time spent performing the mandate. Itemize all costs for services performed. Attach consultant invoices with the claim.

Source documents required to be maintained by the claimant may include, but are not limited to, contracts, invoices and other documents evidencing the validity of the expenditures.

For programs funded during the 1995/96 fiscal year, limitation on reimbursement for independent contractor costs for the preparation and submission of reimbursement claims.

Affected mandated cost programs are those funded by the 1995 State Budget Act (Chapter 303, Statutes of 1995), funded by the local Government Claims Bill AB 818 (Chapter 914, Statutes of 1995) and any other mandated cost program funded by the 1995/96 appropriations act.

- (a) If a school district contracts with an independent contractor for the preparation and submission of reimbursement claims, the costs reimbursable by the state for that purpose shall not exceed the lesser of (1) 10 percent of the amount of the claims prepared and submitted by the independent contractor, or (2) the actual

costs that would necessarily have been incurred for that purpose if performed by employees of the school district.

The maximum amount of reimbursement provided for an independent contractor may be exceeded only if the school district establishes, by appropriate documentation and governing board certification, that the preparation and submission of these claims could not have been accomplished without the incurring of the additional costs claimed by the school district.

- (b) Costs incurred for contract services for the preparation, submission and/or presentation of claims are recoverable within the limitations imposed under (a) above. Provide copies of the contractor's invoices that were paid. For the preparation and submission of claims pursuant to Government Code Sections 17561 and 17564, submit an estimate of the actual costs that would have been incurred for that purpose if performed by employees of the school district. This cost estimate is to be certified by the governing body or its designee.

If reimbursement is sought for independent contractor costs that are in excess of [Test (1)] ten percent of the claims prepared and submitted by the independent contractor or [Test (2)] the actual costs that necessarily would have been incurred for that purpose if performed by employees of the school district. Appropriate documentation must be submitted to show that the preparation and submission of these claims could not have been accomplished without the incurring of the additional costs claimed by the district. Appropriate documentation includes the record of dates and time spent by staff of the contractor for the preparation and submission of claims on behalf of the school district, the contractor's billed rates, and an explanation of reasons for exceeding Test (1) and/or Test (2). In the absence of appropriate documentation, reimbursement is limited to the lesser of Test (1) and/or Test (2). No reimbursement shall be permitted for the cost of contracted services without the submission of an estimate of actual costs by the district.

(1) Training

Only the cost for a reasonable number of employees attending the training is reimbursable. Give the class title, dates, location and name(s) of employee(s) attending training on the preparation of claims. Reimbursable costs include salaries and benefits for time spent, the registration fee, transportation, lodging and per diem. Reimbursement for travel expenses, lodging and per diem shall not exceed those rates which are applicable to State employees. Refer to the Appendix: State of California Travel Expense Guidelines.

For audit purposes, all supporting documents for actual costs must be retained by the claimant for a period of four years after the end of the calendar year in which the reimbursement claim was filed or last amended. Effective July 1, 1996, the document retention period is two years after the end of the calendar year in which the reimbursement claim was filed or last amended. Such documents shall be made available to the State Controller's Office on request.

B. Form MRP-1, Claim Summary

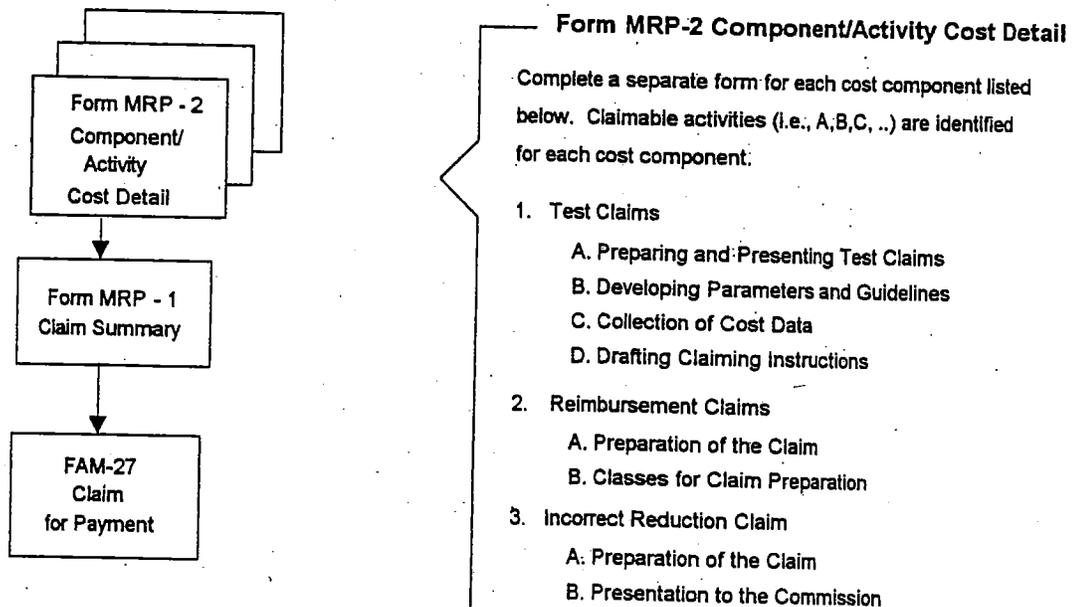
This form is used to summarize direct costs by claim component and compute the allowable indirect costs for the mandate. Claim statistics shall identify the work performed for which costs are claimed. The claimant must give the chapter/statute and name of each mandated program. If claiming the cost of a successful test claim or incorrect reduction claim, give the date when the claim was heard by the Commission On State Mandates. Direct costs on this form are carried forward from form MRP-2

School districts and local offices of education may compute the amount of indirect costs utilizing the State Department of Education's Annual Program Cost Data Report, J-380 or J-580 rate. Community college districts have the option of using a federally approved rate (i.e., utilizing the cost accounting principles in the Office of Management and Budget Circular A-21) or form FAM-29C to determine the amount of indirect costs.

C. Form FAM-27, Claim for Payment

This form contains a certification that must be signed by an authorized representative of the school district. All applicable information from form MRP-1 must be carried forward to this form for the State Controller's Office to process the claim for payment.

Illustration of Claim Forms



JUN 23 2004

LOS RIOS COMMUNITY COLLEGE DISTRICT

Audit Report

MANDATE REIMBURSEMENT PROCESS PROGRAM

Chapter 486, Statutes of 1975, and
Chapter 1459, Statutes of 1984

July 1, 1998, through June 30, 2002



STEVE WESTLY
California State Controller

June 2004



STEVE WESTLY
California State Controller

June 24, 2004

Brice W. Harris, Chancellor
Los Rios Community College District
1919 Spanos Court
Sacramento, CA 95825

Dear Mr. Harris:

The State Controller's Office (SCO) has completed an audit of the claims filed by Los Rios Community College District for costs of the legislatively mandated Mandate Reimbursement Process Program (Chapter 486, Statutes of 1975, and Chapter 1459, Statutes of 1984) for the period of July 1, 1998, through June 30, 2002.

The district claimed \$64,006 for the mandated program. Our audit disclosed that \$54,002 is allowable and \$10,004 is unallowable. The unallowable costs occurred because the district claimed unsupported costs. The district was paid \$59,143. The amount paid in excess of allowable costs claimed totals \$5,141.

The SCO has established an informal audit review process to resolve a dispute of facts. The auditee should submit, in writing, a request for a review and all information pertinent to the disputed issues within 60 days after receiving the final report. The request and supporting documentation should be submitted to Richard J. Chivaro, Chief Counsel, State Controller's Office, Post Office Box 942850, Sacramento, CA 94250-0001. In addition, please provide a copy of the request letter to Jim L. Spano, Chief, Compliance Audits Bureau, State Controller's Office, Division of Audits, Post Office Box 942850, Sacramento, California 94250-5874.

If you have any questions, please contact Mr. Spano at (916) 323-5849.

