



CITY OF RANCHO CUCAMONGA

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March 17, 2026

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



Late Filing

RE: City of Rancho Cucamonga Identity Theft IRC; Response to State Controller's letter

Dear Ms. Gmur,

The intent of this correspondence is not to repeat the arguments already made in our Incorrect Reduction Claim (IRC), but to respond to a number of comments the State Controller's Office brought up in their response and to provide some additional evidence and context to support our position.

The SCO's position contains several fundamental errors in both fact and law. Specifically, the SCO:

1. Applied inconsistent standards to similarly situated agencies.
2. Reinterpreted longstanding claiming practices without prior notice.
3. Asserted that the City did not incur indirect costs despite acknowledging such costs within the contract.
4. Substituted an unsupported and unwritten methodology in place of the indirect cost methodology required by the governing Parameters and Guidelines.

Summary of City's Comments to SCO Response:

1. The SCO applied inconsistent audit standards.

Audits of other similarly situated agencies demonstrate that the SCO has allowed other agencies, including other contract cities, to use existing ICRP methodologies and federal cost principles when allocating indirect costs. The SCO offers no explanation for applying a different standard to Rancho Cucamonga.

2. The SCO's interpretation conflicts with decades of claiming instructions and accepted practice.

For more than twenty years, contract cities have been submitting mandate reimbursement claims



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using personnel costs incurred through contracts to support and compute direct cost as well as in the allocation base for indirect costs. Claiming instructions issued for long time mandates such as “Administrative License Suspension Per Se” and, “Domestic Violence Arrest Policies and Standards” make no distinction between contract personnel costs and in-house personnel costs.

3. The SCO’s reasoning is internally contradictory.

The SCO asserts that the City did not incur indirect costs through its law enforcement contract. However, the SCO’s own audit identified indirect costs embedded within the contract and used those costs to calculate its new “Administrative Percentage.” These conclusions cannot both be correct.

4. The SCO created an unsupported and unwritten indirect cost methodology.

Instead of evaluating the City’s existing ICRPs, which were prepared in accordance with Parameters and Guidelines (Ps and Gs) and Claiming Instructions, the SCO substituted a newly created “Administrative Percentage” rate. This methodology does not appear in the Parameters and Guidelines or the State Controller’s Claiming Manual and relies on undefined criteria such as “clearly administrative” costs.

5. The SCO’s interpretation conflicts with prior Commission guidance.

Proceedings before the Commission on State Mandates (City of Palmdale IRC) have previously recognized that overhead costs may exist within contractual service arrangements and that agencies may recover such costs through an indirect cost rate proposal. The SCO’s rejection of the City’s properly prepared ICRPs therefore conflicts with prior Commission decision.

COMMENT 1. SCO’S DISMISSAL OF COMPARATIVE AUDITS FAILS TO ADDRESS DEMONSTRATED INCONSISTENCIES

The SCO argues that examples from other audits are irrelevant because “each audit stands alone.” This assertion ignores a fundamental principle of administrative decision-making: **similarly situated entities must be treated consistently when applying the same statutes, regulations, and audit standards.**

The City presented examples from audits involving many local agency claims including the City of San Marcos (another city which contracts for law enforcement services), San Bernardino County (our contracting agency), and the City of Rialto (a similarly sized and situated city in the same county) and other jurisdictions audits. These examples demonstrate that the SCO has applied **different methodologies and eligibility standards to materially similar costs.**

For example, in all these audits, including that of the City of San Marcos audit (another contract city):



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- In the SCO **permitted the use of an existing Indirect Cost Rate Proposal (ICRP)** methodology to allocate overhead costs and
- **relied on federal cost principles** under **2 CFR Part 200** and prior **OMB Circular A-87** to determine eligibility of indirect costs.

However, in Rancho Cucamonga’s audit, the SCO rejected the same methodology and cost principles without explanation for their departure from established practice.

The SCO fails to address these discrepancies or explain why identical categories of costs were treated differently.

Administrative agencies must apply **uniform standards** in their audit reviews. When materially similar circumstances produce materially different outcomes without explanation, the result is inherently **arbitrary and capricious**.

The City provided these comparative audits precisely to demonstrate that the SCO’s methodology in this case represents a **departure from established practice**, not the consistent application of governing standards.

COMMENT 2. THE SCO’S POSITION CONFLICTS WITH DECADES OF CLAIMING INSTRUCTIONS AND PRACTICE

The SCO characterizes the City’s statement regarding the historical submission of claims since 2000 as “curious.” The purpose of the statement was to demonstrate that the City—and many other contract cities—have followed the same cost allocation methodology for **over two decades without objection by the SCO**.

For more than twenty years, the City has prepared **Indirect Cost Rate Proposals** using contract-incurred salary and benefit costs as the allocation base for distributing indirect costs associated with law enforcement mandates.

During this period, the SCO never advised the City that:

- this methodology violated Parameters and Guidelines; or
- indirect costs associated with contract personnel must be calculated differently from those of full-service police departments.

The City’s consultant, Annette Chinn, has extensive experience preparing mandate reimbursement claims for California contract cities. In her declaration, she states that in over **thirty years of preparing hundreds of claims**, the SCO had never previously asserted that:



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- contract salary and benefit costs cannot serve as the allocation base for indirect cost calculations; or
- existing ICRP methodologies were impermissible for contract law enforcement agencies.

The State's own claiming instructions reinforce this understanding.

For example, claiming instructions for the following mandates:

- **Administrative License Suspension Per Se** Reimbursement period on or after July 1, 1997.
- **Domestic Violence Arrest Policies and Standards** Reimbursement period on or after July 1, 1996.

Both relied on the "Unit Cost Rate" approach for computing staff costs and contain **no distinction between contract cities and full-service cities** when claiming salary, benefit, or indirect costs.

These instruction date back to the early 1990's and are still in current use

Each set of instructions includes identical fields for:

- Salary / Hourly Rate
- Benefits
- Average productive hourly rate including applicable indirect costs
- Indirect Costs (which instructions state must be computed via an ICRP).

There is no separate field for contract personnel costs or discussion on how indirect costs must be applied, computed, or treated differently for a contract city. (See Attachment 1)

Thus, the State's own instructions treated personnel costs incurred via contract **identically to those incurred through in-house departments**.

If the SCO now asserts that contract-incurred personnel costs must be treated differently, that interpretation represents a **new policy applied retroactively** to law enforcement claims submitted for decades.

Such retroactive reinterpretation raises serious **fairness and due process concerns**, particularly when agencies had no notice that their longstanding cost accounting methodology was considered improper.



COMMENT 3. THE SCO'S POSITION THAT THE CITY DID NOT INCUR INDIRECT COSTS IS FACTUALLY AND LOGICALLY INCONSISTENT

The SCO stated, "If the city had been operating its own Police Department during the audit period, it would have incurred direct costs for providing such law enforcement services, such as traffic patrols, criminal investigations, incarcerations, and public security, to name a few."

The city **did provide** these services and **did incur** costs for them. Our contract provides full-service law enforcement services, legally and functionally comparable to a full-service city. A copy of our contract with San Bernardino County was provided in our IRC submission. Excerpt provided below:

II.

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

- A. Enforcement of state statutes;
- B. Enforcement of ordinances of CITY of the type customarily enforced by the Sheriff within the unincorporated territory of the County;
- C. Traffic enforcement, with the exception of such traffic enforcement as may be provided by the California Highway Patrol on the freeway traversing CITY;
- D. Detective, juvenile, and other specialized services such as arson, homicide, and narcotics enforcement;
- E. Attendance at meetings of the City Counsel of CITY and such other meetings of commissions or boards of CITY as CITY may specify.

III.

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

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



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

The SCO asserts that the City did not incur indirect costs associated with its law enforcement contract. However, the contract between the City and San Bernardino County requires the City to pay for all costs necessary to provide law enforcement services, including items on the Table below (which we provided to the SCO during the audit) showing eligible indirect costs charged within the contract that were not itemized on the SCO's "non-exhaustive list" of "legitimate costs associated with operating a law enforcement operation."

Moreover, the SCO's own audit contradicts this position.

In calculating its alternative **Administrative Percentage/Rate**, the SCO contradicts its own position by identifying indirect costs embedded within the contract and using those costs as the basis for its new calculation.

Thus, the SCO simultaneously asserts that:

1. the City did not incur indirect costs, and
2. indirect/administrative costs existed within the contract and could be used to calculate an administrative percentage/overhead rate.

These conclusions cannot both be true.

