California Department of EducationAudits & Investigations Division

# Audited Attendance and Fiscal ReportsInstructions for Fiscal Year 2020–21

The following Audited Attendance and Fiscal Reports and Audited Reserve Account Activity Report (AUD forms) were prepared by the California Department of Education (CDE), Audits and Investigations Division. The applicable AUD forms must be included in the agency’s annual audit report. The AUD forms will facilitate determination of fiscal year-end reimbursable earnings.

There are eight AUD forms, seven address contract types relating to the California State Preschool Program and one reports reserve account activity.

*Form No. Form Title*

**AUD 8501** Audited Attendance and Fiscal Report for **California** **State Preschool Programs** (CSPP contracts, including Santa Clara and San Francisco pilot programs, AUD 8501-SC and AUD 8501-SF, respectively)

**AUD 8501MHCS** Audited Attendance and Fiscal Report for **California** **State Preschool Programs with Early Childhood Mental Health Consultation Services** (CSPP MHCS contracts, including CSPP MHCS Santa Clara and San Francisco pilot programs, AUD 8501MHCS-SC and AUD 8501MHCS-SF, respectively)

**AUD 9529** Audited Fiscal Report for **Child Development** **Support Contracts** (CPKS contracts)

**AUD 9530A** Audited **Reserve Account** **Activity Report** (a separate form is required for each type of reserve account; Center-Based, Alternative Payment, and Resource & Referral)

As of July 1, 2021, the Early Childhood Development Act of 2020 transferred administration of the following child development programs to the California Department of Social Services (CDSS):

* General CD Programs (CCTR)
* Migrant CD Programs (CMIG)
* California Alternative Payment Programs (CAPP)
* California Family Child Care Home Education Networks (CFCC)
* Stages 2 and 3 of the California Work Opportunity and Responsibility to Kids (CalWORKs) Child Care Programs (C2AP and C3AP)
* Migrant Alternative Payment Programs (CMAP)
* CD services for children with severe disabilities (CHAN)
* Child Care Resource and Referral Program (CRRP)
* The California Child Care Initiative Project (CCIP)
* Local CD Planning Councils (CLPC)

More information regarding the transition can be viewed at: [https://www.cdss.ca.gov/‌inforesources/cdss-programs/calworks-child-care/child-care-transition](https://www.cdss.ca.gov/inforesources/cdss-programs/calworks-child-care/child-care-transition). The following AUD forms relating to these programs will be provided by the CDSS. For contractor convenience, instructions to complete these forms are included in this document.

*Form No. Form Title*

**AUD 1400** Audited Attendance and Fiscal Report for **Special Programs for the Severely Handicapped** (CHAN contracts)

**AUD 2507** Audited Fiscal Report for **Resource and Referral Programs** (CRRP contracts)

**AUD 9500** Audited Attendance and Fiscal Report for **General** **or Migrant Center-Based Programs** (CCTR and CMIG contracts)

**AUD 9500MHCS** Audited Attendance and Fiscal Report for **General or Migrant Center-Based Programs with Early Childhood Mental Health Consultation Services** (CCTR and CMIG MHCS contracts)

**AUD 9500A** Audited Fiscal Report for **Migrant Special Services** (CMSS contracts)

**AUD 9500AP** Audited Fiscal Report for **Cal-WORKs,** **Alternative Payment, or Family Child Care Home Programs** (C2AP, C3AP, CAPP, CFCC, and CMAP contracts)

**AUD 9529** Audited Fiscal Report for **Child Development** **Support Contracts** (CHST, CLPC, CRET, CCIP, and CRPM contracts)

**AUD 9530A** Audited **Reserve Account** **Activity Report** (a separate form is required for each type of reserve account; Center-Based, Alternative Payment, and Resource & Referral)

## AUD General Instructions

The following instructions explain how to complete the AUD forms using an interactive Adobe portable document format (PDF) file.