Sincerely,

Vincent P. Brown

VINCENT P. BROWN
Chief Operating Officer

VPB:jj

cc: (See page 2)

Brice W. Harris, Chancellor

-2-

June 24, 2004

- cc: Jon Sharpe
 - Vice Chancellor
 - Finance and Administration
 - Los Rios Community College District
- Carrie Bray
 - Director of Accounting Services
 - Los Rios Community College District
- Ed Monroe, Program Assistant
 - Fiscal Accountability Section
 - Chancellor's Office
 - California Community Colleges
- Jeannie Oropeza, Program Budget Manager
 - Education Systems Unit
 - Department of Finance
- Charles Pillsbury
 - School Apportionment Specialist
 - Department of Finance

Contents

Audit Report

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Audit Report

Summary

The State Controller's Office (SCO) has completed an audit of the claims filed by Los Rios Community College District for costs of the legislatively mandated Mandate Reimbursement Process Program (Chapter 486, Statutes of 1975, and Chapter 1459, Statutes of 1984) for the period of July 1, 1998, through June 30, 2002. The last day of fieldwork was March 11, 2004.

The district claimed \$64,006 for the mandated program. The audit disclosed that \$54,002 is allowable and \$10,004 is unallowable. The unallowable costs occurred because the district claimed unsupported costs. The district was paid \$59,143. The amount paid in excess of allowable costs claimed totals \$5,141.

Background

Chapter 486, Statutes of 1975, established the Board of Control's authority to hear and make determinations on claims submitted by local governments that allege costs mandated by the State. In addition, Chapter 486 contains provisions authorizing the SCO to receive, review, and pay reimbursement claims for mandated costs submitted by local governments.

Chapter 1459, Statutes of 1984, created the Commission on State Mandates (COSM), which replaced the Board of Control with respect to hearing mandated cost claims. This law established the "sole and exclusive procedure" by which a local agency or school district is allowed to claim reimbursement as required by Article XIII B, Section 6, of the California Constitution, for state mandates under *Government Code* Section 17552.

Together, these laws establish the process by which local agencies receive reimbursement for state-mandated programs. As such, they prescribe the procedures that must be followed before mandated costs are recognized. They also dictate reimbursement activities by requiring local agencies and school districts to file claims according to instructions issued by the SCO.

On March 27, 1986, COSM determined that local agencies and school districts incurred "costs mandated by the State" as a result of Chapter 486, Statutes of 1975, and Chapter 1459, Statutes of 1984. Specifically, COSM found that these two statutes imposed a new program by requiring local governments to file claims to establish the existence of a mandated program and to obtain reimbursement for the costs of mandated programs.

Parameters and Guidelines, originally adopted by COSM on November 20, 1986, establishes the state mandate and defines criteria for reimbursement. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement to assist local agencies and school districts in claiming reimbursable costs.

For FY 2000-01, the district was paid \$17,289 by the State. The audit disclosed that \$14,070 is allowable. The amount paid in excess of allowable costs claimed, totaling \$3,219, should be returned to the State.

For FY 2001-02, the district was paid \$8,518 by the State. The audit disclosed that \$15,425 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$6,907, will be paid by the State based on available appropriations.

**Views of
Responsible
Official**

The SCO issued a draft audit report on May 5, 2004. Jon Sharpe, Vice Chancellor, Finance and Administration, responded by letter dated May 24, 2004, disagreeing with the audit results. The district's response is included in this final audit report. After further review, Finding 2 of the draft audit report was deleted.

Restricted Use

This report is solely for the information and use of Los Rios Community College District, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.



JEFFREY V. BROWNFIELD
Chief, Division of Audits

**Schedule 1—
Summary of Program Costs
July 1, 1998, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments
<u>July 1, 1998, through June 30, 1999</u>			
Salaries and benefits	\$ 3,449	\$ 3,449	\$ —
Travel and training	—	—	—
Contracted services	370	370	—
Subtotals	3,819	3,819	—
Indirect costs	1,048	1,048	—
Subtotals	4,867	4,867	—
Less offsetting savings/reimbursements	—	—	—
Total costs	<u>\$ 4,867</u>	4,867	<u>\$ —</u>
Less amount paid by the State		(4,867)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 1999, through June 30, 2000</u>			
Salaries and benefits	\$ 11,190	\$ 4,419	\$ (6,771)
Travel and training	1,188	1,188	—
Contracted services	9,454	9,454	—
Subtotals	21,832	15,061	(6,771)
Indirect costs	6,637	4,579	(2,058)
Subtotals	28,469	19,640	(8,829)
Less offsetting savings/reimbursements	—	—	—
Total costs	<u>\$ 28,469</u>	19,640	<u>\$ (8,829)</u>
Less amount paid by the State		(28,469)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (8,829)</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Salaries and benefits	\$ 7,651	\$ 6,757	\$ (894)
Travel and training	228	228	—
Contracted services	4,888	4,888	—
Subtotals	12,767	11,873	(894)
Indirect costs	2,478	2,197	(281)
Subtotals	15,245	14,070	(1,175)
Less offsetting savings/reimbursements	—	—	—
Total costs	<u>\$ 15,245</u>	14,070	<u>\$ (1,175)</u>
Less amount paid by the State		(17,289)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (3,219)</u>	

Schedule 1 (continued)

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments</u> ¹
<u>July 1, 2001, through June 30, 2002</u>			
Salaries and benefits	\$ 6,796	\$ 6,796	\$ —
Travel and training	1,169	1,169	—
Contracted services	5,013	5,013	—
Subtotals	12,978	12,978	—
Indirect costs	2,447	2,447	—
Subtotals	15,425	15,425	—
Less offsetting savings/reimbursements	—	—	—
Total costs	<u>\$ 15,425</u>	15,425	<u>\$ —</u>
Less amount paid by the State		(8,518)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 6,907</u>	
<u>Summary: July 1, 1998, through June 30, 2002</u>			
Salaries and benefits	\$ 29,086	\$ 21,421	\$ (7,665)
Travel and training	2,585	2,585	—
Contracted services	19,725	19,725	—
Subtotals	51,396	43,731	(7,665)
Indirect costs	12,610	10,271	(2,339)
Subtotals	64,006	54,002	(10,004)
Less offsetting savings/reimbursements	—	—	—
Total costs	<u>\$ 64,006</u>	54,002	<u>\$ (10,004)</u>
Less amount paid by the State		(59,143)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (5,141)</u>	

¹ See the Finding and Recommendation section.

Finding and Recommendation

FINDING—
Unallowable salaries and benefits

The district claimed unallowable salaries and benefits totaling \$7,665 for FY 1999-2000 and FY 2000-01. The related indirect cost is \$2,339, based on the indirect cost rate claimed during each fiscal year.

The district was unable to provide supporting documentation for hours claimed by various employees during the two fiscal years. In addition, the district's records did not support the productive hourly rate claimed for various employees. The audit adjustment is summarized below:

	Fiscal Year		Total
	1999-2000	2000-01	
Salaries	\$ (6,771)	\$ (894)	
Indirect cost rate	× 30.40%	× 31.45%	
Related indirect costs	(2,058)	(281)	\$ (2,339)
Salaries (from above)	(6,771)	(894)	(7,665)
Audit adjustment	\$ (8,829)	\$ (1,175)	\$ (10,004)

Parameters and Guidelines states that all costs claimed shall be traceable to source documents, such as employee time records, that show evidence of the validity of such costs and their relationship to the mandated program.

Recommendation

The district should maintain source documents that support all employee hours claimed. In addition, the district should ensure that productive hourly rates claimed are supported by the district's accounting records.

District's Response

The finding is based upon the report's assertion that the "*Parameters and Guidelines* states that all costs claimed shall be traceable to source documents, such as employee time records, that show evidence of the validity of such costs and their relationship to the mandated program."

The *Parameters and Guidelines*, as amended and adopted on October 25, 2001, actually provides "... all costs claimed shall be traceable to source documents (e.g., employee time records, invoices, receipts, purchase orders, contracts, worksheets, calendars, declarations, etc.) that show evidence of the validity of such costs and their relationship to the state-mandated program."

It would appear that the report has overlooked the availability of invoices, receipts, purchase orders, contracts, worksheets, calendars, and declarations. It would therefore appear that this finding is based upon the wrong standard for review.