If indirect costs exist within the contract and were paid by the City, they are costs **incurred by the City** for purposes of mandate reimbursement and the eligible costs cannot be limited or treated any differently from a full-service agency.



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Contract Cost Items NOT Included by SCO as allowable Indirect cost	Federal CFR Citation supporting the <u>allowability</u> of the cost
Captain, Lieutenant, Sergeants	<p>2 CFR Ch. II §200.414 (c) "The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs."</p> <p>2 CFR Ch. II Pt. 200, App. IV B. ALLOCATION OF INDIRECT COSTS AND DETERMINATION OF INDIRECT COST RATES The salaries and wages of administrative and pooled clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate where a major project or activity explicitly requires and budgets for administrative or clerical services and other individuals involved can be identified with the program or activity.</p>
Office Specialists & Secretaries	<p>2 CFR Ch. II §200.414 (c) "The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs." (See additional narrative above)</p>
Dispatch Support	<p>Appendix B to Part 225—Selected Items of Cost 7. Communication costs. Costs incurred for telephone services, local and long distance telephone calls, telegrams, postage, messenger, electronic or computer transmittal services and the like are allowable. [the County charges a share of the dispatch/communications division costs with contracting cities]</p> <p>Also see above- 2 CFR Ch. II Pt. 200, App. IV B. ALLOCATION OF INDIRECT COSTS AND DETERMINATION OF INDIRECT COST RATES The salaries and wages of administrative and pooled clerical staff should normally be treated as indirect costs.</p>
<p>Vehicle Usage Charges: Marked units, Unmarked Units, Marked Citizen Patrol Sedan, Pickup Trucks, & Motorcycles</p> <p>Also, Handheld Talkies (HTs), Radar Units, Tasers</p>	<p>Multiple Sections of OMB/CFR Guidelines address eligibility of equipment charges and usage:</p> <p>Appendix B to Part 225—Selected Items of Cost 11. Depreciation and use allowances. a) use allowances are means of allocating the cost of fixed assets to periods benefiting from asset use. Compensation for the use of fixed assets on hand may be made through depreciation or use allowances. A combination of the two methods may not be used in connection with a single class of fixed assets (e.g., buildings, office equipment, computer equipment, etc.)</p> <p>15. Equipment and other capital expenditures. (2)"Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the governmental unit for financial statement purposes, or \$5000.</p> <p>43. Travel costs. a. General. Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the governmental unit. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred,</p>



COMMENT 4. THE SCO IMPROPERLY CREATED AN ALTERNATE INDIRECT COST METHODOLOGY

The Parameters and Guidelines expressly recognize the use of **Indirect Cost Rate Proposals** to allocate overhead costs associated with performing mandated activities.

Instead of evaluating the City's existing ICRP, the SCO rejected the methodology and created a new **"Administrative Percentage"** overhead rate. This alternative methodology is problematic for several reasons.

First, it **does not appear anywhere in the Parameters and Guidelines or the State Controller's Claiming Manual**. There was no way an agency could have known how to prepare these "new" overhead rates.

Second, the SCO used **total contract costs as the allocation base**, which includes both direct and indirect costs.

This violates the Parameters and Guidelines, which specify that allocation bases must generally consist of **total direct costs excluding capital expenditures and other distorting items**.

Third, the SCO applied an **undefined standard**, allowing only costs it considered "clearly administrative."

The SCO does not define this term or explain why positions such as the City's law enforcement command staff or clerical personnel would not qualify as administrative support functions.

Without a defined standard, the SCO's methodology lacks transparency and cannot be consistently applied across agencies.

The SCO asserts but does not explain how "substituting contract service salaries and benefit costs for purposes of preparing ICRPs is in direct violation of the Parameters and Guidelines and cost principles" or what exact "cost principle contained in 2 CFR Part 200 and Part 225" is violated.

Parameters and Guidelines, Claiming Instructions, or Federal CFR/OMB Guidelines as well as past Commission guidance do not suggest that the manner in which a cost is paid for alters its eligibility for reimbursement or for its use as a reasonable allocation base for purposes of computing an ICRP. If this is indeed a violation, the SCO should specifically site the exact section of Ps and Gs, CRF/OMB Guidelines, and which exact "cost principles" they are referring to. (See Attachment 3)

If that were indeed the case, why did the SCO allow such violations to occur for over 20+ years without comment? Why did the SCO auditors themselves allow the substitution of contract salaries and benefits in the ICRP allocation based in the City of San Marcos audits? Why did the SCO not explain their position in the claiming instructions or Ps and Gs?



COMMENT 5. THE SCO'S POSITION IS INCONSISTENT WITH PRIOR COMMISSION GUIDANCE (see Attachment 2 for more details)

A. Prior proceedings before the California Commission on State Mandates have recognized that overhead costs exist within contractual service arrangements.

During proceedings concerning the City of Palmdale's Incorrect Reduction Claim, Commission staff acknowledged that overhead costs may be associated with contractual service delivery and that agencies may recover such costs through the preparation of an Indirect Cost Rate Proposal (ICRP) supported by documentation.

During the City of Palmdale IRC, one commissioner openly stated: "There is overhead associated with a contract."

This recognition undermines the SCO claim that **contract cities do not incur overhead.**

In reality contract policing includes overhead such as:

- command staff/departmental administration
- fleet management
- dispatch and communications
- facility costs
- supplies and equipment

When a city pays a contract for law enforcement services, it is **paying for both direct and indirect costs embedded within that contract.**

The SCO's position that contract-based law enforcement cannot generate reimbursable indirect costs is **inconsistent with Commission guidance.**

B. The Commission itself has recognized that overhead associated with contract services may be reimbursable through an ICRP methodology.

During the Commission's hearing on the City of Palmdale's Incorrect Reduction Claim, Commission staff confirmed that "there was an appropriate way to claim overhead... and it was to develop an indirect cost rate proposal with documentation that the Controller could review."

During the hearing, a commissioner asked whether indirect costs could have been claimed properly.

Commission staff attorney Matt Jones responded:



“Yes... there was an appropriate way to claim overhead and it was to develop an indirect cost rate proposal with documentation that the Controller could review.”

This statement is significant because it confirms:

- Contract cities **can incur indirect costs**
- Those costs **may be reimbursable**
- The appropriate mechanism is an **Indirect Cost Rate Proposal (ICRP)**

This directly contradicts the SCO argument in some audits that **contract law-enforcement costs cannot generate reimbursable indirect costs**

The Commission itself has recognized that overhead associated with contract services may be reimbursable through an ICRP methodology.

The State Controller’s audit position in the present matter is inconsistent with that interpretation.

Rather than evaluating the City’s ICRP methodology pursuant to the Parameters and Guidelines and applicable federal cost principles, the audit rejected the approved methodology and substituted a newly created “Administrative Percentage”.

Nothing in the Parameters and Guidelines authorizes the State Controller to replace a claimant’s documented ICRP with an alternate methodology developed during the audit process. If the SCO wishes to propose a different methodology for contact agencies, it should do so via amendment to the Ps and Gs and claiming instructions.

C. Commission Staff Confirmed Multiple Allocation Bases Are Allowed

The hearing also confirmed that the P&Gs allow **multiple allocation bases** consistent with federal cost principles.

Staff explained that the P&Gs include distribution bases such as:

- Direct salaries and wages
- Total direct costs
- Other equitable allocation bases

These options derive from federal cost principles such as:

- OMB Circular A-87
- 2 CFR Part 200



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This is significant because the SCO's Rancho Cucamonga audit effectively **restricted the allocation base** by rejecting contract salary and benefit costs. The **legal implication** is that if federal cost principles allow **flexible allocation bases**, then the SCO's rejection of contract-based personnel costs **constitutes an improper restriction on allowable methodologies**.

Therefore, Commission on State Mandates (CSM) prior decisions support the sufficiency and validity of existing Parameters and Guidelines and methodology in computation of Overhead/ICRP rates for contract cities.

The City followed precisely that approach in preparing its claims and ICRPs.

The SCO's decision to reject the City's ICRP and substitute an alternate methodology therefore conflicts with prior Commission guidance and assertion of **sufficiency** of Parameter and Guidelines.

Legal Standard

Under the State Mandate reimbursement framework administered by the California Commission on State Mandates, local agencies are entitled to reimbursement for the actual costs incurred in implementing state-mandated programs.

The Parameters and Guidelines governing each mandate establish the rules for determining reimbursable costs and recognize the recovery of indirect costs through an Indirect Cost Rate Proposal (ICRP).

Administrative decision-making must also comply with fundamental principles of administrative law. Agency actions may not be:

- arbitrary or capricious,
- inconsistent with prior interpretations without explanation, or
- based on unwritten standards that cannot be uniformly applied.