A. Identify all child development contracts subject to the current audit period before completing the applicable Adobe PDF forms. A listing of a contractor’s CDE contracts and payments can be obtained by emailing AuditSubmissions@cde.ca.gov. Information on a contractor’s CDSS contracts and payments can be obtained by emailing AuditsOffice@dss.ca.gov.

B. Open the appropriate Adobe PDF for the contract(s) identified in Step A.

C. Enter the general information requested at the top of page one. Pertinent information will be carried forward automatically to subsequent pages of the form.

D. Perform the following steps for each page of all forms, except AUD 9500AP, 9529 (see item E) and 9530A (see specific AUD form instructions):

1. Enter the agency’s data on the appropriate line items in Column A, titled “Cumulative CDNFS Form.” These numbers must agree with the agency’s respective CDNFS year-end reports, column named “Cumulative Fiscal Year.” Line item descriptions are provided in the specific instructions.
2. Enter any audit adjustments in Column B. The formulas in the PDF files will automatically calculate the numbers for columns C and E, as applicable, and for rows with subtotals and totals. Note that if the auditor disallows (deducts) an expense from claimed reimbursable expenses because the expense may not be claimed under the contract, then the non-reimbursable program-related expense (e.g., entertainment expenses) is to be added to the Supplemental Expenses section.
3. Indirect costs are subject to the maximum allowed rate, currently ten percent, and may be claimed only if the agency has an approved documented cost allocation plan on file. Note that indirect costs apply only to reimbursable expenses in object code line item categories 1000-5000, including categories 1000-5000 of Start-Up Expenses, if claimed, and Direct Payments to Providers.
4. Enter all applicable data, including any “write-ins” of data on rows designated as “Other.” If there are insufficient "Other" rows, data may be aggregated on one line. The source of the revenue should be identified in the space given. If spacing is insufficient to identify the source and purpose of all aggregated funds, provide the details in the Comments box.
5. For center-based contracts, check applicable boxes and select YES or NO from the drop-down boxes for independent auditor’s assurances on compliance.
6. Provide any information in the Comments box that will assist the reviewer’s understanding of any audit adjustments or unusual circumstances. Attach additional sheets if necessary.

E. Completing the AUD 9500AP and 9529:

1. In Column A1, enter the contract’s prior year AUD form’s Column C amounts in the appropriate cells. If no revenue or expenditures were reported in the prior year AUD form, enter zero(s). Column A1 should be left blank for the contract’s first year.
2. Enter the contractor’s data on the appropriate line items in Column A2, titled “Cumulative Current Year CDNFS Form.” **These numbers must agree with the agency’s respective CDNFS year-end reports’ column named “Cumulative Fiscal Year.”** For the second year of a multi-year contract, Column A1 plus Column A2 must agree with the agency’s respective CDNFS year-end report’s column named “Cumulative Fiscal Year.”
3. Enter any necessary audit adjustments in Column B (see item D.2 above). **Column A2 plus Column B must agree with the agency’s current year audited amounts.** The formulas in the PDF files will automatically calculate the numbers for column C.
4. Provide any necessary information to explain audit adjustments or unusual circumstances in the Comments box. Attach additional sheets if necessary.

See guidance for entering data for specific line items in the AUD Specific Instructions section, on the following page.

## AUD Specific Instructions

### **Days of Enrollment, Operation, and Attendance**

*(applies only to forms 1400, 8501, 8501MHCS, 9500 and 9500MHCS)*

Days of enrollment, operation, and attendance of certified children, children who have been certified as eligible for child development program subsidized services, and days of enrollment of non-certified children, children who were supported by funding sources other than the child development contract, but were served in the same classroom(s) as the certified children, are reported in the following sections:

* Certified children who were served in a classroom where MHCS were provided (Section 1 of a MHCS form)
* Certified children in a classroom without MHCS (Section 1 of a non-MHCS form or Section 3 of a MHCS form)
* Non-certified children who were served in a classroom where MHCS were provided (Section 2 of a MHCS form)
* Non-certified children in a classroom without MHCS (Section 2 of a non-MHCS form or Section 4 of a MHCS form)

*Days of Enrollment* – A family is considered to be enrolled in the program when the application and certification forms have been completed, verified, and signed. Enrollment data is obtained from the agency’s enrollment and attendance register for all children in the program for the days the contractor was open to provide services.