SCO's Comment

The finding and recommendation are unchanged. The district did not respond to the issue of unsupported productive hourly rates claimed. The reference to *Parameters and Guidelines* in the audit finding is not shown as a direct quote and does not rule out other types of corroborating evidence. Therefore, the criterion cited is valid. The district did not provide any additional evidence to support the unallowable hours.

**Statute of
Limitations**

The district's response to the draft audit report included comments regarding the SCO's authority to audit costs claimed for FY 1998-99 and FY 1999-2000. The district's response and the SCO's comment are as follows.

District's Response

The district's 1998-1999 claim was filed on January 13, 2000. The district's 1999-2000 claim was filed on January 16, 2001. The draft audit report is dated May 2004. These two claims were only subject to audit until December 31, 2002 and December 31, 2003, respectively. Therefore, the proposed audit adjustments for these years are barred by statute of limitations set forth in Government Code Section 17558.5.

SCO's Comment

Our ~~audit scope~~ remains unchanged. *Government Code* Section 17558.5(a), effective July 1, 1996, states, "A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to audit by the Controller no later than two years after the end of the calendar year in which the reimbursement claim is filed or last amended." There is no statutory language defining when an audit report must be issued. Furthermore, there is no statutory language requiring an entrance conference or some other formal event to be held before the two-year period expires. SCO staff contacted the district to initiate the audit in December 2002, within the statute of limitations. At the district's request, the audit started in January 2003, rather than December 2002. *Government Code* Section 17558.5(c), effective July 1, 1996, states, "Nothing in this section shall be construed to limit the adjustment of payments . . . when a delay in the completion of an audit is the result of willful acts by the claimant or inability to reach agreement on terms of final settlement."

**Attachment—
District's Response to
Draft Audit Report**

LOS RIOS COMMUNITY COLLEGE DISTRICT



SACRAMENTO CITY COLLEGE

AMERICAN RIVER COLLEGE

COLUENNES RIVER COLLEGE

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

May 24, 2004

Mr. Jim L. Spano, Chief
Compliance Audits Bureau
California State Controller
Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

Re: Mandate Reimbursement Audit

Dear Mr. Spano:

This letter is the response of Los Rios Community College District to the letter of Vincent P. Brown dated May 5, 2004 which enclosed a Draft Copy of your Audit Report of the district's Mandate Reimbursement Process program, Chapter 486, Statutes of 1975 and Chapter 1459, Statutes of 1984, for the period of July 1, 1998 through June 30, 2002.

Statute of Limitations

The district's 1998-1999 claim was filed on January 13, 2000. The district's 1999-2000 claim was filed on January 16, 2001. The draft audit report is dated May 2004. These two claims were only subject to audit until December 31, 2002 and December 31, 2003, respectively. Therefore, the proposed audit adjustments for these years are barred by the statute of limitations set forth in Government Code Section 17558.5.

Finding 1 - Unallowable Salaries and Benefits

The report claims that the district was unable to provide supporting documentation for hours claimed by various employees during the 1999-2000 and 2000-01 fiscal years. The report further claims that the district's records did not support the productive hourly rate claimed for various employees.

The finding is based upon the report's assertion that the "Parameters and Guidelines states that all costs claimed shall be traceable to source documents, such as employee time records, that show evidence of the validity of such costs and their relationship to the mandated program."

1919 SPANOS COURT • SACRAMENTO, CA 95825-3981 • 916-568-3021

Steve Westly • California State Controller

Jim L. Spano, Chief
Compliance Audits Bureau
May 24, 2004

The Parameters and Guidelines, as amended and adopted on October 25, 2001, actually provides "...all costs claimed shall be traceable to source documents (e.g., employee time records, invoices, receipts, purchase orders, contracts, worksheets, calendars, declarations, etc.) that show evidence of the validity of such costs and their relationship to the state-mandated program."

It would appear that the report has overlooked the availability of invoices, receipts, purchase orders, contracts, worksheets, calendars, and declarations. It would therefore appear that this finding is based upon the wrong standard for review.

Finding 2 - Overstated Indirect Cost Rates Claimed

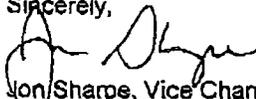
The report states that the district claimed indirect costs based on indirect cost rate proposals (ICRP) prepared for each fiscal year but that the district did not obtain federal approval for its ICRPs.

The report incorrectly claims that the "Parameters and Guidelines states that indirect costs may be claimed in the manner described in the SCO claiming instructions." The Parameters and Guidelines, as amended to be effective on October 26, 2001, and applicable to fiscal years 1995-96, 1996-97, 1997-98, 1998-99, 1999-00, 2000-01, and 2001-02 only, states that "Community College Districts must use one of the following three alternatives: a. An ICRP based on OMB Circular A-21; b. The State Controller's FAM-29C which uses the CCFS-311; or c. Seven percent (7%)." The Parameters and Guidelines do not mention the SCO claiming instructions.

The State Controller's Claiming Instructions, at the Instructions for Form MRP-1, line (06), states "Community college districts may use the federally approved OMBA-21 rate, the rate computed using Form FAM 29C, or a 7% indirect cost rate, for the fiscal year of costs." The burden should be on the State Controller to show that the ICRP used by the district would not be approved by the federal government, since the State Controller is required to pay claims and may only reduce a claim upon a determination that the claim is excessive or unreasonable. Government Code Section 17651(d)(2)

Therefore, for the reasons stated above, Los Rios Community College District requests that the audit report be changed to comply with the law and to defer any request for payment until the audit report is corrected.

Sincerely,


Jon Sharpe, Vice Chancellor
Finance and Administration
Los Rios Community College District

- C: Brice Harris, Chancellor
- Carrie Bray, Director of Accounting Services



SACRAMENTO CITY COLLEGE

AMERICAN RIVER COLLEGE

COSUMNES RIVER COLLEGE

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

May 24, 2004

Mr. Jim L. Spano, Chief
Compliance Audits Bureau
California State Controller
Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

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Jim L. Spano, Chief
Compliance Audits Bureau
May 24, 2004

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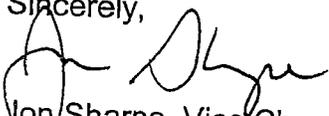
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Therefore, for the reasons stated above, Los Rios Community College District requests that the audit report be changed to comply with the law and to defer any request for payment until the audit report is corrected.

Sincerely,



Jon Sharpe, Vice Chancellor
Finance and Administration
Los Rios Community College District

C: Brice Harris, Chancellor
Carrie Bray, Director of Accounting Services

DECLARATION OF CARRIE BRAY

I, Carrie Bray, the undersigned, declare:

1. I am over the age of 18 and otherwise competent to testify in any court or administrative proceeding.
2. I have been employed by the Los Rios Community College District since April 1991.
3. At the present time, I am the Director of Accounting Services for the district.
4. On Thursday, December 12, 2002, I received a Telephone Message slip which indicated that a Mary Khoshmashrag of the State Controller's Office wanted to talk to me about an audit of our Health Fee Elimination and Mandated Reimbursement Process annual claims. A true and exact copy of the message slip is attached hereto as Exhibit "A" and is incorporated herein by reference.
5. I subsequently learned that the correct spelling of the caller's last name was Khoshmashrab.
6. Due to the press of business prior to the Christmas holiday and the ensuing weekend, I was not able to immediately return the call of Ms. Khoshmashrab.
7. On Tuesday, December 17, 2002, I received another Telephone Message slip which indicated that Mary Khoshmashrab wanted to schedule in December a meeting in January. The message also indicated that she was very anxious to hear from me. A true and exact copy of the Telephone Message slip is attached hereto as Exhibit "B" and is incorporated herein by reference.
8. I returned the telephone call of Ms. Khoshmashrab on Wednesday, December 18, 2002. Ms. Khoshmashrab stated that she assumed that we were too busy to

meet in December, so she requested a meeting during the first or second week of January.