When an agency departs from longstanding practice or applies inconsistent standards across similarly situated entities, that decision must be supported by a reasoned explanation. The SCO has not provided such an explanation in this case.

Conclusion

The SCO's audit conclusions should be rejected because they:

- impose unwritten rules
- apply new standards retroactively



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- change methodologies without notice in claiming instructions
- apply inconsistent standards across similarly situated agencies;
- reinterpret longstanding claiming practices without notice;
- rely on internally contradictory reasoning regarding indirect costs; and
- substitute an unsupported methodology in place of the ICRP methodology recognized by the Parameters and Guidelines.

For these reasons, and the others presented in our IRC Narrative and documents, the City respectfully requests that the Commission on State Mandates grant the City's Incorrect Reduction Claim and restore reimbursement for the City's indirect costs.

DECLARATION:

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that I have personal knowledge of the facts stated in this letter and if called as a witness, I could and would testify to the statements made herein.

I also declare that Attachment 1 includes true and correct copies of State Mandate Reimbursement Claim forms obtained from the State Controller's Office and information from the Commission on State Mandates websites; and Attachment 2 contains our analysis of Commission Hearing testimony and discussion of the City of Palmdale IRC, and Attachment 3 contains our review and analysis of pertinent Federal cost principles and guidelines and rules related to Indirect Cost Rate Proposals.

This correspondence was executed on March 17, 2026 in Rancho Cucamonga, California.

Jevin Kaye
Finance Director

DECLARATION OF ANNETTE S. CHINN

I, Annette S. Chinn, do hereby declare as follows:

- 1) I have personal knowledge of the facts stated in this Declaration and if called as a witness, I could and would testify to the statements made herein.
- 2) I am a consultant/President of Cost Recovery Systems, Inc. and representative of the City of Rancho Cucamonga (City) for this Incorrect Reduction Claim (IRC). I was directly involved in the preparation of the City's State Mandate claims since FY 1999-2000, including the Identity Theft claims subject to this IRC. The law enforcement ICRP rates were prepared in compliance with written State Parameters and Guidelines, Claiming Manuals and Instructions, and Federal OMB/CFR Guidelines.
- 3) I have been a consultant in the field of State Mandate Reimbursement claim preparation since 1992 and have personal knowledge and experience in the preparation of Indirect Costs Rate Proposals (ICRPs) and have prepared thousands of ICRPs for hundreds of local agencies, including preparation of ICRPs for numerous contract city's law enforcement overhead costs.
- 4) Until the State Controller's Office of the Identity Theft Reporting claims for cities I work for in San Bernardino county area, including the City of Rancho Cucamonga, this was the first time in my more than 30 years of experience in preparing claims for State Reimbursement I was made aware by the State Controller's Office that existing ICRP methodologies and State and Federal OMB/CFR Guidelines were not allowable for use by cities that contract for law enforcement services.
- 5) I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration was executed on March 12, 2026 in El Dorado Hills, California.



Annette S. Chinn
President
Cost Recovery Systems, Inc.

ATTACHMENT 1

Claiming Manual Instructions
showing no different treatment
of in-house vs. contract salaries

8. Direct Costs

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

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

Costs typically classified as direct costs are:

(1) Employee Wages, Salaries, and Fringe Benefits

For each of the mandated activities performed, the claimant must list the names of the employees who worked on the mandate, their job classification, hours worked on the mandate, and rate of pay. The claimant may, in-lieu of reporting actual compensation and fringe benefits, use a productive hourly rate:

(a) Productive Hourly Rate Options

A local agency may use one of the following methods to compute productive hourly rates:

- Actual annual productive hours for each employee
- The weighted-average annual productive hours for each job title, or
- 1,800* annual productive hours for all employees

If actual annual productive hours or weighted-average annual productive hours for each job title is chosen, the claimant must maintain documentation of how these hours were computed.

* 1,800 annual productive hours excludes the following employee time:

- o Paid holidays
- o Vacation earned
- o Sick leave taken
- o Informal time off
- o Jury duty
- o Military leave taken.

(b) Compute a Productive Hourly Rate

1. Compute a productive hourly rate for salaried employees to include actual fringe benefit costs. The methodology for converting a salary to a productive hourly rate is to compute the employee's annual salary and fringe benefits and divide by the annual productive hours.

Table 1: Productive Hourly Rate, Annual Salary + Benefits Method

Formula:	Description:
$[(EAS + Benefits) \div APH] = PHR$	EAS = Employee's Annual Salary
	APH = Annual Productive Hours
$[(\$26,000 + \$8,099) \div 1,800 \text{ hrs}] = 18.94$	PHR = Productive Hourly Rate

- As illustrated in Table 1, if you assume an employee's compensation was \$26,000 and \$8,099 for annual salary and fringe benefits, respectively, using the "Salary + Benefits Method," the productive hourly rate would be \$18.94. To convert a biweekly salary to Annual Salary, multiply the biweekly salary by 26. To convert a monthly salary to Annual Salary, multiply the monthly salary by 12. Use the same methodology to convert other salary periods.
- 2. A claimant may also compute the productive hourly rate by using the "Percent of Salary Method."

Table 2: Productive Hourly Rate, Percent of Salary Method

Example:	
Step 1: Fringe Benefits as a Percent of Salary	Step 2: Productive Hourly Rate
Retirement	15.00 %
Social Security & Medicare	7.65
Health & Dental Insurance	5.25
Workers Compensation	3.25
Total	31.15 %
Formula:	
	$[(EAS \times (1 + FBR)) + APH] = PHR$
	$[(\$26,000 \times (1.3115)) + 1,800] = \18.94
Description:	
EAS = Employee's Annual Salary	APH = Annual Productive Hours
FBR = Fringe Benefit Rate	PHR = Productive Hourly Rate

- As illustrated in Table 2, both methods produce the same productive hourly rate.

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

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

For each of the employees included in the claim, the claimant must use reasonable rates and hours in computing the wage cost. If a person of a higher-level job position performs an activity which normally would be performed by a lower-level position, reimbursement for time spent is allowable at the average salary range for the lower-level position. The salary rate of the person at the higher-level position may be claimed if it can be shown

Claiming Instructions

Identity Theft Claim

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PROGRAM 321	IDENTITY THEFT CLAIM SUMMARY						FORM 1
(01) Claimant				(02)		Fiscal Year 20__/20__	
(03) Department							
Direct Costs				Object Accounts			
(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(f) Travel	(g) Total
1. Choose either a) or b)							
a) Taking police report in violation of PC §530.5							
b) Reviewing online ID theft report							
2. Investigation of facts							
(05) Total Direct Costs							
Indirect Costs							
(06) Indirect Cost Rate				[From ICRP or 10%]			%
(07) Total Indirect Costs				[Refer to Claim Summary Instructions]			
(08) Total Direct and Indirect Costs				[Line (05)(g) + line (07)]			
Cost Reduction							
(09) Less: Offsetting Revenues							
(10) Less: Other Reimbursements							
(11) Total Claimed Amount				[Line (08) - {line (09) + line (10)}]			

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PROGRAM 321	IDENTITY THEFT CLAIM SUMMARY INSTRUCTIONS	FORM 1
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- (01) Enter the name of the claimant.
- (02) Enter the fiscal year of costs.
- (03) If more than one department has incurred costs for this mandate, give the name of each department. A separate Form 1 should be completed for each department.
- (04) For each reimbursable activity, enter the totals from Form 2, line (05), columns (d) through (i), to Form 1, block (04), columns (a) through (f), in the appropriate row. Total each row.
- (05) Total columns (a) through (g).
- (06) Indirect costs may be computed as 10% of direct labor costs, excluding fringe benefits, without preparing an Indirect Cost Rate Proposal (ICRP). If an indirect cost rate of greater than 10% is used, include the ICRP with the claim.
- (07) Local agencies have the option of using the flat rate of 10% of direct labor costs or using a department's ICRP in accordance with the Office of Management and Budget OMB Circular A-87 (Title 2 CFR Part 225). If the flat rate is used for indirect costs, multiply Total Salaries, line (05)(a), by 10%. If an ICRP is submitted, multiply applicable costs used in the distribution base for the computation of the indirect cost rate by the Indirect Cost Rate, line (06). If more than one department is reporting costs, each must have its own ICRP for the program.
- (08) Enter the sum of Total Direct Costs, line (05)(g), and Total Indirect Costs, line (07).
- (09) If applicable, enter any revenue received by the claimant for this mandate from any state or federal source.
- (10) If applicable, enter the amount of other reimbursements received from any source including, but not limited to, service fees collected, federal funds, and other state funds that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.
- (11) From Total Direct and Indirect Costs, line (08), subtract the sum of Offsetting Revenues, line (09), and Other Reimbursements, line (10). Enter the remainder on this line and carry the amount forward to Form FAM-27, line (13) for the Reimbursement Claim.

