

Overview of Federal and State Requirements for Child Development Programs



CALIFORNIA DEPARTMENT OF EDUCATION
Tony Thurmond, State Superintendent of Public Instruction

Agenda (1)

- Program Compliance Hierarchy
- Policy and Procedure Requirements
- Cost Allowability
- Selected Items of Cost
- Time and Effort Requirements
- Subcontract Requirements

Agenda (2)

- Equipment Purchase
- Equipment Inventory

Program Compliance Hierarchy



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

Program Compliance Hierarchy (2)

Guidance

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

Policy and Procedure Requirements



Policy and Procedure Requirements (1)

Updated 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(d)
- Equipment Management Procedures – 2 CFR 200.313(d)
- Travel Policy – 2 CFR 200.475(b)

Cost Allowability



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
- Be net of applicable credit

2 CFR 200.403-405

Selected Items of Cost



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

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: No
- Income taxes: No

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

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 200.420-476 &
5 CCR 18035 & FT&Cs V.G&H

Time and Effort Requirements



Time and Effort Requirements (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)

Time and Effort Requirements (2)

Should develop and implement policies and procedures for:

- Completion of time and effort reporting
- Required approval cycle
- Processing of personnel charges to federal awards
- Internal review process to ensure effective internal control over the federal award

Should provide sufficient detail to permit understanding of how system will operate from point of time worked to point the time is recorded in the accounting records and charged to federal awards.

CSAM Procedure 905

Time and Effort Requirements (3)

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

Time and Effort Requirements (4)

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

Time and Effort Requirements (5)

Budget estimates alone do not qualify as support!

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

Subcontract Requirements



Subcontract Requirements (1)

A written subcontract is required for all service agreements, except for the items listed below

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

FT&C IV.A&B

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

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.F

Subcontract Requirements (4)

Required Subcontract Provisions

- Dates, \$ amount, services, responsibilities
- Independence of subcontractor
- Modifications in writing
- Cancels prior agreements
- Remedies for breach
- Service(s) to be provided under the subcontract and the responsibilities of each party under the subcontract

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

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

Equipment Purchase



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

Equipment Purchase (2)

Equipment per-unit acquisition cost > \$5,000 or sum of all items included in the equipment purchase > \$10,000, including tax:

- Prior written approval from CDD
- No splitting

2 CFR 200.1 & 200.439; FT&Cs III.E

Equipment Inventory



Equipment Inventory (1)

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

Resources (1)

Title 45, Code of Federal Regulations, Part 98

<https://ecfr.federalregister.gov/current/title-45/subtitle-A/subchapter-A/part-98>

Uniform Guidance (2 CFR, Part 200)

<https://ecfr.federalregister.gov/current/title-2/subtitle-A/chapter-II>

Resources (2)

California Education Code

http://leginfo.legislature.ca.gov/faces/codes_displayexpandedbranch.xhtml?tocCode=EDC&division=1.&title=1.&part=6.&chapter=2.&article

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))

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

<https://www.cde.ca.gov/fg/aa/cd/documents/ftc2021.docx>

CDE Management Bulletins (MB)

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

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

<https://www.cde.ca.gov/fg/au/pm/documents/auditguide2020.pdf>

Questions?



Contacts

Robert Kurokawa, Audit Manager
Child Development Audits
916-323-4158
rkurokawa@cde.ca.gov