9. Since we were talking about the first or second week of January, I made a note on my calendar at the time that Mary requested a meeting in the first or second week of January. A true and exact copy of my calendar page for the week of January 13 through January 19 is attached hereto as Exhibit "C" and is incorporated herein by reference.
10. After checking the availability of key district personnel, I called Ms. Khoshmashrab on Thursday, December 19, 2002, at 12:08 P.M., to set a date in January, as requested, for the meeting. Ms. Khoshmashrab was not in at the time, so I left a message for her to call me. A notation to this effect was made on Exhibit "C."
11. On Thursday, December 19, 2002, at 2:45 P.M., I received a message to call Ms. Khoshmashrab. I returned her call at 2:50 P.M. and a meeting was scheduled for January 16, 2003 at 9:30 A.M. Notations of these calls and conversation were made on Exhibit "C."
12. On Friday, December 20, 2002, at 10:23 A.M., I received a message that Ms. Khoshmashrab needed my FAX number. I returned her call at 1:30 P.M. and left my FAX number on her answering machine.
13. The notations on Exhibit "C" were made by me in the regular course of the business of Los Rios Community College District.
14. The notations on Exhibit "C" were made by me immediately on or about the time

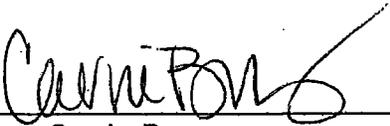
Declaration of Carrie Bray

of the calls and conversations noted thereon.

15. On January 2, 2003, I received a letter dated December 23, 2002, from Chris Prasad, Audit Manager, State Controller's Office. A true and exact copy of that letter with an in-coming mail stamp and my handwritten notations is attached hereto as Exhibit "D" and is incorporated herein by reference.
16. The Exhibit "D" letter clearly indicates that Ms. Khoshmashrab "will commence the audit" on Thursday, January 16, 2003.

The foregoing facts are known to me personally and, if so required, I could testify to the statements made herein. I hereby declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct except where stated upon information or belief and where so stated I declare that I believe them to be true.

EXECUTED this 30th day of September, 2004, at Sacramento, California.



Carrie Bray

TELEPHONE MESSAGE

For Carrie
Date 12-12 Time 11:06 ^{AM}/_{PM}

WHILE YOU WERE OUT

M Mary Khoshmashrag
Of State Controller's office
Phone 327-0490

AREA CODE NUMBER EXTENSION

Telephoned	<input checked="" type="checkbox"/>	Please Call	<input checked="" type="checkbox"/>
Called to See You	<input type="checkbox"/>	Will Call Again	<input type="checkbox"/>
Wants to See You	<input type="checkbox"/>	Urgent	<input type="checkbox"/>
Returned Your Call	<input type="checkbox"/>	Came to See You	<input type="checkbox"/>

on Mon.

Message Re: audit on mandates:

2.5M - health fee elimination
- mandated reimbursement claim

Signed gm

TELEPHONE MESSAGE

For Carrie

Date 12-17 Time 10 ^{AM} _{PM}

WHILE YOU WERE OUT

M Mary Khoshmashrab

Of State Controllers Office

Phone 327-0490

AREA CODE NUMBER EXTENSION

Telephoned	<input checked="" type="checkbox"/>	Please Call	<input checked="" type="checkbox"/>
Called to See You	<input type="checkbox"/>	Will Call Again	<input type="checkbox"/>
Wants to See You	<input type="checkbox"/>	Urgent	<input type="checkbox"/>
Returned Your Call	<input type="checkbox"/>	Came to See You	<input type="checkbox"/>

Message Would like to schedule
in Dec. to meet in Jan.

(She was very anxious to hear
from you)

Signed Jm

January 13 -
January 19

12/18 Talked to Mary
She requested mtg in
1st or 2nd wk. of Jan
12/19 12:00pm left msg w/ Mary to schedule appt

January 2003

S	M	T	W	T	F	S
		1	2	3	4	
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

February 2003

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	

Monday, January 13
10:00am 11:30am DO Management (Chancellor's Conf Room)
3:00pm 4:00pm Chancellor's Cabinet
4:00pm 5:00pm LRCCD Management Meeting re: State Budget

Thursday, January 16

12/19 2:45 rec'd msg from Mary to return call.
Rec'd voicemail. left another msg.
12/19 2:50 - scheduled mtg

Jon 14 9:30

8:30am 12:00pm
1:00pm 5:00pm

12/20/02
10:23

Mary
State Controller's Office
Needs fax #
327 0490

Tuesday, January 14

9:00am 9:30am Ginny's Performance Eval (Jon's Office)

12/20 rec'd call from Mary for fax #
Called & left on recorder 1:30

9:30am 10:00am Board Agenda Review
10:30am 12:00pm Finance & Admin Mgmt (Business Services Conf)
3:00pm 4:30pm Budget Committee (Main Conf Room)
5:30pm 6:00pm Board Meeting

Saturday, January 18



BY: _____
JAN 02 2003

KATHLEEN CONNELL
Controller of the State of California

December 23, 2002

cc: Ray
Let's discuss
after you've had
chance to take
document
requirements
CB 1/16/03

Ms. Carrie Bray
Director of Accounting Services
District College Services
Los Rios Community College District
1919 Spanos Court
Sacramento, CA 95825

Dear Ms. Bray:

This letter is to confirm that the State Controller's Office (SCO) has scheduled an audit of Los Rios Community College's legislatively mandated Health Fee Elimination program claims for fiscal year (FY) 1997-98 through FY 2000-2001, and legislatively mandated Mandate Reimbursement Process program claims for FY 1998-99 through FY 2000-2001.

As discussed during a telephone conversation on December 19, 2002, SCO auditor Mary Khoshmashrab will commence the audit of the subject programs on Thursday, January 16, 2003, beginning with an entrance conference at 9:30 a.m.

We would appreciate your furnishing working accommodations for and providing the necessary records (see attachment) available to Ms. Khoshmashrab.

If you have any questions, please contact me at (916) 445-8519.

Sincerely,

CHRIS PRASAD, Audit Manager
Compliance Audits Bureau
Division of Audits

CP:jj

Attachment

cc: (See Page 2)

cc: Jon Sharpe
Vice Chancellor of Finance and Administration
Los Rios Community College
Kim Sayles
Supervisor of Grants and Contracts
Los Rios Community College
Jim L. Spano, Chief
Compliance Audits Bureau
Division of Audits
Ginny Brummels, Section Manager
Division of Accounting and Reporting
Mary Khoshmashrab, Auditor
Compliance Audits Bureau
Division of Audits

3552

LOS RIOS COMMUNITY COLLEGE
RECORDS REQUEST FOR HEALTH FEE ELIMINATION AND MANDATED
REIMBURSEMENT PROCESS COST PROGRAM
FYs 1997-98 THROUGH 2000-2001

1. Copy of claims for mandated cost programs and related documentation;
2. Organization charts for the division or units handling the mandated cost program, effective during the audit period and currently, showing employee names and position titles;
3. Chart of accounts;
4. Audit period annual budgets for each college claimed, and a list of revenues and expenditures, including all state and federal grants received;
5. List of services provided for FY 1986-87.
6. List of all employees, showing the classifications, function performed, and actual number of hours devoted to each function;
7. Worksheets supporting the productive hourly rate used, including support for benefits rate used;
8. List of Services and Supplies that identifies the consumption purpose under the mandate;
9. List of student enrollment for each college claimed, for each fiscal year and each semester;
10. Support for costs claimed to derive the indirect costs rate proposal (ICRP) plan;
11. Employee time sheets or time logs claimed on the mandates;
12. Access to payroll records showing employee salaries and benefits paid during the audit period;
13. Access to general ledger accounts supporting disbursements;
14. Supporting documentation for amounts received from other funding sources;
15. Summary report explaining services function codes and provider I.D. codes;
16. Supporting documentation for units of services claimed;
17. List of consultant contracts;
18. Access to clients files;
19. Vendor invoices; and
20. Training agendas and sign-in logs.

Other documentation may be requested.