Claiming Instructions

Administrative License
Suspension - Per Se Claim

PROGRAM 246	ADMINISTRATIVE LICENSE SUSPENSION – PER SE CLAIM SUMMARY							FORM 1		
(01) Claimant				(02)				Fiscal Year 20__/20__		
(03) Department										
Direct Costs			Object Accounts							
			(a) Number of Cases	(b) Uniform Time Allowance (hours)	(c) Salary Hourly Rate	(d) Benefit Rate	(e) Subtotal Salaries (a) times (b) times (c)	(f) Subtotal Benefits (d) times (e)	(g) Materials and Supplies	(h) Total (e) plus (f) plus (g)
(04) Reimbursable Activities										
A. Minors Detained but Not Arrested										
1. Admonish Drivers/Screen Tests on Minors (IV. A. 1. and 2.)				0.2667						
2. Seize Licenses and Serve Notices/ Completing Sworn Reports/Submit Reports to Department of Motor Vehicles (DMV) (IV. A. 3. to A. 5.)				0.2500						
B. Arrested Drivers for Violation of DUI Statute										
1. Seize Licenses and Serve Notices/ Completing Sworn Reports/Submitting Reports to DMV (IV. B. 1. to B. 3.)				0.2500						
(05) Total Direct Costs										
Indirect Costs										
(06) Indirect Cost Rate									[Refer to Claim Summary Instructions]	%
(07) Total Indirect Costs									[Line (06) times line (05)(e)]	
(08) Total Direct and Indirect Costs									[Line (05)(h) plus line (07)]	
Cost Reduction										
(09) Less: Offsetting Revenues										
(10) Less: Other Reimbursements										
(11) Total Claimed Amount									[Line (08) minus {line (09) plus line (10)}]	

PROGRAM 246	ADMINISTRATIVE LICENSE SUSPENSION – PER SE CLAIM SUMMARY INSTRUCTIONS	FORM 1
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- (01) Enter the name of the claimant.
- (02) Enter the fiscal year of costs.
- (03) If more than one department has incurred costs for this mandate, give the name of each department. A separate Form 1 must be completed for each department.
- (04) For each reimbursable activity, enter the sum of columns (e), (f), and (g) in column (h). The cost of postage and envelopes to be included under Materials and Supplies is reimbursable only for activities IV. A. 5. and B. 3 of the Ps & Gs on block (04)(A), line (2.)(g) and (04)(B), line (1.)(g). Do not enter any amount in the shaded areas. Please refer to the Mandated Cost Manual for Local Agencies for information on the computation of hourly rates and indirect costs.
- (05) Total columns (e) through (h).
- (06) Indirect costs may be computed through a flat rate in accordance with the Office of Management and Budget Circular, Code of Federal Regulations, title 2, section 200.414(f) without preparing an Indirect Cost Rate Proposal (ICRP). For submission of claims for fiscal year 2024-25, cost incurred from July 1, 2024 through September 30, 2024, a 10% flat rate should be applied to direct labor costs, excluding fringe benefits. Effective October 1, 2024, a 15% flat rate should be applied to direct labor costs, excluding fringe benefits. If using a flat rate for fiscal year 2024-25 costs, a separate Form 1 must be submitted to detail when the cost was incurred and which flat rate was applied.
- (07) If the flat rate is used for indirect costs, multiply Total Salaries, line (05)(e), by the flat rate, excluding fringe benefits. If an ICRP is submitted, multiply applicable costs used in the distribution base for the computation of the indirect cost rate by the Indirect Cost Rate, line (06). If more than one department is reporting costs, each must have its own ICRP for the program.
- (08) Enter the sum of Total Direct Costs, line (05)(h), and Total Indirect Costs, line (07).
- (09) If applicable, enter any offsetting revenue received by the claimant for this mandate from any state or federal source. Submit a schedule detailing the revenue sources and amounts.
- (10) If applicable, enter the amount of other reimbursements received from any source including, but not limited to, service fees collected, federal funds, and other state funds that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.
- (11) From Total Direct and Indirect Costs, line (08), subtract the sum of Offsetting revenues, line (09), and Other Reimbursements, line (10). Enter the remainder on this line and carry the amount forward to Form FAM-27, line (13) of the Reimbursement Claim.

Claiming Instructions

Domestic Violence Arrest
Policies and Standards
Claim

PROGRAM 167	DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS CLAIM SUMMARY	FORM 1					
(01) Claimant		(02) Fiscal Year 20__ / 20__					
(03) Department							
(04) Claim Statistics							
(a) Number of reported responses to incidents in the fiscal year of claim							
(b) Average productive hourly rate including applicable indirect costs <i>(Submit the supporting documentation for the productive hourly rate.)</i>							
(c) Standard time allowed – 29 minutes (0.48 of an hour)		0.48 hour					
Unit Cost Method – Reimbursable Activity D							
(05) Ongoing Activity							
D. Implement New Policies		[Line (04)(a) times (04)(b) times (04)(c)]					
(06) Total Direct and Indirect Costs for Activity D		[Carry forward from line (05)(D)]					
Actual Cost Method – Reimbursable Activity C							
Direct Costs	Object Accounts						
	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(f) Travel and Training	(g) Total
(07) One-Time Activities							
A. Develop Written Policies N/A							
B. Adopt Written Policies N/A							
C. Train Officers on New Policies							
(08) Total Direct Costs							
Indirect Costs							
(09) Indirect Cost Rate	[Refer to Claim Summary Instructions]						%
(10) Total Indirect Costs	[Refer to Claim Summary Instructions]						
(11) Total Direct and Indirect Costs	[Line (06) plus line (08)(g) plus line (10)]						
Cost Reduction							
(12) Less: Offsetting Revenues							
(13) Less: Other Reimbursements							
(14) Total Claimed Amount	[Line (11) minus {line (12) plus line (13)}]						

PROGRAM 167	DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS CLAIM SUMMARY INSTRUCTIONS	FORM 1
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- (01) Enter the name of the claimant.
- (02) Enter the fiscal year of claim.
- (03) If more than one department has incurred costs for this mandate, give the name of each department. A separate Form 1 must be completed for each department.
- (04) (a) Enter the number of reported responses to domestic violence incidents in the fiscal year of claim.
(b) Enter the average productive hourly rate (PHR) including applicable indirect costs. Local agencies have the option of using the flat rate of direct labor costs or using a department's Indirect Cost Rate Proposal (ICRP) in accordance with Office of Management and Budget Circular 2 CFR, Chapter I and Chapter II, Part 200 et al. Submit a copy of the approved ICRP.
(c) The standard time allowed is 29 minutes which equates to 0.48 hour.
- (05) Calculate costs by using the product of the number of reported responses by the average PHR by the standard time allowed [(04)(a) times (04)(b) times (04)(c)].
- (06) Total Direct and Indirect Costs for Implement New Policies (Activity D). Enter the total from the line above, (05)(D).
- (07) For each reimbursable activity, enter the totals from Form 2, line (05), columns (d) through (i), to Form 1, block (07), columns (a) through (f), in the appropriate row. Total each row.
- (08) Total Direct Costs of Activity C. Total columns (a) through (g).
- (09) Indirect costs may be computed through a flat rate in accordance with the Office of Management and Budget Circular, Code of Federal Regulations, title 2, section 200.414(f) without preparing an Indirect Cost Rate Proposal (ICRP). For submission of claims for fiscal year 2024-25, cost incurred from July 1, 2024 through September 30, 2024, a 10% flat rate should be applied to direct labor costs, excluding fringe benefits. Effective October 1, 2024, a 15% flat rate should be applied to direct labor costs, excluding fringe benefits. If using a flat rate for fiscal year 2024-25 costs, a separate Form 1 must be submitted to detail when the cost was incurred and which flat rate was applied.
- (10) If the flat rate is used for indirect costs, multiply Total Salaries, line (08)(a), by the flat rate, excluding fringe benefits. If an ICRP is submitted, multiply applicable costs used in the distribution base for the computation of the indirect cost rate by the Indirect Cost Rate, line (09). If more than one department is reporting costs, each must have its own ICRP for the program.
- (11) Enter the sum of Total Direct and Indirect Costs for Activity D, line (09), Total Direct Costs (08)(g), and Total Indirect Costs, line (10).
- (12) If applicable, enter any offsetting revenue received by the claimant for this mandate from any state or federal source. Submit a schedule detailing the revenue sources and amounts.
- (13) If applicable, enter the amount of other reimbursements received from any source including, but not limited to, service fees collected, federal funds, and other state funds that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.
- (14) From Total Direct and Indirect Costs, line (11), subtract the sum of Offsetting Revenues, line (12), and Other Reimbursements, line (13). Enter the remainder on this line and carry the amount forward to Form FAM-27, line (13) of the Reimbursement Claim.

