California Department of EducationAudits & Investigations Division

# Audited Attendance and Fiscal ReportsInstructions for Fiscal Year 2021–22

The following Audited Attendance and Fiscal Reports and Audited Reserve Account Activity Reports (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.

*Form No. Form Title*

AUD 8501 Audited Enrollment, Attendance, and Fiscal Report for California State Preschool Programs (CSPP)

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

AUD 9530A Audited Preschool Reserve Account Activity Report

## New for FY 2021–22

Effective January 1, 2022, rate reform modified how CSPP contractors are reimbursed. One significant change, enrollment reimbursement based on service county, required a change to the AUD format. Four new forms were created to allow for reporting based on service county:

*Form No. Form Title*

Form 1 Certified Children Days of Enrollment and Attendance

Form 2 Certified Children Receiving Mental Health Consultation Services Days of Enrollment and Attendance

Form 3 Non-Certified Children Days of Enrollment

Form 4 Non-Certified Children Receiving Mental Health Consultation Services Days of Enrollment

When applicable, these forms must be included as an attachment to the agency’s AUD 8501. Instructions for when and how to complete these forms are included in the AUD 8501 Specific Instructions section below. More information regarding rate reform can be viewed at: <https://www.cde.ca.gov/fg/aa/cd/ratereformresources.asp>.

## Reminder

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). AUD forms relating to these programs will be provided by the CDSS. For questions relating to CDSS AUD forms, contact CDSS at AuditsOffice@dss.ca.gov.

## 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 an agency’s CDE contracts and payments can be obtained via the Child Development Provider Accounting Reporting Information System (CPARIS) or by emailing AuditSubmissions@cde.ca.gov. Information on an agency’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, such as the contractor name, contract number, and pilot program/service county, 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 the AUD forms:

1. Enter the agency’s data on the appropriate line items in Column A, titled “Cumulative FY per CPARIS.” These numbers must agree with the Cumulative Fiscal Year column from the agency’s respective CPARIS reports.
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. 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.
4. Ensure to check any applicable boxes. For example, either the Yes or No box must be checked for an approved indirect cost rate and independent auditor’s assurances on compliance.
5. 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.

See guidance for entering data for specific line items in the AUD 8501 Specific Instructions section, on the following page.

## AUD 8501 Specific Instructions

### **Days of Enrollment and Attendance**

Days of enrollment and attendance are reported in the following categories:

* Certified children (Form 1)
* Certified children who were served in a classroom where Mental Health Consultation Services (MHCS) were provided (Form 2)
* Non-certified children (Form 3)
* Non-certified children who were served in a classroom where MHCS were provided (Form 4)

*Certified Children* – Children who have been certified as eligible for child development program subsidized services.

*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.

*Mental Health Consultation Services* – Services provided pursuant to California *Education Code*, Section 8243.

*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.

*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. **The Days of Attendance must not exceed the Days of Enrollment.**

### **Section 1 - Number of Counties Where Services are Provided**

Effective January 1, 2022, agencies must report enrollment and attendance by service county. In AUD 8501, Section 1, report the number of counties where each category of service was provided.

Due to the mid-year reimbursement change, a separate enrollment and attendance form is required for July 2021 – December 2021 and January 2022 – June 2022. For FY 2021–22, the following must be included for each reported service category:

* One Part A (July – December) form for each service category provided.
* A Part B (January – June) form for each county where the service was provided.

For example, if an agency provides services to certified children in one county and services to certified children in classrooms where MHCS were provided in two counties, the AUD 8501 must include the following attachments:

Attachments for certified children without MHCS:

* Form 1A – Enrollment and attendance for certified children for July – December.
* Form 1B – Enrollment and attendance for certified children for January – June.

Attachments for certified children receiving MHCS:

* Form 2A – Enrollment and attendance for certified children in classrooms with MHCS for July – December.
* Form 2B – **County 1’s** enrollment and attendance for certified children in classrooms with MHCS for January – June.
* Form 2B – **County 2’s** enrollment and attendance for certified children in classrooms with MHCS for January – June.

Note that Form 3 and Form 4 are not required in this instance, because the agency did not provide either MHCS or non-MHCS services to non-certified children. For this example, Section 1 reporting would be as follows:



### **Part A (July – December) Forms**

For the period July 1, 2021 – December 31, 2021, enrollment adjustment factors were modified if the agency was enrolled in a pilot program. When completing the Part A (July 1, 2021 – December 31, 2021) form, the pilot program (San Francisco, Santa Clara, or None) must be selected from the drop-down field at the top of page 1 for the correct one-half-time adjustment factors to populate.

Note that column A of the Part A form must match the Cumulative Fiscal Year column in the CPARIS December report. Only one Part A form needs to be completed for each provided service category.