CLAIM FOR PAYMENT
Pursuant to Government Code Section 17561
MANDATE REIMBURSEMENT PROCESS

(19) Program Number 0042
(20) Date Filed: _____/_____/_____
(21) LRS Input: _____/_____/_____

(01) Claimant Identification Number:

S34050

LOS RIDES COMM COLL DIST
SACRAMENTO COUNTY
1919 SPANOS COURT
SACRAMENTO CA 95825

Reimbursement Claim Data	
(22) MRP-1, (03)(a)	-0-
(23) MRP-1, (03)(b)	9
(24) MRP-1, (03)(c)	-0-
(25) MRP-1, (04)(1)(d)	-0-
(26) MRP-1, (04)(2)(d)	21,832

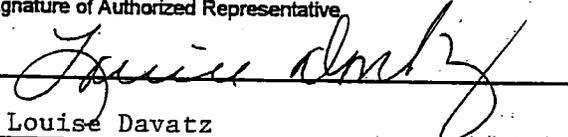
Type of Claim	Estimated Claim	Reimbursement Claim	
(03) Estimated <input checked="" type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(27) MRP-1, (04)(3)(d)	-0-
(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(28) MRP-1, (06)	30.4%
(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(29)	
(30)			
Fiscal Year of Cost	(06) 2000/01 19___/___	(12) 1999/2000	(31)
Total Claimed	(07) 22,820	(13) 28,469	(32)
Less: 10% Late Penalty, but not to exceed \$1000 (if applicable)		(14)	(33)
Less: Estimated Claim Payment Received		(15) 9,132	(34)
Net Claimed Amount		(16) 19,337	(35)
Due from State	(08) 22,820	(17) 19,337	(36)
Due to State		(18)	(37)

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for costs mandated by Chapter 486, Statutes of 1975 and Chapter 1459, Statutes of 1984; and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1096, inclusive.

I further certify that there was no application for nor any grant or payment received, other than from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program mandated by Chapter 486, Statutes of 1975, and Chapter 1459, Statutes of 1984.

The amounts for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs for the mandated program of Chapter 486, Statutes of 1975, and Chapter 1459, Statutes of 1984, set forth on the attached statements.

Signature of Authorized Representative


Louise Davatz
Type or Print Name

Date _____

Executive Vice Chancellor, Finance &
Title Administration

(39) Name of Contact Person for Claim _____ Telephone Number () _____ Ext. _____

MANDATED COSTS MANDATE REIMBURSEMENT PROCESS CLAIM SUMMARY	FORM MRP-1
---	-----------------------------

(01) Claimant Los Rios Community College District	(02) Type of Claim Reimbursement <input checked="" type="checkbox"/> Estimated: <input type="checkbox"/>	Fiscal Year 19 99 / 2000
---	---	--

Claim Statistics

(03) Chapter Name and Number of Mandates	(a) Test Claims	(b) Reim- bursement Claims	(c) Incorrect Reduction Claims
Collective Bargaining Ch 961/75 & 1213/91 Health Fee Elimination Ch 1/84 & 1118/87 Open Meetings Act Ch 641/86 Investment Reports Ch 783/95, 156/96 & 749/96 Mandate Reimbursement Process Ch 486/75	2 2 2 2 1	2 2 2 2 1	
Total Number of Claims Filed		9	

Direct Costs	Object Accounts			
(04) Reimbursable Components:	(a) Salaries & Benefits	(b) Materials & Supplies	(c) Contracted Services	(d) Total
1. Test Claims				-0-
2. Reimbursement Claims	11,190	1,188	9,454	21,832
3. Incorrect Reduction Claims				
(05) Total Direct Costs	11,190	1,188	9,454	21,832

Indirect Costs	
(06) Indirect Cost Rate	From J-380, J-580 or FAM-29C 30.4 %
(07) Total Indirect Costs	[Line (06) x (line (05)(d) - line(05)(c))] 6,637
(08) Total Direct and Indirect Costs	[Line (05)(d) + line (07)] 28,469

Cost Reduction	
(09) Less: Offsetting Savings, if applicable	
(10) Less: Other Reimbursements, if applicable	
(11) Total Claimed Amount:	[Line (08) - (Line (09) + Line (10))] 28,469

MANDATED COSTS MANDATE REIMBURSEMENT PROCESS CLAIM SUMMARY		FORM MRP-1	
(01) Claimant Los Rios Community College District	(02) Type of Claim Reimbursement <input type="checkbox"/> Estimated <input checked="" type="checkbox"/>	Fiscal Year 2000/2001	
Claim Statistics			
(03) Chapter Name and Number of Mandates Collective Bargaining Ch 961/75 & 1213/91 Health Fee Elimination Ch 1/84 & 1118/87 Open Meetings Act Ch 641/86 Investment Reports Ch 783/95, 156/96 & 749/96 Mandate Reimbursement Process Ch 486/75 Total Number of Claims Filed	(a) Test Claims	(b) Reim- bursement Claims	(c) Incorrect Reduction Claims
		1	
		1	
		1	
		1	
		1	
		5	
Direct Costs		Object Accounts	
(04) Reimbursable Components:	(a) Salaries & Benefits	(b) Materials & Supplies	(c) Contracted Services
1. Test Claims			
2. Reimbursement Claims	7,500		10,000
3. Incorrect Reduction Claims			
(05) Total Direct Costs			17,500
Indirect Costs			
(06) Indirect Cost Rate:	From J-380, J-580 or FAM-29C.		30.4 %
(07) Total Indirect Costs	[Line (06) x (line (05)(d) - line(05)(c))]		5,320
(08) Total Direct and Indirect Costs	[Line (05)(d) + line (07)]		22,820
Cost Reduction			
(09) Less: Offsetting Savings, if applicable			
(10) Less: Other Reimbursements, if applicable			
(11) Total Claimed Amount:	[Line (08) - {Line (09) + Line (10)}]		22,820

MANDATED COSTS MANDATED REIMBURSEMENT PROCESS COMPONENT/ACTIVITY COST DETAIL	FORM MRP-2
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(01) Claimant Los Rios Community College District	(02) Fiscal Year Costs Were Incurred 1999-2000
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(03) Reimbursable Components: Check only one box per form to identify the component being claimed.

1. Test Claims
 2. Reimbursement Claims
 3. Incorrect Reduction Claims

(04) Description of Expenses: Complete columns (a) through (f). **Object Accounts**

(a)	(b)	(c)	(d)	(e)	(f)
Employee Names, Job Classifications, Functions Performed and Description of Expenses	Hourly Rate or Unit Cost	Hours Worked or Quantity	Salaries and Benefits	Materials and Supplies	Contract Services
Training					
Greg Baker	Director, Human Resources (Interim)	61.43	1.50	92	
Brenda Balsamo	Personnel Specialist	30.15	1.50	45	
Carrie Bray	Director, Accounting Services	56.73	26.00	1,475	
Christopher Brown	Vice President, Administrative Services	65.15	1.50	98	
Robert Burks	Cafeteria Supervisor	29.98	1.00	30	
Melody Campbell	Secretary, General Services	24.90	2.50	62	
Lily Cervantes	Interim Director, Leadership Development & Employee	55.36	1.50	83	
Paul Dahms	Director, Facilities Management	60.86	1.25	76	
Louise Davatz	Executive Vice Chancellor	85.32	9.10	776	
(Steven) Ward Davis	Maintenance/Receiving Supervisor	34.96	1.25	44	
Katie DeLeon	Business Services Supervisor	38.06	1.00	38	
Larry Dun	Dean, Student Services	67.20	1.50	101	
C. Howell Ellerman	Vice Chancellor, Human & Resource Development	82.87	2.75	228	
Jeannie Freeman	Executive Assistant to the Chancellor	38.45	1.25	48	
Adolphus Ghoston	Dean, Student Services	66.84	2.75	184	
Claudia Hansson	Vice President, Student Services & Student Development	66.31	1.50	99	
William Karns	Vice President, Instruction/Student Learning	68.77	1.50	103	
Kathleen Kirklin	Dean, Administrative Services & Institutional Effectiveness	60.87	1.25	76	
Sue Lorimer	Dean, Planning Research & Development	62.53	1.25	78	
Janet Lyle	CalWORKS Supervisor	49.30	1.25	62	
Theresa Matista	Director, Fiscal Services	61.13	1.50	92	
Richard McCormac	Vice President, Instruction	68.17	1.25	85	
Katherine McLain	Dean, Science, Math & Engineering	58.98	1.00	59	
Virginia Millhone	Admin Assistant	33.09	1.25	41	
Colleen Owings	Dean, Science/Allied Health	59.00	1.25	74	
Gordon Poon	Vice President, Student Services	62.83	2.75	173	
Don Reid	Printing Services Supervisor	32.01	1.25	40	
Judith Rinehimer	Dean, Communications, Visual & Performing Arts	61.11	1.00	61	
Brian Roach	Director, IT Technical Services	57.81	1.25	72	
Kim Sayles	General Accounting Supervisor	37.23	64.00	2,383	
Sabrina Shapiro	Career & Job Opportunity Center Supervisor	31.70	1.25	40	
William Silvia	Director, General Services	64.83	1.50	97	
Herschel Smith	Insurance & Business Specialist	33.10	1.25	41	
Marie Smith	President, American River College	86.23	1.25	108	
B D Pete Sorrell	Director, Facilities Management	70.21	1.50	105	
Gwen Walker	Administrative Assistant to the Vice Chancellor, Human Resources	26.81	2.50	67	
Richard Wallace	Dean, Counseling & Student Services	55.92	1.00	56	
Chris Weiskopf (Wurzer)	Counseling Supervisor	36.36	2.75	100	
Penny Whalen	Administrative Secretary, Human Resources	23.12	1.25	29	

