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# Overview of Federal and State Requirements for Child Development Programs



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State Superintendent  
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# Agenda

- Program Compliance Hierarchy
- Cost Allowability
- Subcontract Requirements
- Equipment Purchase
- Electronic Documentation
- Audit Requirements
- AUD Forms



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# Program Compliance Hierarchy



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# Program Compliance Hierarchy

## Federal

- Title 45, Code of Federal Regulations, Part 98
- Uniform Guidance (2 CFR, Part 200)

## State

- California Education Code
- Title 5, California Code of Regulations
- CDE Funding Terms and Conditions



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# Program Compliance Hierarchy

## Guidance

- CDE Management Bulletins (MB)
- California School Accounting Manual
- CDE Audit Guide
- CDE Attendance and Fiscal Reporting and Reimbursement Procedures (Greenbook)



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# Cost Allowability - Federal



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# Cost Allowability

## **Uniform Guidance, Subpart E- Cost Principles**

Basic Considerations - All costs must:

- Be necessary, reasonable, and allocable
- Conform to Federal and grant requirements
- Be consistent with policies and procedures
- Receive consistent treatment
- In accordance with GAAP
- No cost sharing or matching
- Be adequately documented

2 CFR 200.403-405



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# Cost Allowability

There are 55 specific items of cost including:

- Advertising and public relations
- Alcohol
- Bad debts
- Conferences
- Fundraising
- Entertainment costs
- Fines and penalties

2 CFR 200.420





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# Cost Allowability

- Training and education costs
- Travel
- Lobbying

2 CFR 200.420



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# Cost Allowability

Written policies and procedures are required!

- Allowability Procedures - 2 CFR 200.302(b)(7)
- Conflicts of Interest Policy – 2 CFR 200.318(c)
- Procurement Procedures – 2 CFR 200.319(c)
- Equipment Management Procedures – 2 CFR 200.313(d)
- Travel Policy – 2 CFR 200.474(b)



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# Cost Allowability - State



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# Cost Allowability

## Specific Reimbursable Costs

- Administrative: 15% of net reimbursable costs; includes indirect costs
- Indirect costs
  - Non-profit: If no negotiated rate not to exceed 10% modified total direct costs
  - LEAs: Lesser of negotiated rate or 10%

EC 8276.7, 5 CCR 18034 & FT&Cs VC. & D.



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# Cost Allowability

## Indirect Costs

- Rate applies to line items 1000-5000
- Allocable amount not to exceed benefit
- Exclude all nonreimbursable costs



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# Cost Allowability

## Nonreimbursable Costs

- Bad debts
- Contributions
- Amusement or entertainment
- Fines or penalties
- Idle facilities
- Costs after contract terminated
- Fundraising



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# Cost Allowability

- Consumer interest
- Investment management
- Organization of nonprofit costs
- Public relations
- Legal, consulting, and accounting fees for claims against State
- Income taxes
- Building acquisition costs



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# Cost Allowability

- Bonuses
- Compensation for board of directors
- Subcontracts that increase cost or charge cost-plus percentage of costs

5 CCR 18035 & FT&Cs IV.E





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# Cost Allowability

## Charging of Expenditures

- Costs during contract period
- Funds not for prior or future costs
  - Exception: Cost of audit claimed during contract period under audit or during period audit completed

5 CCR 18037



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# Subcontract Requirements

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# Subcontract Requirements

## Subcontracts Excluded

- Employment
- Facility Lease
- Payment for FCCH & AP providers
- Subcontract with public agency
- Medical or dental service agreements
- Janitorial and groundkeeping agreements

5 CCR 18026



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# Subcontract Requirements

Subcontracts > \$5,000 Require 3 Bids

- Must be comparable
- Lowest responsible bidder
- No subcontract splitting

If 3 comparable bids cannot be obtained

- Reasons
- Reasonableness of cost

5 CCR 18027 & FT&C IV.C



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# Subcontract Requirements

Subcontracts  $\geq$  \$10,000 Require Prior Approval

- Written agreement to CDE
- 3 Bids
- Line-item budget
- No expense prior to approval

5 CCR 18028-18030 & FT&Cs IV.E



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# Subcontract Requirements

## Required Subcontract Provisions

- Dates, \$ amount, services, responsibilities
- Independence of subcontractor
- Modifications in writing
- Cancels prior agreements
- Remedies for breach



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# Subcontract Requirements

- State retains title to equipment or supplies
- Subcontractor agrees to indemnify and hold harmless the State
- “Nondiscrimination Clause”

5 CCR 18031



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# Subcontract Requirements

- Audit Requirements
  - Subcontracts for child development services requiring approval shall be audited in accordance with CDE Audit Guidelines
  - Cost of audit reimbursable
- Contractor responsibility

5 CCR 18032





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# Equipment Purchase

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# Equipment Purchase

Equipment > \$5,000 Requires 3 Bids

- Must be comparable
- Lowest responsible bidder
- No splitting

If 3 comparable bids cannot be obtained

- Reasons
- Reasonableness of cost

5 CCR 18040 & FT&Cs III.C



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# Equipment Purchases

Equipment > \$7,500

- Prior written approval from CDD
- No splitting

5 CCR 18040 & FT&Cs III.E



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# Equipment Inventory

Safeguard against loss, damage, and theft;  
maintain equipment in good condition

- Detailed property records (recommended for all assets)
- Physical inventory every 2 years; reconciled to property records