### **Part B (January – June) Forms**

For the period January 1, 2022 – June 30, 2022, enrollment adjustment factors were modified based on service county. When completing the Part B (January 1, 2022 – June 30, 2022) form, the service county must be selected from the drop-down field at the top of page 1 for the correct one-half-time adjustment factors to populate.

Column A of the Part B forms must match the Cumulative Fiscal Year column in the CPARIS June report. Note that the CPARIS June Cumulative Fiscal Year column only includes January 2022 – June 2022 enrollment and attendance, so reporting the information from this column does not result in July 2021 – December 2021 enrollment and attendance being reported in Part B forms. A separate Part B form needs to be completed for each service county.

### **Section 2 - Days of Enrollment, Attendance, and Operation**

*Enrollment and Attendance Form Summary –* Manually sum the total enrollment and attendance from the attached forms to complete the Enrollment and Attendance Form Summary table. The bottom of each form specifies where in Section 2 to include each form’s total enrollment and attendance.

*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 2’s Days of Operation table.

### **Program Revenue**

*(applies to AUD 8501 and 9529)*

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.

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

*County Maintenance of Effort* – 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.”

*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 8207(f).

*Transfer from Reserve* *(does not apply to AUD 9529)* – Report funds transferred from the reserve account to pay for reimbursable expenses. 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.

*Waived Family Fees for Certified Children* – Report family fees waived for certified children pursuant to AB 131. See the following Management Bulletin page for further information: <https://www.cde.ca.gov/sp/cd/ci/mb2112.asp#:~:text=Contractors%20shall%20use%20the%202021%E2%80%9322%20Family%20Fee%20Schedule,are%20to%20be%20paid%20until%20July%201%2C%202022.>

*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.” Interest earned on reserve funds should only be reported in the *Audited Preschool Reserve Account Activity Report*.

### **Reimbursable Expenses**

*(applies to AUD 8501 and 9529)*

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 the amount of payments made to providers through the CSPP contract for services provided through family child care homes (FCCH). 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 Terms & Conditions (CT&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 CT&C defines capitalized equipment as tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the contractor for financial statement purposes, or $5,000. Contractors must obtain preapproval from their Child Development Consultant to expense equipment meeting this definition to a CSPP contract. 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 CT&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).

*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 the lesser of ten percent or the agency’s approved indirect cost rate 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. Complete the appropriate AUD fields to report whether the agency received an approved indirect cost rate and, if applicable, the approved indirect cost rate.

*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.

*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 1000-5000.

*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 restricted income 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 CT&C).

### **Summary**

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

Independent Auditor’s Assurances – Check YES or NO to indicate whether the contractor complied with the CT&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 Specific Instructions

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

### **Reserve Account Background**

Reserve account funds are CSPP contract funds that the agency receives approval to *hold in reserve* until the funds are either spent by the contractor according to applicable CT&C, or returned. CSPP agencies may retain a reserve fund balance equal to 15 percent of the sum of the maximum reimbursable amounts of all CSPP contracts, or two thousand dollars ($2,000), whichever is greater.

Note that California *Education Code* (EC), Section 8336(d), 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, *California Code of Regulations*, Title 5, 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 8336(h), 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 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 Preschool Reserve Account Activity Report*, AUD 9530A, reporting the activity of the reserve account. Note that an AUD 9530A must be included 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.

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

Enter the applicable reserve activity amounts from the prior year’s post-audit CDFS 9530.

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

1. **Beginning Balance (2020–21 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 2020–21 Post-Audit CDFS 9530)**

a. Identify the contract number(s) and dollar amount of funds transferred into the reserve account per Section 4 of the post-audit CDFS 9530.

b. If the post-audit CDFS 9530 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 CDFS 9530 indicated an excess reserve amount was to be billed, enter it here as a positive amount.

**4. Ending Balance per FY 2020-21 Post-Audit CDFS 9530**

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

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

If the audited amount to report in column C differs from the amount reported in column A, enter an appropriate adjustment in column B.

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

a. Enter in Column A the amount of interest reported on this year’s *Preschool Reserve Account Activity Report*, Section 2. The *Preschool Reserve Account Activity Report* can be found in the online Child Development Provider Accounting Reporting Information System (CPARIS).

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 *Preschool Reserve Account Activity Report*.

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 *EC,* Section 8336(e), 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 *Enrollment, Attendance and Fiscal Reporting, and Reimbursement Procedures for Early Education Contracts* (EENFS Fiscal Handbook 2021–22) on the CDE website at [www.cde.ca.gov/fg/aa/cd/documents/fiscalhandbook2122.docx (live.com)](https://www.cde.ca.gov/fg/aa/cd/documents/fiscalhandbook2122.docx).