Enter the number of children enrolled in the appropriate category, including children who were placed in Family Child Care Homes (FCCH) from center-based programs. A child enrolled under 4 hours is considered half-time. A child enrolled 4 to under 6.5 hours is considered three-quarters-time. A child enrolled 6.5 to under 10.5 hours is considered full-time. A child enrolled 10.5 or more hours is considered full-time-plus.

*Days of Operation* – A day of operation is a day the agency provided services for one or more enrolled certified children. Enter the total days of operation in Section 1 of all forms. The total days of operation will auto-populate in Section 3 of the MHCS forms based on the information entered in Section 1.

*Days of Attendance* – A child is in attendance when he or she was present in the program for any part of a day, or when he or she was absent because of illness or quarantine, illness or quarantine of the parent, family emergency, court-ordered visitation, or a reason which was clearly in the best interest of the child. A child’s attendance should be reported in the same section as their enrollment. For MHCS forms, the Days of Attendance for certified children from Sections 1 and 3 are combined on the summary page (Section 9). **The Days of Attendance must not exceed the Days of Enrollment.**

*No Non-Certified Children* – If the program served only certified children, do not complete Section 2 of forms 8501 or 9500, or Sections 2 and 4 of the MHCS forms. Instead, check the boxes at the end of Sections 1 and 3 to indicate that there were no non-certified children served. If these boxes are not checked, the non-certified enrollment section(s) of the form must be completed; otherwise, the audit report will be considered incomplete and may be rejected.

### **Program Revenue**

*(applies to all forms except 9530A)*

Do not report the child development contract payments or funds required to be reported in the Supplemental Revenue section. Report the following program revenues:

*Restricted Income* – Report income that a donor restricted for the purchase of goods and services that are reimbursable under the contract. Report only when related expenses are reported.

*Match Requirement (applies to form 9529 only)* – Report any matching fund requirement and any additional revenue received above the match requirement as restricted or unrestricted depending upon how it was designated.

*Child Nutrition Programs* – Report revenue received through the Child and Adult Care Food Program or other child nutrition programs.

*County Maintenance of Effort (does not apply to form 9500A)* – Report Maintenance of Effort funds received from the county that were restricted for child care operating costs in the current fiscal year (California *Education Code*, Section 8279). Report unrestricted Maintenance of Effort funds under “Unrestricted Income: Other.”

*Uncashed Checks to Providers (applies to form 9500AP only)* – Report the total dollar amount of uncashed checks issued to providers that remained outstanding: (1) past the expiration dates of the checks; or (2) longer than six months from issuance, if the checks do not have expiration dates.

*Other* – Report income that a donor restricted for the purchase of goods and services that are reimbursable under the contract in the current program year, including any fees collected from fundraising or field trips, sale of state purchased equipment, etc. Also, report the source(s) of the funds.

*Unrestricted Income* – Report income that a donor did not restrict and that was used by the contractor to pay for reimbursable program expenses, including expenses for basic services to non-subsidized children. Also, include family fees supporting non-certified children in a commingled program. Note that for part-day State Preschool Programs, federal Head Start funds used to build capacity are deemed to be unrestricted under California Education Code, Section 8235(b).

*Transfer from Reserve* *(does not apply to forms 9500A, 9529 or 9530A)* – Report funds transferred from the reserve account to pay for reimbursable expenses. CSPP Transfers from Reserve must be separated into either CSPP General Transfers or CSPP Professional Development Transfers. Any transfers from the reserve account must agree to AUD 9530A, Section 2 - Less Transfers to Contracts from Reserve Account. See AUD 9530A Instructions on how to report reserve account transfers.