(05) Total	<input type="checkbox"/>	Subtotal	<input type="checkbox"/>	Page: <u>1</u> of <u>2</u>	
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MANDATED COSTS MANDATED REIMBURSEMENT PROCESS COMPONENT/ACTIVITY COST DETAIL	FORM MRP-2
---	-----------------------------

(01) Claimant Los Rios Community College District	(02) Fiscal Year Costs Were Incurred. 1999-2000
---	---

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

1. Test Claims
 2. Reimbursement Claims
 3. Incorrect Reduction Claims

(04) Description of Expenses: Complete columns (a) through (f).

	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 and Benefits	(e) Materials and Supplies	(f) Contracted Services
<u>Claim Preparation</u>					
Carrie Bray Director, Accounting Services	56.73	1.10	62		
Virginia Millhone Admin Assistant	33.09	28.00	927		
Kim Sayles General Accounting Supervisor	37.23	72.00	2,680		
<u>Travel</u>					
Carrie Bray Director, Accounting Services					
EMCN Meeting 12/3/99				188	
Kim Sayles General Accounting Supervisor					
EMCN Meeting 10/20/99				355	
EMCN Meeting 3/13/00				124	
Mandate Cost Academy 3/16/00				506	
EMCN Meeting 3/29/00				15	
<u>Contract Services</u>					
SixTen and Associates Claim preparation & Training	90.00	12/1/99-6/30/00			8,576
School Services of Calif Claim preparation & Training	135.00	6.50			878
			11,190	1,188	9,454

(05) Total	<input type="text"/>	Subtotal	<input type="text"/>	Page: 2 of: 2	
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#1

CLAIM FOR PAYMENT Pursuant to Government Code Section 17561 MANDATE REIMBURSEMENT PROCESS (SCHOOL DISTRICTS)	For State Controller Use Only (19) Program Number 00042 (20) Date Filed ___/___/___ (21) LRS Input ___/___/___	Program 042
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LABEL HERE

(01)	S34050
(02)	
County	LOS RIOS COMM COLL DIST
Street	SACRAMENTO COUNTY
City	1919 SPANOS COURT SACRAMENTO CA 95825

Reimbursement Claim Data	
(22) MRP-1, (03)(a)	-0-
(23) MRP-1, (03)(b)	6
(24) MRP-1, (03)(c)	-0-
(25) MRP-1, (04)(1)(d)	-0-

Type of Claim	Estimated Claim	Reimbursement Claim	
	(03) Estimated <input checked="" type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(26) MRP-1, (04)(2)(e) 12,767
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(27) MRP-1, (04)(3)(d) -0-
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(28) MRP-1, (06) 31.45%
			(29)
Fiscal Year of Cost	(06) <u>20 01 / 20 02</u>	(12) <u>2000 / 2001</u>	(30)
Total Claimed Amount	(07) 12,887	(13) 15,245	(31)
Less: 10% Late Penalty, not to exceed \$1,000		(14)	(32)
Less: Prior Claim Payment Received		(15) 17,289	(33)
Net Claimed Amount		(16) (2,044)	(34)
Due from State	(08) 12,887	(17)	(35)
Due to State		(18) 2,044	(36)

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code § 17561, I certify that I am the officer authorized by the local agency to file claims with the State of California for costs mandated by Chapter 486, Statutes of 1975, and Chapter 1459, Statutes of 1984, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1096, inclusive.

I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program mandated by Chapter 486, Statutes of 1975, and Chapter 1459, Statutes of 1984.

The amounts for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs for the mandated program of Chapter 486, Statutes of 1975, and Chapter 1459, Statutes of 1984, set forth on the attached statements.

Signature of Authorized Officer	Date
Theresa Matista	4/29/02 Interim Vice Chancellor, Finance & Administration
Type or Print Name	Title
(38) Name of Contact Person for Claim	Telephone Number
Raymond Andres, General Acctg Supervisor	(916) 568 3033 Ext.
E-Mail Address	andresr@do.losrios.cc.ca.us

1

Program 042	MANDATED COSTS MANDATE REIMBURSEMENT PROCESS (SCHOOL DISTRICTS) CLAIM SUMMARY	FORM MRP-1
------------------------------	--	-----------------------------

(01) Claimant LOS RIOS COMMUNITY COLLEGE DISTRICT	(02) Type of Claim Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year 20 ⁰⁰ /20 ⁰¹
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Claim Statistics

(03) Chapter/Statute, Name, and Number of Mandates	(a) Test Claims	(b) Reimbursement Claims	(c) Incorrect Reduction Claims
Absentee Ballots CH77/78 & 920/94		X	
Collective Bargaining CH961/75 & 1213/91		X	
Health Fee Elimination CH1/84 & 1118/87		X	
Open Meetings Act CH641/86		X	
Investment Reports CH783/95, 156/96 & 749/96		X	
Mandated Reimbursement Process CH486/75 & 1459/84		X	

Total Number of Claims Filed 6

Direct Costs	Object Accounts				
(04) Reimbursable Components	(a) Salaries & Benefits	(b) Materials & Supplies	(c) Travel & Training	(d) Contract Services	(e) Total
1. Test Claims					
2. Reimbursement Claims	7,651	-0-	228	4,888	12,767
3. Incorrect Reduction Claims					
(05) Total Direct Costs	7,651	-0-	228	4,888	12,767

Indirect Costs

(06) Indirect Cost Rate	From J-380, J-580, or FAM-29C.	31.45 %
(07) Total Indirect Costs	[Line (06) x (line (05)(e) - line (05)(d))]	2,478
(08) Total Direct and Indirect Costs	[Line (05)(e) + line (07)]	15,245

Cost Reduction

(09) Less: Offsetting Savings	
(10) Less: Other Reimbursements	
(11) Total Claimed Amount	15,245

Program 042	MANDATED COSTS MANDATE REIMBURSEMENT PROCESS (SCHOOL DISTRICTS) CLAIM SUMMARY	FORM MRP-1
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(01) Claimant LOS RIOS COMMUNITY COLLEGE DISTRICT	(02) Type of Claim Reimbursement <input type="checkbox"/> Estimated <input checked="" type="checkbox"/>	Fiscal Year 2001/2002
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Claim Statistics

(03) Chapter/Statute, Name, and Number of Mandates	(a) Test Claims	(b) Reimbursement Claims	(c) Incorrect Reduction Claims
Absentee Ballots CH77/78 & 920/94 Collective Bargaining CH961/75 & 1213/91 Health Fee Elimination CH1/84 & 1118/87 Open Meetings Act CH641/86 Investment Reports CH783/95, 156/96 & 749/96 Mandated Reimbursement Process CH486/75 & 1459/84		X X X X X X	
Total Number of Claims Filed		6	

Total Number of Claims Filed

Direct Costs	Object Accounts				
(04) Reimbursable Components	(a) Salaries & Benefits	(b) Materials & Supplies	(c) Travel & Training	(d) Contract Services	(e) Total
1. Test Claims					
2. Reimbursement Claims	5,000	-0-	1,000	5,000	11,000
3. Incorrect Reduction Claims					
(05) Total Direct Costs	5,000	-0-	1,000	5,000	11,000