2 CFR 200.313 & CSAM Procedure 410



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# Electronic Documentation

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# Electronic Documentation

## Maintenance of Records - Contractors

- May maintain electronic records
- Written policies and procedures required
- Conversion of paper record to electronic format:
  - Record not altered (MB 16-02)
  - Trustworthy electronic documentation (GC 12168.7 & 2 CCR 22620.1-.8)
- Retain 5 years; accessible to auditors & CDE  
EC 8227.3 & 8262.1



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# Electronic Documentation

## Maintenance of Records – LEAs

- May make electronic copies of any record
- No original record basic to any audit destroyed before second July 1<sup>st</sup> following audit completion

EC 35254



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# Electronic Documentation

## Digital Signature & Digital Forms

- Same effect as handwritten signature
- Digital forms to allow families to apply for services

EC 8227.5-6 & 8262.1 & .2





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# Electronic Documentation

Digital signature must be:

- Unique
- Capable of verification
- Under sole control of user
- Invalidated if data changed
- 2 CCR 22000-22005

2 CCR 22002 & MB 17-04



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# Audit Requirements

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# Audit Requirements

## Federal Uniform Guidance – Subpart F

- Not-for-profit and local government agencies that expend \$750,000 or more are required to have a “Single Audit.”
- Conducted in accordance with GAAP and GAS
- Completed by a CPA licensed in California
- Applies to for-profit agencies – See CDE Audit Guide

2 CFR 200.501-521



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# Audit Requirements

## State - Contractor Audit

- Child development programs with state funds expended over \$25,000 and federal funds under \$750,000
- State funds expended < \$25,000 – audit required every 2 years
- Conducted in accordance with GAAP and GAS
- Completed by a CPA licensed in California

EC 8448 & 5 CCR 18071



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# Audit Requirements

- Annual financial and compliance audit of the **entire** organization, for each agency that contracts with the state under a direct service contract.
- Submitted to the CDE, Audits & Investigations Division (A&I).

EC 8448 & 5 CCR 18071



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# Audit Requirements

## Auditee Responsibilities

- Auditor selection
  - State Controller's Office or California Board of Accountancy
  - CPA experience
  - Ask for peer review report under GAGAS
  - Peer review every 3 years

2 CFR 200.508-509



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# Audit Requirements

- Financial statements
- Schedule of Expenditures of Federal Awards
- Reports on internal controls and compliance
- Audit findings follow-up/corrective action
- Audit report contents (CDE Audit Guide Ch 200, Exhibit A; Appendix A)
- Electronic submission! (Example)

2 CFR 200.510-515



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# Audit Requirements

## Audit Report Dates

- November 14 – Last day for audit extension requests
- November 15 – Audit due (Draft Reports are not acceptable)
- December 1 – Audit delinquency report sent to CDE Fiscal Services
- December 15 – Audits due with extensions
- January 1 – Audit delinquency report sent to CDE Fiscal Services





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# Audit Requirements

## Delinquency List

- Late audits remain delinquent until reviewed
- Agencies are placed on the delinquency list on the 1<sup>st</sup> and 15<sup>th</sup> of each month and removed on those dates
- Consequences – Funding on hold



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# Audit Requirements

## Appeals

- Procedure when contract terminated or suspended or when reimbursable contract amount reduced by 4% or \$25,000, whichever is less
- Appeals heard by OAH

5 CCR 18301



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# AUD Forms

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# AUD Forms

- Completing AUDs (AG Ch 310)
- New forms for FY 2017-18
  - Section 508 compliant
- Multi-year AP contracts
  - Annual contract extended to 2<sup>nd</sup> year if under-earned first year
  - AUDs for FY 2018-19: additional columns for prior year end balance, current year activity, and cumulative activity per audit



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# AUD Forms

Two 2-year AP contracts example

- CAPP 18: 2018-2020 (\$50,000)
- AUD required during contract term
- Funds from earliest contract spent first



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# Resources

Title 45, Code of Federal Regulations, Part 98

[www.gpo.gov/fdsys/search/pagedetails](http://www.gpo.gov/fdsys/search/pagedetails)

Uniform Guidance (2 CFR, Part 200)

[www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/pdf/CFR-2014-title2-vol1-part200.pdf](http://www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/pdf/CFR-2014-title2-vol1-part200.pdf)

California Education Code

[www.cde.ca.gov/sp/cd/lr/](http://www.cde.ca.gov/sp/cd/lr/)

Title 5, California Code of Regulations

[www.cde.ca.gov/sp/cd/lr/](http://www.cde.ca.gov/sp/cd/lr/)



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# Resources

CDE Funding Terms and Conditions

[www.cde.ca.gov/sp/cd/lr/](http://www.cde.ca.gov/sp/cd/lr/)

CDE Management Bulletins (MB)

[www.cde.ca.gov/sp/cd/ci/allmbs.asp](http://www.cde.ca.gov/sp/cd/ci/allmbs.asp)

California School Accounting Manual

[www.cde.ca.gov/fg/ac/sa/index.asp](http://www.cde.ca.gov/fg/ac/sa/index.asp)

CDE Attendance and Fiscal Reporting and  
Reimbursement Procedures (Greenbook)

[www.cde.ca.gov/fg/aa/cd/documents/greenbook17.pdf](http://www.cde.ca.gov/fg/aa/cd/documents/greenbook17.pdf)



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# Resources

CDE Audit Guide

[www.cde.ca.gov/fg/au/pm/](http://www.cde.ca.gov/fg/au/pm/)





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# Questions?



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