*Family Fees for Certified Children* – Report family fees collected for certified children. Any family fees for non-certified children are to be reported as Unrestricted Income.

*Waived Family Fees for Certified Children* – Report family fees waived for certified children pursuant to SB 820 in the appropriate waived family fee line based on the month of service. See <https://www.cde.ca.gov/sp/cd/ci/mb2019a.asp> for further information.

*Interest Earned on Apportionment Payments* – Report interest earned on payments advanced for the contract. Interest earned on non-contract funds, if used in the program, should be reported as “Unrestricted Income: Other.”

### **Reimbursable Expenses**

*(applies to all forms except 9530A)*

Report all reimbursable expenses related to the program revenue on an accrual basis for both certified and non-certified children rounded to whole numbers. See the California School Accounting Manual, Procedure 330, for category descriptions and definitions.

*Direct Payments to Providers* – Report payments made to providers in CalWORKS, Alternative Payment or Family Child Care Home programs. Also, report payments made to providers for center-based programs that also placed children in FCCHs. Payments should include parent fees collected and retained by providers.

*1000 Certificated Salaries* – Salaries paid to employees in positions that require a credential or permit issued by the Commission on Teacher Credentialing, or a related administrative services credential. Refer to the contract FT&C for staffing qualifications.

*2000 Classified Salaries* – Non-certificated salaries, including administrator, clerical, technical, and office staff salaries.

*3000 Employee Benefits* – Employers’ contributions to health and welfare benefits, retirement plans, unemployment, and workers’ compensation insurance.

*4000 Books and Supplies* – Expenditures for books, supplies, materials, food, and non-capitalized equipment, including the sales/use tax, freight, and handling charges.

*5000 Services and Other Operating Expenses* – Expenditures for services, rentals, leases, repairs, professional/consulting services, communications, maintenance contracts, dues, travel, insurance, utilities, legal, non-capitalized improvements, and other operating expenditures.

*6100/6200 Other Approved Capital Outlay* – Capitalized renovation and repair expenditures, including improvement of sites, leasehold improvements to sites, construction or purchase of new buildings when prior approval has been obtained, and lease payments for relocatable buildings. Non-capitalized renovations and repairs, and lease payments other than repayments of Child Care Facilities Revolving Fund and California Renovation and Repair Loan funds, are to be reported on object code line item 5000, Services and Other Operating Expenses.

*6400/6500 Equipment* – Capitalized equipment expenditures. The contract FT&C state purchases for both new and replacement equipment may require prior written approval. Non-capitalized equipment expenditures are to be reported in object code line item 4000, Books and Supplies.

*Depreciation or Use Allowance* – Report depreciation or use allowance claimed on eligible, appropriate capital assets. Depreciation may not be claimed on land, donated assets, assets purchased with public funds, fully depreciated assets or idle/excess facilities. Use allowance may not be claimed on land, assets purchased with contract funds or on assets for which depreciation has been claimed. See the FT&C for information on calculations.

*Start-Up Expenses (service level exemption)* – Any approved start-up/service level exemption allowance would be specified on the face sheet of the contract. Start-Up expenses may be reimbursed without the required enrollment to earn it. Start-Up expenses should not also be reported in the other object code line item categories (1000-6500).

*Budget Impasse Credit* – Agencies that are eligible to claim budget impasse credit will have a budget impasse credit allowance specified on the face sheet of their contract. Budget impasse credit expenses may be reimbursed without the required enrollment to earn it. Budget impasse credit expenses should not also be reported in the other object code line item categories (1000-6500).

*Indirect Costs* – Indirect costs may be claimed only if the contractor has an approved documented cost allocation plan on file. Reimbursable indirect costs are limited to a maximum rate of 10 percent of the total expenses reported in object code line item categories 1000-5000, including categories 1000-5000 of Start-Up Expenses and the Direct Payments to Providers, if claimed. Report any non-reimbursable indirect costs as supplemental expenses. Identify the agency’s approved indirect cost rate at the bottom of the Reimbursable Expenses page.