Indirect Costs

(06) Indirect Cost Rate	From J-380, J-580, or FAM-29C	31.45 %
(07) Total Indirect Costs	[Line (06) x {line (05)(e) - line (05)(d)}]	1,887
(08) Total Direct and Indirect Costs	[Line (05)(e) + line (07)]	12,887

Cost Reduction

(09) Less: Offsetting Savings		
(10) Less: Other Reimbursements		
(11) Total Claimed Amount	[Line (08) - {line (09) + line (10)}]	12,887

Program 042	MANDATED COSTS MANDATE REIMBURSEMENT PROCESS (SCHOOL DISTRICTS) COMPONENT/ACTIVITY COST DETAIL	FORM MRP-2
------------------------------	---	-----------------------------

(01) Claimant LOS RIOS COMMUNITY COLLEGE DISTRICT	(02) Fiscal Year 2000-2001
--	-------------------------------

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

Test Claims
 Reimbursement Claims
 Incorrect Reduction Claims

(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 and Benefits	(e) Materials and Supplies	(f) Travel and Training	(g) Contract Services
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SEE ATTACHED SPREADSHEET						
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(05) Total <input type="checkbox"/>	Subtotal <input type="checkbox"/>	Page: <u>1</u> of <u>1</u>			
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MANDATED COSTS
MANDATE REIMBURSEMENT PROCESS (SCHOOL DISTRICTS)
COMPONENT/ACTIVITY COST DETAIL

(04) Description of Expenses			Object Accounts				
(a)	(b)	(c)	(d)	(e)	(f)	(g)	
Employee Names, Job Classifications, Functions Performed and Description of Expenses	Hourly Rate or Unit Cost	Hours Worked or Quantity	Salaries and Benefits	Materials and Supplies	Travel and Training	Contract Services	
Training & Claims Preparation							
Judy Beachler	Director, Institutional Research	66.61	0.08	5			
Myra Borg	Dean, Matriculation & Student Development	65.36	6.08	397			
Kari Forbes-Boyle	Dean, BSS	67.52	1.08	73			
Carrie Bray	Director, Accounting Services	61.58	2.74	169			
Christopher Brown	Vice President, Administrative Services	70.87	0.25	18			
Steve Bruckman	General Counsel	84.47	2.00	169			
Melody Campbell	Secretary, General Services	27.62	0.08	2			
Suzanne Chock-Hunt	Vice President, Instruction	76.12	1.34	102			
Ramona Cobian	EOP&S Supervisor	37.21	1.00	37			
Phil Cypret	Dean of Technology Division	53.81	1.00	54			
Louise Davatz	Executive Vice Chancellor	95.17	3.58	341			
Larry Dun	Dean, Student Services	74.24	1.00	74			
Jeannie Freeman	Executive Assistant to the Chancellor	41.07	0.08	3			
Virginia Gessford	Coordinator, Learning Center	61.08	0.58	35			
Claudia Hansson	Vice President, Student Services	74.62	1.50	112			
Brice Harris	Chancellor	113.49	0.08	9			
Janice Henderson	Secretary, Instruction	30.91	0.08	2			
Patricia Hsieh	Vice President, Student Services	65.27	0.50	33			
Chris Iwata	Dean, Humanities & Fine Arts	76.63	1.00	77			
Julia Jolly	Dean II, Language & Literature	58.30	0.08	5			
Mike Jones	Employee Benefits Supervisor	50.25	1.00	50			
Gregory Jorgensen	Vice President, Instruction	29.72	1.00	30			
Karen LaVine	Records/Admissions Supervisor	38.31	1.00	38			
Sue Lorimer	Dean, Planning Research & Development	70.21	0.67	47			
Richard McCormac	Vice President, Instruction	64.11	0.08	5			
Virginia Millhone	Admin Assistant	33.37	3.00	100			
Nelle Moore	Dean, Science/Allied Health	65.26	1.00	65			
Janet Olson	Nurse	52.93	0.50	26			
Larry Pannier	Confidential System Analyst	52.88	0.66	35			
Alma Perez	Confidential Administrative Secretary - HR	24.83	0.08	2			
Martin Purmont	Payroll Supervisor	46.62	0.08	4			
Brian Roach	Director, IT Technical Services	62.97	2.50	157			
Lloyd Rogers	Vice President, Administration	75.98	1.00	76			
Sam Sandusky	Dean II, Admissions/Records	61.94	1.00	62			
Kim Sayles	General Accounting Supervisor	41.74	115.75	4,831			
Brenda Serrano	Career & Job Opportunity Center Supervisor	36.12	0.08	3	228		
William Silvia	Director, General Services	69.14	0.08	6			
Diana Sloane	Vice Chancellor, Education & Technology	87.61	0.58	51			
Nancy Steeves	Secretary, Matriculation & Student Development	26.70	2.00	53			
Deborah Travis	Director, Occupational Education	69.27	1.08	75			
Mary Turner	Dean, Allied Health	64.84	1.08	70			
Linda Wark	Dean I, Instruction	68.33	1.00	68			
Kirk Wiecking	Coordinator, Distance ED	50.27	1.00	50			
Whitney Yamamura	Interim Dean, Behavioral Science	60.63	0.50	30			
SixTen and Associates	Claim preparation & Training	74.00	7/1/00-6/30/01			4,888	
(05)	Total			7,651	0	228	4,888

BEFORE THE
COMMISSION ON STATE MANDATES
STATE OF CALIFORNIA

IN RE AMENDMENT TO PARAMETERS
AND GUIDELINES ON:

Statutes of 1975, Chapter 486; Statutes of 1984, Chapter 1459; Statutes of 1995, Chapter 303 (Budget Act of 1995); Statutes of 1996, Chapter 162 (Budget Act of 1996); Statutes of 1997, Chapter 282 (Budget Act of 1997); Statutes of 1998, Chapter 324 (Budget Act of 1998); Statutes of 1999, Chapter 50 (Budget Act of 1999), Statutes of 2000, Chapter 52 (Budget Act of 2000), Statutes of 2001, Chapter 106 (Budget Act of 2001).

NO. CSM-4485-00

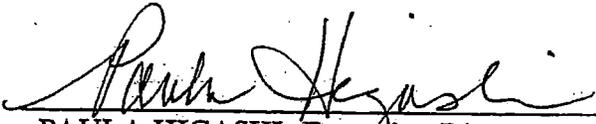
Mandate Reimbursement Process

ADOPTION OF AMENDMENT TO
PARAMETERS AND GUIDELINES
PURSUANT TO GOVERNMENT CODE
SECTION 17557 AND TITLE 2,
CALIFORNIA CODE OF REGULATIONS,
SECTIONS 1183.2 AND 1185.3.

(Adopted on October 25, 2001)

PARAMETERS AND GUIDELINES AMENDMENT

On October 25, 2001, the Commission on State Mandates adopted the attached Amended Parameters and Guidelines. This decision shall become effective on October 26, 2001.



PAULA HIGASHI, Executive Director

File: CSM-4485-01
Adopted: November 20, 1986
First Amendment Adopted: March 26, 1987
Second Amendment Adopted: October 26, 1995
Third Amendment Adopted: January 30, 1997
Fourth Amendment Adopted: September 25, 1997
Fifth Amendment Adopted: October 29, 1998
Sixth Amendment Adopted: September 30, 1999
Seventh Amendment Adopted: September 28, 2000
Eighth Amendment Adopted October 25, 2001
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AMENDMENTS TO PARAMETERS AND GUIDELINES

Statutes of 1975, Chapter 486
Statutes of 1984, Chapter 1459
Statutes of 1995, Chapter 303 (Budget Act of 1995)
Statutes of 1996, Chapter 162 (Budget Act of 1996)
Statutes of 1997, Chapter 282 (Budget Act of 1997)
Statutes of 1998, Chapter 324 (Budget Act of 1998)
Statutes of 1999, Chapter 50 (Budget Act of 1999)
Statutes of 2000, Chapter 52 (Budget Act of 2000)
Statutes of 2001, Chapter 106 (Budget Act of 2001)

Mandate Reimbursement Process

[For fiscal years 1995-96, 1996-97, 1997-98, 1998-99, 1999-00, 2000-01, and 2001-02 only, these parameters and guidelines are amended, pursuant to the requirements of (1) provision 11 of Item 0840-001-001 and provision 1 of Item 8885-001-0001 of the Budget Act of 1995, (2) provision 9 of Item 0840-001-0001 and provision 1 of Item 8885-001-0001 of the Budget Act of 1996, (3) provision 9 of Item 0840-001-0001 and provision 1 of Item 8885-001-0001 of the Budget Act of 1997, (4) provision 8 of Item 0840-001-0001 and provision 1 of Item 8885-001-0001 of the Budget Act of 1998, (5) provision 8 of Item 0840-001-0001 and provision 1 of Item 8885-001-0001 of the Budget Act of 1999, (6) provision 8 of Item 0840-001-0001 and provision 1 of Item 8885-001-0001 of the Budget Act of 2000, (7) provision 8 of Item 0840-001-0001 and provision 1 of Item 8885-001-0001 of the Budget Act of 2001, to include Appendix A.]

