



Overview of Federal and State Requirements for Child Development Programs



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Agenda (1)

- Program Compliance Hierarchy
- Cost Allowability
- Selected Items of Cost
- Documentation of Personnel Expenses
- Administrative Costs
- Charging Expenditures
- Subcontract Requirements



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Agenda (2)

- Equipment Purchase
- Equipment Inventory
- Electronic Documentation



Program Compliance Hierarchy



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Program Compliance Hierarchy (1)

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 (2)

Guidance

- CDE Management Bulletins (MB)
- California School Accounting Manual
- CDE Audit Guide
- CDNFS Fiscal Handbook



Cost Allowability



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Cost Allowability (1)

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 (2)

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)



Selected Items of Cost



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Selected Items of Cost (1)

There are 55 specific items of cost. Are the following costs allowable?

- Advertising and public relations: Maybe
- Alcohol: No
- Bad debts: Maybe
- Bonuses: No
- Building acquisition costs: No
- Compensation for board of directors: No
- Conferences: Maybe



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Selected Items of Cost (2)

Are the following costs allowable?

- Consumer Interest: No
- Contributions: No
- Costs after contract terminated: No
- Entertainment costs: No
- Fines and penalties: No
- Fundraising: No
- Idle facilities: Maybe
- Income taxes: No



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Selected Items of Cost (3)

Are the following costs allowable?

- Investment management: No
- Legal, consulting, and accounting fees for claims against State: No
- Lobbying: No
- Organization of nonprofit costs: No



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Selected Items of Cost (4)

Are the following costs allowable?

- Subcontracts that increase cost or charge cost-plus percentage of costs:
No
- Training and education costs: Yes
- Travel: Maybe

2 CFR 200.420-475 &
5 CCR 18035 & FT&Cs IV.E



Documentation of Personnel Expenses



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Documentation of Personnel Expenses (1)

What is required?

- Any employee funded by child development programs must maintain documentation showing that their time is appropriately allocated.
- Documentation must be based on records that accurately reflect the work performed

2 CFR 200.403(a) & 200.430(i)



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Documentation of Personnel Expenses (2)

Records must:

- Be supported by a system of internal controls which provides reasonable assurance charges are accurate, allowable, and allocable
- Be incorporated into official records
- Reasonably reflect total activity for which employee is compensated



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Documentation of Personnel Expenses (3)

- Encompass all activities
- Comply with established accounting policies and practices
- Support distribution among specific activities and cost objectives



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Documentation of Personnel Expenses (4)

Budget estimates alone do not
qualify as support!

2 CFR 200.430(i)(1) & CSAM Procedure 905



Administrative Costs



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Administrative Costs (1)

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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Administrative Costs (2)

Indirect Costs

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



Charging Expenditures



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Charging 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



Subcontract Requirements

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Subcontract Requirements (1)

Subcontracts Excluded

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

5 CCR 18026



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Subcontract Requirements (2)

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 (3)

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 (4)

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 (5)

Required subcontract provisions (continued)

- 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 (6)

- 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



Equipment Purchase

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Equipment Purchase (1)

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 Purchase (2)

Equipment > \$5,000

- Prior written approval from CDD
- No splitting

2 CFR 200.33 & 200.439



Equipment Inventory



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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



Electronic Documentation

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Electronic Documentation (1)

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 (2)

Maintenance of Records – LEAs

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

EC 35254



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Electronic Documentation (3)

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 (4)

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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Resources (1)

Title 45, Code of Federal Regulations, Part 98

www.ecfr.gov/cgi-bin/text-idx?SID=f2e9b388810546a7335a793e6a801f3c&mc=true&tpl=/ecfrbrowse/Title45/45cfr98_main_02.tpl

Uniform Guidance (2 CFR, Part 200)

gov.ecfr.io/cgi-bin/text-idx?SID=841b22c67b9193593a7e8e02fae9c8ce&mc=true&node=pt2.1.200&rgn=div5



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Resources (2)