*Total Administrative Costs* – Report all costs included in the Reimbursable Expenses section that were incurred for administrative activities in which the family, child, or FCCH service provider (if applicable) did not directly benefit from the activities. For example, administrative costs include such things as the cost of the position responsible for personnel management, budgeting, and accounting. Administrative costs would also include any indirect costs and audit fees. Note that for AUD 2507, there is no line item for reporting administrative costs because all costs, by nature, are administrative.

*Total Staff Training Costs* – Report the costs included in the Reimbursable Expenses Section that were associated with up to two days of staff training per employee. Reimbursable costs associated with staff training days will need to be reported in expense categories 1000 through 5000.

*No Supplemental Revenues or Expenses* – If the program had no supplemental revenues or expenses, check the box and omit the Supplemental Revenue and Expenses page. If the box is not checked, the Supplemental Revenue and Expenses page must be completed; otherwise, the audit report will be considered incomplete and may be rejected.

### **Supplemental Revenues & Expenses**

Report income used to pay for program expenses that are beyond the basic child development services for certified and non-certified children. This includes funds from Head Start, First 5 or other enhancement funds, donations, foundation or corporate grants, or other revenue intended to fund program activities beyond basic child development services. Supplemental revenue must not also be reported in the Program Revenue section.

Since supplemental revenue consists of either income restricted for expenses beyond the basic child development services that are only considered earned once expended for its intended purpose, or unrestricted income used to pay for supplemental expenses. Supplemental revenue should always be less than or equal to supplemental expenses.

Report expenditures related to the supplemental revenue. Also, report any disallowed program expenditures. Supplemental expenses are not reimbursed by the child development contract, and must not also be reported as reimbursable expenses.

Note that supplemental revenues and expenses are not included in the final earnings calculation that determines a contract’s reimbursement.

*Non-Reimbursable Supplemental Expenses* – Report all non-reimbursable expenses for the program (see the FT&C).

### **Summary**

The Summary page auto-populates from information entered in the previous pages.

Independent Auditor’s Assurances (only applicable to forms 1400, 8501, 8501MHCS, 9500, and 9500MHCS) – Select YES or NO from the drop-down lists to indicate whether the contractor complied with the contract FT&C and program requirements. If NO is selected, an explanation of the contractor’s non-compliance should be included in the audit report.

## AUD 9530A Instructions (Audited Reserve Account Activity Report)

The AUD 9530A is used to report reserve account activity.

### **Reserve Account Background**

Reserve account funds are child development contract funds that the agency receives approval to *hold in reserve* until the funds are either spent by the contractor according to applicable contract FT&C, or returned. There are three types of reserve accounts: center-based, alternative payment, and resource and referral. Each account must be maintained separately due to different maximum limits and use requirements. A contractor with multiple contracts will have all contracts of the same type contribute to the same reserve account. For example, only center-based contracts can transfer funds to/from a center-based reserve account.

Note that California *Education Code* (EC), Section 8450(f) states that reserve funds shall be maintained in an interest-bearing account and any interest earned on reserve funds shall be included in the fund balance of the reserve account. Also, Title 5, California Code of Regulations, Section 18064, states that private agencies shall establish this fund in a federally insured banking institution located in California.

### **Reserve Account Information Required in an Audit**

The *EC,* Section 8450(j) states that expenditures from, additions to, and balances in, the reserve fund shall be included in the contractor’s annual financial statements and audit report. The reserve account(s) must be reported on the statement of financial position as an asset under cash and as an offsetting liability (deferred revenue), such as “Child Development Reserves.”