I. Summary of Mandate

Chapter 486, Statutes of 1975, established the Board of Control's authority to hear and make determinations on claims submitted by local governments that allege costs mandated by the state. In addition, Chapter 486/75 contains provisions authorizing the State Controller's Office to receive, review, and pay reimbursement claims for mandated costs submitted by local governments.

Chapter 1459, Statutes of 1984, created the Commission on State Mandates, which replaced the Board of Control with respect to hearing mandate cost claims. This law established the "sole and

exclusive procedure" by which a local agency or school district is allowed to claim reimbursement as required by article XIII B, section 6 of the California Constitution for state mandates under the Government Code, section 17552.

Together these laws establish the process by which local agencies receive reimbursement for state-mandated programs. As such, they prescribe the procedures that must be followed before mandated costs are recognized. They also dictate reimbursement activities by requiring local agencies and school districts to file claims according to instructions issued by the Controller.

II. Commission on State Mandates Decision

On March 27, 1986, the Commission on State Mandates determined that local agencies and school districts incurred "costs mandated by the state" as a result of Chapter 486, Statutes of 1975, and Chapter 1459, Statutes of 1984. Specifically, the commission found that these two statutes imposed a new program by requiring local governments to file claims in order to establish the existence of a mandated program as well as to obtain reimbursement for the costs of mandated programs.

III. Eligible Claimants

All local agencies and school districts incurring increased costs as a result of this mandate are eligible to claim reimbursement of those costs.

IV. Period of Claim

Pursuant to Government Code section 17560, reimbursement for state-mandated costs may be claimed as follows:

- (a) A local agency or school district may file an estimated reimbursement claim by January 15 of the fiscal year in which costs are to be incurred, and, by January 15 following that fiscal year shall file an annual reimbursement claim that details the costs actually incurred for that fiscal year; or it may comply with the provisions of subdivision (b).
- (b) A local agency or school district may, by January 15 following the fiscal year in which costs are incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year.
- (c) In the event revised claiming instructions are issued by the Controller pursuant to subdivision (c) of Section 17558 between October 15 and January 15, a local agency or school district filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim.

If the total costs for a given fiscal year do not exceed \$200, no reimbursement shall be allowed.

V. Reimbursable Costs

A. Scope of Mandate

Local agencies and school districts filing successful test claims and reimbursement claims incur state-mandated costs. The purpose of this test claim is to establish that local governments (counties, cities, school districts, special districts, etc.) cannot be made financially whole unless all state-mandated costs -- both direct and indirect -- are

reimbursed. Since local costs would not have been incurred for test claims and reimbursement claims but for the implementation of state-imposed mandates, all resulting costs are recoverable.

B. Reimbursable Activities -- Test Claims

All costs incurred by local agencies and school districts in preparing and presenting successful test claims are reimbursable, including those same costs of an unsuccessful test claim if an adverse Commission ruling is later reversed as a result of a court order. These activities include, but are not limited to, the following: preparing and presenting test claims, developing parameters and guidelines, collecting cost data, and helping with the drafting of required claiming instructions. The costs of all successful test claims are reimbursable.

Costs that may be reimbursed include the following: salaries and benefits, materials and supplies, consultant and legal costs, transportation, and indirect costs.

C. Reimbursable Activities -- Reimbursement Claims

All costs incurred during the period of this claim for the preparation and submission of successful reimbursement claims to the State Controller are recoverable by the local agencies and school districts. Allowable costs include, but are not limited to, the following: salaries and benefits, service and supplies, contracted services, training, and indirect costs.

Incorrect Reduction Claims are considered to be an element of the reimbursement process. Reimbursable activities for successful incorrect reduction claims include the appearance of necessary representatives before the Commission on State Mandates to present the claim, in addition to the reimbursable activities set forth above for successful reimbursement claims.

VI. Claim Preparation

A. Supporting Data

For audit purposes, all costs claimed shall be traceable to source documents (e.g., employee time records, invoices, receipts, purchase orders, contracts, worksheets, calendars, declarations, etc.) that show evidence of the validity of such costs and their relationship to the state-mandated program. All documentation in support of the claimed costs shall be made available to the State Controller's Office, as may be requested, and all reimbursement claims are subject to audit during the period specified in Government Code section 17558.5, subdivision (a).

B. Salaries and Benefits

Employee costs should be supported by the following: employee name, position (job title), productive hourly rate, hours worked, salary and benefit amounts, and a description of the tasks performed as they relate to this mandate.

C. Service and Supplies

Identify any direct costs for materials that have been consumed or expended specifically for this mandate.

D. Contract Services

Costs incurred for contract services and/or legal counsel that assist in the preparation, submission and/or presentation of claims are recoverable. Provide copies of the invoices and/or claims that were paid.

E. Training

1. Classes

Include the costs of classes designed to assist the claimant in identifying and correctly preparing state-required documentation for specific reimbursable mandates. Such costs include, but are not limited to, salaries and benefits, transportation, registration fees, per diem, and related costs incurred because of this mandate.

2. Commission Workshops

Participation in workshops convened by the Commission is reimbursable. Such costs include, but are not limited to, salaries and benefits, transportation, and per diem. This does not include reimbursement for participation in rulemaking proceedings.

F. Indirect Costs

1. Local Agencies

Compensation for indirect costs is eligible for reimbursement. Indirect costs are those that have been incurred for common or joint purposes. These costs benefit more than one cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved. After direct costs have been determined and assigned to other activities, as appropriate, indirect costs are those remaining to be allocated to benefited cost objectives. A cost may not be allocated as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been claimed as a direct cost.

Indirect costs include (a) the indirect costs originating in each department or agency of the governmental unit carrying out state mandated programs and (b) the costs of central governmental services distributed through the central service cost allocation plan and not otherwise treated as direct costs.

Local agencies have the option of using 10% of direct labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) pursuant to the Office of Management and Budget (OMB) Circular A-87.

2. School Districts

School districts must use the J-380 (or subsequent replacement) non-restrictive indirect cost rate provisionally approved by the California Department of Education.

3. County Offices of Education

County offices of education must use the J-580 (or subsequent replacement) non-restrictive indirect cost rate provisionally approved by the California Department of Education.

4. Community College Districts

Community College Districts must use one of the following three alternatives:

- a. An ICRP based on OMB Circular A-21;
- b. The State Controller's FAM-29C which uses the CCFS-311; or
- c. Seven percent (7%).

VII. Offsetting Savings and Other Reimbursement

Any offsetting savings the claimants experience as a direct result of this statute must be deducted from the costs claims. In addition, reimbursement for this mandate received from any source, e.g., federal, state, etc., shall be identified and deducted from this claim.

VIII. Required Certification

The following certification must accompany the claim:

I DO HEREBY CERTIFY:

THAT sections 1090 to 1096, inclusive, of the Government Code and other applicable provisions of the law have been complied with; and

THAT I am the person authorized by the local agency to file claims for funds with the State of California.

Cherese Matista

4/29/02

SIGNATURE OF AUTHORIZED REPRESENTATIVE

DATE

Interim Vice Chancellor, Finance & Administration

916-568-3033

TITLE

TELEPHONE NUMBER

(Continue to Appendix A)