




ADMINISTRATIVE MEMORANDUM

COUNTY OF SAN MATEO

SUBJECT: Reimbursement of State Mandated Costs

NUMBER: A-3

RESPONSIBLE DEPARTMENT: Controller

APPROVED: 
John L. Maltbie, County Manager

DATE: October 28, 2015

This Administrative Memorandum rescinds and replaces Administrative Memorandum A-3 dated May 10, 1994.

Background

California Government Code (GC) sections 17500 through 17617 provide for the reimbursement of costs incurred by local agencies for providing services mandated by the State. These are costs that local agencies are required to incur after July 1, 1980, as a result of any statute enacted after January 1, 1975, or any executive order implementing such statute which mandates a new program or higher level of service of an existing program.

To maximize the recovery of allowable costs related to State-mandated services and to adequately document such costs to minimize potential audit disallowances, this Administrative Memorandum defines Controller's Office's and individual departments' responsibilities in the preparation, review, and audit of claims and retention of supporting documents.

Departments should review draft State legislation and advise the Controller's Office and County Manager's Office immediately of any potential mandated local services and related costs. The Controller's Office, County Manager's Office, and impacted department(s) will work together to develop cost estimates and, if necessary, a lobbying effort.

Departments should also notify the Controller's Office and County Manager's Office upon receipt of any State administrative regulations and court orders with potential local costs.

Responsibilities

(A) Preparation of Claims for Reimbursement

Departments shall compile all necessary estimated and actual cost data for claims and maintain all supporting cost records. The Controller's Office will assist departments by recommending the format to present cost information, maintaining a log of the outstanding and unpaid claims, and

advising departments of deadlines for new and continuing claims. The Controller's Office will also review, sign and send the final claims to the State. Any resulting reimbursement from the State must be forwarded to the County Manager's Office (CMO) for deposit. If a department has questions regarding whether a particular cost is allowable pursuant to claim-specific parameters and guidelines, the department should contact the Controller's Office, which will confer with County Counsel for guidance and assistance, as needed.

(B) Review of Claims for Reimbursement

The Controller's Office shall submit draft claims to the departments for review, and departments shall be responsible for reviewing prepared cost claims for accuracy of claimed costs based on the supporting estimated and actual cost documents and data and for providing feedback to the Controller's Office. Such reviews shall be completed within five (5) business days.

(C) Records Retention

Departments shall implement procedures to retain and store supporting documents related to mandated costs until such claim has been **fully paid** by the State or otherwise finally resolved. Staff turnover should not impact retention of these important cost documents. The departments shall inform the Controller's Office of their retention, storage and archiving procedures for records related to claimed costs.

(D) State Controller's Audit of Reimbursement Claims

The State Controller's Office may conduct a desk review or a field audit of the cost reimbursement claims filed by the County. Departments shall notify the Controller's Office of such audit initiations and coordinate all audit related activities with the Controller's Office until the conclusion of such audits.

Statutory Deadlines

1. First Time Claims (Initial Filing)

Mandates newly funded by the Legislature are due 120 days after the State Controller releases the claiming instructions. The Controller's Office will notify departments of newly approved mandates that are eligible for cost reimbursement and will also notify departments of the date that any claiming instructions are released.

2. Annual Recurring Claim Filing

Following the completion of a fiscal year, the department assembles actual costs for the previous fiscal year(s) and estimated costs for the current fiscal year for each mandated cost to be claimed and forwards this information to the Controller. Such information should be forwarded to the Controller's Office by November 15 of each year. The Controller's Office will submit actual and estimated cost claims to the State on or before January 31 of each year, unless otherwise specified in the claiming instructions.

A. Late Filing Penalty:

A late filing penalty is equal to 10% of claim amount or \$1,000, whichever is less.

ON-GOING CLAIMS – APPROXIMATE TIMETABLE

<u>Responsible</u>	<u>Due Date</u>	<u>Action</u>
Departments	Continuous	Identify and maintain log of all legislative bills mandating local services and related costs.
Departments	February	Include estimated mandated cost reimbursement revenue in budget request (Revenue Account #1864). Please be aware that the State often defers mandated cost reimbursements and, due to changes in the County budget process back in 2002, some State mandated cost reimbursements will be credited to operating departments, and some will be credited to Non-Departmental Services. Any questions regarding State mandated cost reimbursements should be directed to the County Budget Director or your Budget, Policy and Performance Analyst in the County Manager's Office.
Controller's Office	August	Determine amount of outstanding cost reimbursement claims revenues from previously filed claims for inclusion in year-end financials.
Controller's Office	October 1	Request departments to submit previous year actual cost data and estimated costs for on-going claims. Provide advice regarding claim requirements based on claim-specific parameters and guidelines.
Departments	November 15	Submit actual cost claim documents and data to the Controller's Office for the prior fiscal year.
Controller's Office	January 31	Review supporting cost data and documents provided by departments, prepare and submit claim to State Controller before January 31.

NEW CLAIMS – APPROXIMATE TIMETABLE

<u>New Mandates</u>	<u>Due Date</u>	<u>Action</u>
Departments	Continuous	Review new State administrative regulations or proposed legislation and determine mandated local services and related costs. Such analysis is sent to the Controller's Office and County Manager's Office.
Controller's Office	As Received	Coordinate with departments to identify if the mandated services are eligible for cost reimbursement.
Departments	When bill signed	Advise Controller's Office and County Manager's Office of passage. Prepare and update cost estimates for mandated services.
Controller's Office	P's & G's issued	Provide guidance to departments on Parameters and Guidelines (P's & G's) so departments can start gathering supporting cost documents and data for claims preparation.
Departments		Review and approve prepared cost reimbursement claims.
Controller's Office		File claims with the State Controller's Office before the due date.