Complete Claiming Instructions

Office of the State Controller
State-Mandated Costs Claiming Instructions No. 2004-01
Administrative License Suspension – Per Se – Program No. 246
February 6, 2004
Revised October 1, 2025

In accordance with Government Code (GC) sections 17560 and 17561, eligible claimants may submit claims to the State Controller’s Office (SCO) for reimbursement of costs incurred for state-mandated cost programs. This document contains claiming instructions and forms that eligible claimants must use for filing claims for the Administrative License Suspension program. SCO issues these claiming instructions subsequent to the Commission on State Mandates (CSM) adopting the program’s Parameters and Guidelines (Ps & Gs). The [Ps & Gs](#) are included as an integral part of the claiming instructions and are located on CSM’s website.

On August 29, 2002, CSM adopted a Statement of Decision finding that the test claim legislation imposed a reimbursable state-mandated program on local agencies within the meaning of Article XIII B, section 6 of the California Constitution and GC section 17514.

Exception

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

Eligible Claimants

Any city or county, as defined in GC sections 17511 and 17515, that incurs increased costs as a result of this mandate is eligible to claim for reimbursement.

Reimbursement Claim Deadline

Pursuant to GC section 17560(a), annual reimbursement claims may be filed by **February 15** following the fiscal year in which costs were incurred. If the deadline falls on a weekend or holiday, claims are due the following business day. Claims filed after the deadline must be reduced by a late penalty. **Claims filed more than one year after the deadline will not be accepted.**

Penalty

- **Initial Reimbursement Claims**

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

- **Annual Reimbursement Claims**

When filed within one year of the annual filing deadline, claims are assessed a late penalty of 10% of the claim amount, not to exceed \$10,000, pursuant to GC section 17568.

Minimum Claim Cost

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

Reimbursement of Claims

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. These costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating: "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5.

Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, these documents cannot be substituted for source documents.

Audit of Costs

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

On-site audits will be conducted by SCO as deemed necessary. Pursuant to GC section 17558.5(a), a reimbursement claim for actual costs filed by a claimant is subject to audit by SCO no later than three years after the date the actual reimbursement claim was filed or last amended, whichever is later.

However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for SCO to initiate an audit will commence to run from the date of initial payment of the claim.

Record Retention

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

Claim Submission

Electronic submissions of the signed Form FAM-27, all other forms, and supporting documentation are accepted through an online file transfer protocol called the **Data Exchange Portal (DEP)**. All information regarding [DEP](#) is available on the SCO's website.

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

ADMINISTRATIVE LICENSE SUSPENSION – PER SE CLAIM FOR PAYMENT FORM		For State Controller's Office Use Only (19) Program Number 00246 (20) Date Filed (21) LRS Input	PROGRAM 246
(01) Claimant Identification Number		Reimbursement Claim Data	
(02) Claimant Name		(22)	FORM 1, (04) A. 1. (h)
County of Location		(23)	FORM 1, (04) A. 2. (h)
Street Address or P.O. Box and Suite		(24)	FORM 1, (04) B. 1. (h)
City, State, and Zip Code		(25)	FORM 1, (06)
(03)	Type of Claim	(26)	FORM 1, (07)
(04)	(09) Reimbursement <input type="checkbox"/>	(27)	FORM 1, (09)
(05)	(10) Combined <input type="checkbox"/>	(28)	FORM 1, (10)
(06)	(11) Amended <input type="checkbox"/>	(29)	
(07)	(12) Fiscal Year of Cost	(30)	
(08)	(13) Total Claimed Amount	(31)	
(14) Less: 10% Late Penalty		(32)	
(15) Less: Prior Claim Payment Received		(33)	
(16) Net Claimed Amount		(34)	
(17) Due from State		(35)	
(18) Due to State		(36)	

(37) CERTIFICATION OF CLAIM

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

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

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

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

Signature of Authorized Officer	Date Signed	
	Telephone Number	
Type or Print Name and Title of Authorized Signatory	Email Address	

(38) Name of Agency Contact Person for Claim	Telephone Number	
	Email Address	
Name of Consulting Firm/Claim Preparer	Telephone Number	
	Email Address	

PROGRAM 246	ADMINISTRATIVE LICENSE SUSPENSION – PER SE CLAIM FOR PAYMENT INSTRUCTIONS	FORM FAM-27
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- (01) Enter the claimant identification number assigned by the State Controller's Office.
- (02) Enter claimant official name, county of location, street or postal office box address, city, state, and zip code.
- (03) to (08) Leave blank.
- (09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.
- (10) If filing a combined reimbursement claim on behalf of districts within the county, enter an "X" in the box on line (10) Combined.
- (11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.
- (12) Enter the fiscal year in which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate Form FAM-27 for each fiscal year.
- (13) Enter the amount of the reimbursement claim as shown on Form 1, line (11). The total claimed amount must exceed \$1,000; minimum claim must be \$1,001.
- (14) Initial reimbursement claims must be filed as specified in the claiming instructions. Annual reimbursement claims must be filed by **February 15**, or as specified in the claiming instructions following the fiscal year in which costs were incurred. Claims filed after the specified date must be reduced by a late penalty. Enter zero if the claim was filed on time. Otherwise, enter the result from the following penalty calculation formula:
 - Late Initial Reimbursement Claims: Form FAM-27, line (13) multiplied by 10%, without limitation; or
 - Late Annual Reimbursement Claims: Form FAM-27, line (13) multiplied by 10%, late penalty not to exceed \$10,000.
- (15) Enter the amount of payment, if any, received for the claim. If no payment was received, enter zero.
- (16) Enter the net claimed amount by subtracting the sum of lines (14) and (15) from line (13).
- (17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.
- (18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.
- (19) to (21) Leave blank.

PROGRAM 246	ADMINISTRATIVE LICENSE SUSPENSION – PER SE CLAIM FOR PAYMENT INSTRUCTIONS (CONTINUED)	FORM FAM-27
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(22) to (28) Bring forward the cost information as specified in the left-hand column of lines (22) through (28) for the reimbursement claim, e.g., Form 1, (04) A. 1. (h), means the information is located on Form 1, block (04), line A. 1., column (h). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. The indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 35.19% should be shown as 35. Completion of this data block will expedite the process.

(29) to (36) Leave blank.

(37) Read the statement of Certification of Claim. The claim must be signed and dated by the agency's authorized officer, and include their typed or printed name, title, telephone number, and email address. Claims cannot be paid unless accompanied by an original signed certification. Please sign the Form FAM-27 in blue ink or electronic signature. If submitting by U.S. Postal Service or by other delivery service, attach a copy of the FAM-27 to the top of the claim package.

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

Electronic submissions of the signed Form FAM-27, all other forms, and supporting documentation are accepted through an online file transfer protocol called the Data Exchange Portal (DEP). All information regarding [DEP](#) is available on the SCO's website.