California Education Code

[leginfo.legislature.ca.gov/faces/codes_displayexpandedit.action?tocCode=EDC&division=1.&title=1.&part=6.&chapter=2.&article=](http://leginfo.legislature.ca.gov/faces/codes_displayexpandedit.action?_afPfm=1&_afPfm=2&_afPfm=3&_afPfm=4&_afPfm=5&_afPfm=6&_afPfm=7&_afPfm=8&_afPfm=9&_afPfm=10&_afPfm=11&_afPfm=12&_afPfm=13&_afPfm=14&_afPfm=15&_afPfm=16&_afPfm=17&_afPfm=18&_afPfm=19&_afPfm=20&_afPfm=21&_afPfm=22&_afPfm=23&_afPfm=24&_afPfm=25&_afPfm=26&_afPfm=27&_afPfm=28&_afPfm=29&_afPfm=30&_afPfm=31&_afPfm=32&_afPfm=33&_afPfm=34&_afPfm=35&_afPfm=36&_afPfm=37&_afPfm=38&_afPfm=39&_afPfm=40&_afPfm=41&_afPfm=42&_afPfm=43&_afPfm=44&_afPfm=45&_afPfm=46&_afPfm=47&_afPfm=48&_afPfm=49&_afPfm=50&_afPfm=51&_afPfm=52&_afPfm=53&_afPfm=54&_afPfm=55&_afPfm=56&_afPfm=57&_afPfm=58&_afPfm=59&_afPfm=60&_afPfm=61&_afPfm=62&_afPfm=63&_afPfm=64&_afPfm=65&_afPfm=66&_afPfm=67&_afPfm=68&_afPfm=69&_afPfm=70&_afPfm=71&_afPfm=72&_afPfm=73&_afPfm=74&_afPfm=75&_afPfm=76&_afPfm=77&_afPfm=78&_afPfm=79&_afPfm=80&_afPfm=81&_afPfm=82&_afPfm=83&_afPfm=84&_afPfm=85&_afPfm=86&_afPfm=87&_afPfm=88&_afPfm=89&_afPfm=90&_afPfm=91&_afPfm=92&_afPfm=93&_afPfm=94&_afPfm=95&_afPfm=96&_afPfm=97&_afPfm=98&_afPfm=99&_afPfm=100)

Title 5, California Code of Regulations, Chapter 19

[govt.westlaw.com/calregs/Browse/Home/California/CaliforniaCodeofRegulations?guid=I247BB3D0D48111DEBC02831C6D6C108E&originationContext=documenttoc&transitionType=Default&contextData=\(sc.Default\)](http://govt.westlaw.com/calregs/Browse/Home/California/CaliforniaCodeofRegulations?guid=I247BB3D0D48111DEBC02831C6D6C108E&originationContext=documenttoc&transitionType=Default&contextData=(sc.Default))



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Resources (3)

Title 5, California Code of Regulations, Chapter 19.5

[govt.westlaw.com/calregs/Browse/Home/California/CaliforniaCodeofRegulations?guid=I9C7CFC40D48111DEBC02831C6D6C108E&originationContext=documenttoc&transitionType=Default&contextData=\(sc.Default\)&bhcp=1&ignorebhwarn=IgnoreWarns](http://govt.westlaw.com/calregs/Browse/Home/California/CaliforniaCodeofRegulations?guid=I9C7CFC40D48111DEBC02831C6D6C108E&originationContext=documenttoc&transitionType=Default&contextData=(sc.Default)&bhcp=1&ignorebhwarn=IgnoreWarns)

CDE Funding Terms and Conditions

www.cde.ca.gov/fg/aa/cd/ftc2019.asp

CDE Management Bulletins (MB)

www.cde.ca.gov/sp/cd/ci/allmbs.asp



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Resources (4)

California School Accounting Manual

www.cde.ca.gov/fg/ac/sa/documents/csam2019complete.pdf

CDE Attendance and Fiscal Reporting and Reimbursement Procedures

www.cde.ca.gov/fg/aa/cd/documents/1920fiscalhandbook.docx

CDE Audit Guide

www.cde.ca.gov/fg/au/pm/documents/auditguide2015.pdf



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Questions?



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