All agencies with a reserve account must submit with the audit report an *Audited Reserve Account Activity Report*, form AUD 9530A, reporting the activity of the reserve account. Note that an AUD 9530A form must be included for each type of established reserve account, even if the account has a zero balance. Also, if interest was not reported because the interest earned was less than $1 (e.g., due to a low reserve account balance), report that information in the Comments box on the AUD 9530A form.

### **General Form AUD 9530A Instructions**

1. Enter in the top portion of the form the Contractor Name and Vendor Code.
2. Select the appropriate reserve account type from the drop-down menu.Complete a separate page for each reserve account type.

3. Note that form AUD 9530A automatically calculates the total amounts in column C and in certain rows.

### **Reserve Activity Amounts to Enter in the AUD 9530A Form**

Enter the applicable reserve activity amounts from the prior year’s post-audit CDNFS 9530 form. If the audited amount to report in column C differs from the amount reported in column A, enter an appropriate adjustment in column B.

**Section 1 - Prior Year Reserve Account Activity:**

1. **Beginning Balance (2019–20 AUD 9530A Ending Balance)**

Obtain this balance from last year’s latest revised audit report. If the balance reported was zero, then enter zero.

**2. Plus Transfers to Reserve Account (per 2019–20 Post-Audit CDNFS 9530)**

a. Identify the contract numbers and dollar amounts of funds transferred into the reserve account per Section 4 of the post-audit CDNFS 9530 form.

b. If the post-audit CDNFS 9530 form is not available by the time the audit is due, leave this section blank and explain the circumstances in the Comments box at the bottom of the form.

**3. Less Excess Reserve to be Billed**

If last year’s post-audit form CDNFS 9530 indicated an excess reserve amount was to be billed, enter it here as a positive amount.

**4. Ending Balance per FY 2019-20 Post-Audit CDNFS 9530 Form**

Line 4 will automatically calculate and should agree with the ending balance from last year’s post-audit form CDNFS 9530, Section 5.

**Section 2 - Current Year Reserve Account Activity**

**5. Plus Interest Earned This Year on Reserve Funds**

a. Enter in Column A the amount of interest reported on this year’s form CDNFS 9530A, Section 2.

b. Verify that Column C contains the correct amount of interest received for the reserve account during the fiscal year; if not correct, enter an appropriate adjustment in Column B.

c. If there is a reserve account balance and no interest is shown, explain why in the Comments box.

**6. Less Transfers to Contracts from Reserve Account**

1. Enter the contract number(s) in the space provided and enter in Column A the respective funds transferred out of the reserve account during the current fiscal year to pay for this year’s reimbursable expenses, as reported on this year’s CDNFS 9530A form, Section 2. CSPP transfers must be separated into CSPP General Transfers or CSPP Professional Development Transfers. Transfers from the reserve account to other contract types should be entered in the Other Contracts section.

CSPP agencies can retain a reserve fund balance equal to 15 percent of the sum of the MRAs of all center-based contracts; 10 percent is intended for, and will be restricted to, expenditures specifically associated with the professional development of CSPP instructional staff. The remaining 5 percent can be used for “reasonable and necessary costs” (*Education Code* Section 8450) in excess of contract reimbursement for any center-based contract administered by the agency.

NOTE: Transfers from a reserve account can be made only to contracts of the same type as the reserve account, and must be reported as Transfer from Reserve Fund on the AUD form for the contract that receives the transfer.

b. Verify that Column C contains the correct amount transferred to each affected contract; if not correct, enter an appropriate adjustment in Column B.

c. Note that *Education Code,* Section 8450(g) states that funds in a contractor's reserve account may be used only for expenses that are reasonable and necessary.

**7. Ending Balance.** The ending balance for the current fiscal year is calculated automatically.

For additional information on reserve accounts, see the Reserve Account section of the *Child Development Attendance and Fiscal Reporting and Reimbursement Procedures* (CDNFS Fiscal Handbook 2020–21) on the CDE website at <https://www.cde.ca.gov/fg/aa/cd/index.asp>.