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

PROGRAM 246	ADMINISTRATIVE LICENSE SUSPENSION – PER SE CLAIM SUMMARY							FORM 1		
(01) Claimant					(02)		Fiscal Year 20__/20__			
(03) Department										
Direct Costs			Object Accounts							
(04) Reimbursable Activities			(a) Number of Cases	(b) Uniform Time Allowance (hours)	(c) Salary Hourly Rate	(d) Benefit Rate	(e) Subtotal Salaries (a) times (b) times (c)	(f) Subtotal Benefits (d) times (e)	(g) Materials and Supplies	(h) Total (e) plus (f) plus (g)
A. Minors Detained but Not Arrested										
1. Admonish Drivers/Screen Tests on Minors (IV. A. 1. and 2.)				0.2667						
2. Seize Licenses and Serve Notices/ Completing Sworn Reports/Submit Reports to Department of Motor Vehicles (DMV) (IV. A. 3. to A. 5.)				0.2500						
B. Arrested Drivers for Violation of DUI Statute										
1. Seize Licenses and Serve Notices/ Completing Sworn Reports/Submitting Reports to DMV (IV. B. 1. to B. 3.)				0.2500						
(05) Total Direct Costs										
Indirect Costs										
(06) Indirect Cost Rate								[Refer to Claim Summary Instructions]	%	
(07) Total Indirect Costs								[Line (06) times line (05)(e)]		
(08) Total Direct and Indirect Costs								[Line (05)(h) plus line (07)]		
Cost Reduction										
(09) Less: Offsetting Revenues										
(10) Less: Other Reimbursements										
(11) Total Claimed Amount								[Line (08) minus {line (09) plus line (10)}]		

PROGRAM 246	ADMINISTRATIVE LICENSE SUSPENSION – PER SE CLAIM SUMMARY INSTRUCTIONS	FORM 1
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- (01) Enter the name of the claimant.
- (02) Enter the fiscal year of costs.
- (03) If more than one department has incurred costs for this mandate, give the name of each department. A separate Form 1 must be completed for each department.
- (04) For each reimbursable activity, enter the sum of columns (e), (f), and (g) in column (h). The cost of postage and envelopes to be included under Materials and Supplies is reimbursable only for activities IV. A. 5. and B. 3 of the Ps & Gs on block (04)(A), line (2.)(g) and (04)(B), line (1.)(g). Do not enter any amount in the shaded areas. Please refer to the Mandated Cost Manual for Local Agencies for information on the computation of hourly rates and indirect costs.
- (05) Total columns (e) through (h).
- (06) Indirect costs may be computed through a flat rate in accordance with the Office of Management and Budget Circular, Code of Federal Regulations, title 2, section 200.414(f) without preparing an Indirect Cost Rate Proposal (ICRP). For submission of claims for fiscal year 2024-25, cost incurred from July 1, 2024 through September 30, 2024, a 10% flat rate should be applied to direct labor costs, excluding fringe benefits. Effective October 1, 2024, a 15% flat rate should be applied to direct labor costs, excluding fringe benefits. If using a flat rate for fiscal year 2024-25 costs, a separate Form 1 must be submitted to detail when the cost was incurred and which flat rate was applied.
- (07) If the flat rate is used for indirect costs, multiply Total Salaries, line (05)(e), by the flat rate, excluding fringe benefits. If an ICRP is submitted, multiply applicable costs used in the distribution base for the computation of the indirect cost rate by the Indirect Cost Rate, line (06). If more than one department is reporting costs, each must have its own ICRP for the program.
- (08) Enter the sum of Total Direct Costs, line (05)(h), and Total Indirect Costs, line (07).
- (09) If applicable, enter any offsetting revenue received by the claimant for this mandate from any state or federal source. Submit a schedule detailing the revenue sources and amounts.
- (10) If applicable, enter the amount of other reimbursements received from any source including, but not limited to, service fees collected, federal funds, and other state funds that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.
- (11) From Total Direct and Indirect Costs, line (08), subtract the sum of Offsetting revenues, line (09), and Other Reimbursements, line (10). Enter the remainder on this line and carry the amount forward to Form FAM-27, line (13) of the Reimbursement Claim.

Office of the State Controller
State-Mandated Costs Claiming Instructions No. 2012-33
Domestic Violence Arrest Policies and Standards – Program No. 167
Revised October 1, 2025

In accordance with Government Code (GC) sections 17560 and 17561, eligible claimants may submit claims to the State Controller’s Office (SCO) for reimbursement of costs incurred for state-mandated cost programs. This document contains claiming instructions and forms that eligible claimants must use for filing claims for the Domestic Violence Arrest Policies and Standards program. SCO issues these claiming instructions subsequent to the Commission on State Mandates (CSM) adopting the program’s Parameters and Guidelines (Ps & Gs). The [Ps & Gs](#) are an integral part of the claiming instructions and are located on CSM’s website.

On September 25, 1997, CSM (formerly the State Board of Control) adopted a Statement of Decision finding that the test claim legislation imposed a reimbursable state-mandated program on local agencies within the meaning of Article XIII B, section 6 of the California Constitution and GC section 17514.

On October 30, 2009, CSM approved amendments to the Ps & Gs to clarify source documentation requirements and record retention language, as requested by SCO.

Exception

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

Eligible Claimants

Any city or county, as defined in GC sections 17511 and 17515, that incurs increased costs as a result of this mandate is eligible to claim for reimbursement.

Reimbursement Claim Deadline

Pursuant to GC section 17560(a), annual reimbursement claims may be filed by **February 15** following the fiscal year in which costs were incurred. If the deadline falls on a weekend or holiday, claims are due the following business day. Claims filed after the deadline must be reduced by a late penalty. **Claims filed more than one year after the deadline will not be accepted.**

Penalty

- **Initial Reimbursement Claims**

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

- **Annual Reimbursement Claims**

When filed within one year of the annual filing deadline, claims are assessed a late penalty of 10% of the claim amount, not to exceed \$10,000, pursuant to GC section 17568.

Minimum Claim Cost

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

Reimbursement of Claims

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. These costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating: "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5.

Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, these documents cannot be substituted for source documents.

Audit of Costs

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

On-site audits will be conducted by SCO as deemed necessary. Pursuant to GC section 17558.5(a), a reimbursement claim for actual costs filed by a claimant is subject to audit by SCO no later than three years after the date the actual reimbursement claim was filed or last amended, whichever is later.

However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for SCO to initiate an audit will commence to run from the date of initial payment of the claim.

Record Retention

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

Claim Submission

Electronic submissions of the signed Form FAM-27, all other forms, and supporting documentation are accepted through an online file transfer protocol called the **Data Exchange Portal (DEP)**. All information regarding [DEP](#) is available on the SCO's website.

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

DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS CLAIM FOR PAYMENT FORM		For State Controller's Office Use Only (19) Program Number 00167 (20) Date Filed (21) LRS Input		PROGRAM 167
(01) Claimant Identification Number		Reimbursement Claim Data		
(02) Claimant Name		(22)	FORM 1, (04) (a)	
County of Location		(23)	FORM 1, (04) (b)	
Street Address or P.O. Box and Suite		(24)	FORM 1, (06)	
City, State, and Zip Code		(25)	FORM 1, (07) A. (g)	
(03)	Type of Claim	(26)	FORM 1, (07) B. (g)	
(04)	(09) Reimbursement <input type="checkbox"/>	(27)	FORM 1, (07) C. (g)	
(05)	(10) Combined <input type="checkbox"/>	(28)	FORM 1, (09)	
(06)	(11) Amended <input type="checkbox"/>	(29)	FORM 1, (10)	
(07)	(12) Fiscal Year of Cost	(30)	FORM 1, (12)	
(08)	(13) Total Claimed Amount	(31)	FORM 1, (13)	
(14) Less: 10% Late Penalty		(32)		
(15) Less: Prior Claim Payment Received		(33)		
(16) Net Claimed Amount		(34)		
(17) Due from State		(35)		
(18) Due to State		(36)		

(37) CERTIFICATION OF CLAIM

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

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

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

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

Signature of Authorized Officer	Date Signed	
	Telephone Number	
Type or Print Name and Title of Authorized Signatory	Email Address	

(38) Name of Agency Contact Person for Claim	Telephone Number	
	Email Address	
Name of Consulting Firm/Claim Preparer	Telephone Number	
	Email Address	

PROGRAM 167	DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS CLAIM FOR PAYMENT INSTRUCTIONS	FORM FAM-27
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- (01) Enter the claimant identification number assigned by the State Controller's Office.
- (02) Enter claimant official name, county of location, street or postal office box address, city, state, and zip code.
- (03) to (08) Leave blank.
- (09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.
- (10) Not applicable.
- (11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.
- (12) Enter the fiscal year in which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate Form FAM-27 for each fiscal year.
- (13) Enter the amount of the reimbursement claim as shown on Form 1, line (14). The total claimed amount must exceed \$1,000; minimum claim must be \$1,001.
- (14) Initial reimbursement claims must be filed as specified in the claiming instructions. Annual reimbursement claims must be filed by **February 15**, or as specified in the claiming instructions following the fiscal year in which costs were incurred. Claims filed after the specified date must be reduced by a late penalty. Enter zero if the claim was filed on time. Otherwise, enter the result from the following penalty calculation formula:
- Late Initial Reimbursement Claims: Form FAM-27, line (13) multiplied by 10%, without limitation; or
 - Late Annual Reimbursement Claims: Form FAM-27, line (13) multiplied by 10%, late penalty not to exceed \$10,000.
- (15) Enter the amount of payment, if any, received for the claim. If no payment was received, enter zero.
- (16) Enter the net claimed amount by subtracting the sum of lines (14) and (15) from line (13).
- (17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.
- (18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.
- (19) to (21) Leave blank.

PROGRAM 167	DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS CLAIM FOR PAYMENT INSTRUCTIONS (CONTINUED)	FORM FAM-27
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(22) to (31) Bring forward the cost information as specified in the left-hand column of lines (22) through (31) for the reimbursement claim, e.g., Form 1, (07) A. (g), means the information is located on Form 1, block (07), line A., column (g). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. The indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 35.19% should be shown as 35. Completion of this data block will expedite the process.

(32) to (36) Leave blank.

(37) Read the statement of Certification of Claim. The claim must be signed and dated by the agency's authorized officer, and include their typed or printed name, title, telephone number, and email address. Claims cannot be paid unless accompanied by an original signed certification. Please sign the Form FAM-27 in blue ink or electronic signature. If submitting by U.S. Postal Service or by other delivery service, attach a copy of the FAM-27 to the top of the claim.

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

Electronic submissions of the signed Form FAM-27, all other forms, and supporting documentation are accepted through an online file transfer protocol called the Data Exchange Portal (DEP). All information regarding [DEP](#) is available on the SCO's website.

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

PROGRAM 167	DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS CLAIM SUMMARY						FORM 1	
(01) Claimant				(02)		Fiscal Year 20__ / 20__		
(03) Department								
(04) Claim Statistics								
(a) Number of reported responses to incidents in the fiscal year of claim								
(b) Average productive hourly rate including applicable indirect costs <i>(Submit the supporting documentation for the productive hourly rate.)</i>								
(c) Standard time allowed – 29 minutes (0.48 of an hour)						0.48 hour		
Unit Cost Method – Reimbursable Activity D								
(05) Ongoing Activity								
D. Implement New Policies				[Line (04)(a) times (04)(b) times (04)(c)]				
(06) Total Direct and Indirect Costs for Activity D				[Carry forward from line (05)(D)]				
Actual Cost Method – Reimbursable Activity C								
Direct Costs		Object Accounts						
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
(07) One-Time Activities		Salaries	Benefits	Materials and Supplies	Contract Services	Fixed Assets	Travel and Training	Total
A. Develop Written Policies N/A								
B. Adopt Written Policies N/A								
C. Train Officers on New Policies								
(08) Total Direct Costs								
Indirect Costs								
(09) Indirect Cost Rate				[Refer to Claim Summary Instructions]			%	
(10) Total Indirect Costs				[Refer to Claim Summary Instructions]				
(11) Total Direct and Indirect Costs				[Line (06) plus line (08)(g) plus line (10)]				
Cost Reduction								
(12) Less: Offsetting Revenues								
(13) Less: Other Reimbursements								
(14) Total Claimed Amount				[Line (11) minus {line (12) plus line (13)}]				

PROGRAM 167	DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS CLAIM SUMMARY INSTRUCTIONS	FORM 1
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- (01) Enter the name of the claimant.
- (02) Enter the fiscal year of claim.
- (03) If more than one department has incurred costs for this mandate, give the name of each department. A separate Form 1 must be completed for each department.
- (04) (a) Enter the number of reported responses to domestic violence incidents in the fiscal year of claim.
- (b) Enter the average productive hourly rate (PHR) including applicable indirect costs. Local agencies have the option of using the flat rate of direct labor costs or using a department's Indirect Cost Rate Proposal (ICRP) in accordance with Office of Management and Budget Circular 2 CFR, Chapter I and Chapter II, Part 200 et al. Submit a copy of the approved ICRP.
- (c) The standard time allowed is 29 minutes which equates to 0.48 hour.
- (05) Calculate costs by using the product of the number of reported responses by the average PHR by the standard time allowed [(04)(a) times (04)(b) times (04)(c)].
- (06) Total Direct and Indirect Costs for Implement New Policies (Activity D). Enter the total from the line above, (05)(D).
- (07) For each reimbursable activity, enter the totals from Form 2, line (05), columns (d) through (i), to Form 1, block (07), columns (a) through (f), in the appropriate row. Total each row.
- (08) Total Direct Costs of Activity C. Total columns (a) through (g).
- (09) Indirect costs may be computed through a flat rate in accordance with the Office of Management and Budget Circular, Code of Federal Regulations, title 2, section 200.414(f) without preparing an Indirect Cost Rate Proposal (ICRP). For submission of claims for fiscal year 2024-25, cost incurred from July 1, 2024 through September 30, 2024, a 10% flat rate should be applied to direct labor costs, excluding fringe benefits. Effective October 1, 2024, a 15% flat rate should be applied to direct labor costs, excluding fringe benefits. If using a flat rate for fiscal year 2024-25 costs, a separate Form 1 must be submitted to detail when the cost was incurred and which flat rate was applied.
- (10) If the flat rate is used for indirect costs, multiply Total Salaries, line (08)(a), by the flat rate, excluding fringe benefits. If an ICRP is submitted, multiply applicable costs used in the distribution base for the computation of the indirect cost rate by the Indirect Cost Rate, line (09). If more than one department is reporting costs, each must have its own ICRP for the program.
- (11) Enter the sum of Total Direct and Indirect Costs for Activity D, line (09), Total Direct Costs (08)(g), and Total Indirect Costs, line (10).
- (12) If applicable, enter any offsetting revenue received by the claimant for this mandate from any state or federal source. Submit a schedule detailing the revenue sources and amounts.
- (13) If applicable, enter the amount of other reimbursements received from any source including, but not limited to, service fees collected, federal funds, and other state funds that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.
- (14) From Total Direct and Indirect Costs, line (11), subtract the sum of Offsetting Revenues, line (12), and Other Reimbursements, line (13). Enter the remainder on this line and carry the amount forward to Form FAM-27, line (13) of the Reimbursement Claim.

PROGRAM 167	DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS ACTIVITY COST DETAIL	FORM 2
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(01) Claimant	(02) Fiscal Year 20__ / 20__
---------------	---------------------------------

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

One-Time Activities

A. Develop Written Policies N/A C. Train Officers on New Policies

B. Adopt Written Policies N/A

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

(05) Total <input type="checkbox"/> Subtotal <input type="checkbox"/> Page: ____ of ____	
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PROGRAM 167	DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS ACTIVITY COST DETAIL INSTRUCTIONS	FORM 2
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- (01) Enter the name of the claimant.
- (02) Enter the fiscal year of costs.
- (03) Check the box which indicates the activity being claimed. Check only one box per form. A separate Form 2 must be prepared for each activity.
- (04) The following table identifies the type of information required to support reimbursable costs. To itemize costs for the activity checked in block (03), enter each employee name, job classification, a brief description of the activities performed, productive hourly rate, actual time spent, fringe benefits, supplies used, contract services, fixed assets, and travel and training expenses. The descriptions required in column (04)(a) must be of sufficient detail to explain the cost of activities or items being claimed.

Object Accounts	Columns									Submit Supporting Documents with the Claim
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Salaries	Employee Name and Job Classification	Hourly Rate	Hours Worked	Salaries equal Hourly Rate times Hours Worked						Copy of Timesheets
Benefits	Activities Performed	Benefit Rate			Benefits equal Benefit Rate times Salaries					
Materials and Supplies	Description of Supplies Used	Unit Cost	Quantity Used			Costs equal Unit Cost times Quantity Used				Copy of Invoices
Contract Services	Name of Contractor and Specific Tasks Performed	Hourly Rate	Hours Worked and Inclusive Dates of Service				Costs equal Hourly Rate times Hours Worked or Total Contract Cost			Copy of Contract and/or Invoices
Fixed Assets	Description of Equipment Purchased	Unit Cost times Quantity	Usage					Costs equal Total Cost times Usage		Copy of Contract and/or Invoices
Travel	Purpose of Trip, Name and Title, Destination, Departure Date, and Return Date	Per Diem Rate, Mileage Rate, and Travel Cost	Days, Miles, and Travel Mode						Total Travel Costs equal Rate times Days or Miles	Rate(s) Verification and/or Invoices
Training	Employee Name and Title and Name of Class Attended		Dates Attended						Registration Fee	Copy of Registration, Certificate, or Invoice

- (05) Total line (04), columns (d) through (i), and enter the sums on this line. Check the appropriate box to indicate if the amount is a total or subtotal. If more than one form is needed to detail activity costs, number each page. Enter totals from line (05), columns (d) through (i) to Form 1, block (07), columns (a) through (f) in the appropriate row.

ATTACHMENT 2

Review of Commission Hearing Decision on **City of Palmdale IRC** re. use of 10% Default ICRP Rate

The record suggests that overhead/ICRP costs *could have been allowable* — if the rate had been claimed and structured as a formal Indirect Cost Rate Proposal (ICRP) rather than using the 10% default rate tied to salaries.

The key issue the Commission focused on was **not whether overhead existed**, but **whether it was claimed in a way allowed by the Parameters and Guidelines (Ps&Gs)** adopted by the California Commission on State Mandates.

Below is a breakdown of what the testimony and discussion imply.

1. The Commission Acknowledged That Overhead Probably Existed

Multiple commissioners essentially conceded that **cities incur overhead even when services are contracted**.

Commissioner Alex stated:

“I mean, I’m sympathetic to the City because I do think... there is overhead associated with a contract, and I think it’s typical.”

So the dispute was **not about whether overhead costs existed**.

The dispute was about **whether they were claimed according to the Ps&Gs**.

2. The Real Legal Issue in the was the 10% “Default Rate”

The State Controller’s Office argued the **10% rate only applies to direct salary costs**.

From the testimony:

“The 10 percent rate... is only allowable to be claimed on top of direct salary costs, which, in this instance, were not incurred.”

Because the city used **contract law enforcement hourly rates**, those contract rates already **included some overhead**, and **direct employee salaries were not expressed in the claim** therefore the SCO and staff concluded:

The 10% default rate was not available.

3. However — The Commission Staff Explicitly Said Another Method Was Available

The most important exchange occurs when Commissioner Adams asked:

“Under the parameters and guidelines, would there have been an appropriate way to claim these indirect costs?”

Staff attorney Matt Jones answered:

“Yes... the appropriate way was to develop an indirect cost rate proposal with documentation that the Controller could review.”

That statement is critical.

It confirms:

ICRP overhead was potentially allowable.

But the Commission believed it **was not properly claimed or supported in the record.**

4. The Ps&Gs Actually Allow Three Allocation Bases

Commission staff acknowledged that the Parameters and Guidelines include the same options as federal cost rules (derived from ****OMB Circular A-87 / later **2 CFR Part 200**):

Indirect costs may be allocated using:

1. Direct salaries and wages
2. Total direct costs
3. Another equitable allocation base

Staff confirmed this:

“The three distribution bases the Claimant described **are in the Parameters and Guidelines**, but they apply when preparing an indirect cost rate proposal.”

This means the legal framework **DID allow non-salary allocation bases**.

5. Why the Commission Denied the Claim

The Commission's reasoning was procedural rather than substantive.

They concluded:

- The city **claimed the 10% default rate**, not a formal ICRP
- The audit record focused on **justifying the 10%**, not establishing a full ICRP
- The **deadline to amend the claim had expired**

Therefore the Commission applied a **very narrow review standard**:

They could only decide if the SCO acted **arbitrarily or capriciously**.

They concluded it did not.

ATTACHMENT 3

No provision in the federal cost principles (OMB Circular A-87 / 2 CFR Part 225) states that the *manner in which a cost is paid* changes whether the cost is allowable or whether it can be used as an allocation base for an indirect cost rate proposal (ICRP).

The federal rules focus on **whether the cost is incurred, allowable, allocable, reasonable, and consistently treated**, not on **how it was paid** (cash vs. interfund transfer, reimbursement vs. direct payment, etc.).

Below are the **exact governing sections** of the federal cost principles and related guidance.

1. Federal Cost Principles — 2 CFR Part 225 (OMB Circular A-87)

The relevant rules appear primarily in **Attachment A (General Principles)** and **Attachment E (Indirect Cost Rate Proposals)**.

A. Factors Affecting Allowability of Costs

2 CFR Part 225 – Appendix A (formerly Attachment A), Section C.1

This section defines what determines whether a cost is allowable:

- The cost must be **necessary and reasonable** for program performance.
- The cost must be **allocable** to the program.
- The cost must be **authorized or not prohibited by law**.
- The cost must be **consistently treated** as either direct or indirect.

Notably, **the rule does not mention the method of payment as a factor in allowability**.

B. Allocable Costs

2 CFR Part 225 – Appendix A, Section C.3

A cost is allocable if it:

1. Is incurred **specifically for the federal award**, or
2. **Benefits both the federal award and other work**, and can be distributed proportionally,
or
3. Is necessary to overall operations and assignable to the award.

Again, the rule concerns **benefit to the program**, not the **mechanism used to pay the cost**.

C. Reasonable Costs

2 CFR Part 225 – Appendix A, Section C.2

A cost is reasonable if it:

- Reflects what a **prudent person** would pay under the circumstances.

No language ties reasonableness to **payment method**.

2. Indirect Cost Rate Proposals (ICRP) — Allocation Base Rules

The rules governing **allocation bases** appear in **Attachment E**.

Allocation Base Selection

2 CFR Part 225 – Appendix E, Section C.3

This section states that:

- Indirect costs should be allocated using a **base that best measures the relative benefit to programs**.
- Possible bases include:
 - direct salaries and wages
 - total direct costs
 - staff hours
 - square footage
 - workload metrics (documents processed, population served, etc.).

Key point:

Any cost element or related factor may be used as an allocation base **if it best measures the relative benefits provided**.

Nothing in this section suggests that the **payment mechanism for the underlying cost affects its eligibility as an allocation base**.

3. Selected Items of Cost (Appendix B)

Appendix B of 2 CFR 225 lists specific cost categories (equipment, compensation, travel, etc.). Each item defines whether the cost is allowable or unallowable.

None of these provisions say that **the method of payment changes allowability**.

4. Uniform Guidance (successor rule)

The modern successor to A-87 is **2 CFR Part 200 (Uniform Guidance)**. It retains the same principles:

- **2 CFR §200.403 — Factors affecting allowability**
- **2 CFR §200.405 — Allocable costs**

These also focus on:

- reasonableness
- allocability
- consistency
- documentation

—**not payment method**.

5. California State-Mandated Cost Claiming Rules

Under California's state mandate reimbursement system:

- The **Commission on State Mandates** adopts **Parameters and Guidelines (Ps & Gs)**.
- The **State Controller's Office (SCO)** issues **Claiming Instructions** based on those Ps & Gs.

Typical Ps & Gs provisions require:

- costs must be **actual costs**
- costs must be **supported by documentation**
- costs must be **incurred in performing the mandated activity**

Example audit language from SCO guidance:

- claimed costs must be **actual costs and properly supported**.

Again, this concerns **actual incurred costs**, not **how they were paid**.

6. What “Cost Principles” the Controller Is Likely Referring To

When the Controller’s Office references “cost principles,” they are almost always referring to:

1. **OMB Circular A-87 / 2 CFR Part 225**
2. **2 CFR Part 200 (Uniform Guidance)** (modern equivalent)
3. The **four core cost principles**:
 - Allowable
 - Reasonable
 - Allocable
 - Consistently treated

Those principles **do not include payment method as a criterion**.

7. Key Conclusion

Based on the actual regulatory text:

- **No section of 2 CFR Part 225 / OMB A-87 states that the manner in which a cost is paid affects its allowability or its eligibility as an ICRP allocation base.**
- The governing criteria are:
 - **incurrence of cost**
 - **reasonableness**
 - **allocability**
 - **consistent accounting treatment**
 - **documentation**

Therefore, if the Controller’s Office claims that **payment method determines allowability or allocation base eligibility**, they would need to cite a **specific Ps & Gs provision or program-specific rule**, because **it does not appear in the federal cost principles themselves**.

DECLARATION OF SERVICE BY EMAIL

I, the undersigned, declare as follows:

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

On March 24, 2026, I served the:

- **Current Mailing List dated February 19, 2026**
- **Claimant's Late Rebuttal Comments filed March 23, 2026**

Identity Theft, 25-0308-I-01

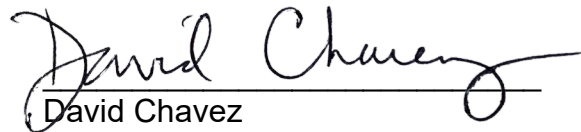
Statutes 2000, Chapter 956 (AB 1897); Penal Code Section 530.6(a)

Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013

City of Rancho Cucamonga, Claimant

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

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on March 24, 2026 at Sacramento, California.



David Chavez

Commission on State Mandates

980 Ninth Street, Suite 300

Sacramento, CA 95814

(916) 323-3562

COMMISSION ON STATE MANDATES

Mailing List

Last Updated: 2/19/26

Claim Number: 25-0308-I-01

Matter: Identity Theft

Claimant: City of Rancho Cucamonga

TO ALL PARTIES, INTERESTED PARTIES, AND INTERESTED PERSONS:

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

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