Ensuring Program Accountability through Effective Fiscal Management in Your Child Care and Development Fund Subsidy Program

Office of Child Care’s 2018 American Indian and Alaska Native Regional Conference
Introductions
Agenda

- Basics of Child Care and Development Fund fiscal administration
- Subsidy program management
- Program budgeting related to subsidy administration
- Layered funding
- Cost allocation plans
- Program accountability
- Tools and resources
Child Care and Development Fund (CCDF) Fiscal Administration
Basics of CCDF Fiscal Administration

- Availability of funds
  - Allotments from the discretionary fund
  - Allotments from the mandatory fund

- Obligation and liquidation

- Reallotment and redistribution
CCDF Allocations for American Indian and Alaska Native (AI/AN) Grantees

Discretionary funds + Mandatory funds* = Total CCDF allocation

*Note: In Alaska, only the 13 entities defined by the Alaska Native Claims Settlement Act may receive mandatory funds.
Discretionary Funds

- Authorized under the Child Care and Development Block Grant Act of 2014
- Include an established per-child amount and a base amount

Child Care and Development Fund, 45 C.F.R. § 98.61(c) (2016).
Mandatory Funds

- Appropriated under section 418 of the Social Security Act
- Include an established per-child amount

Child Care and Development Fund, 45 C.F.R. § 98.62(b) (2016).
Fiscal Year (FY) 2018 Funding for AI/AN CCDF Grantees

<table>
<thead>
<tr>
<th>Mandatory Funds (total base and per child amounts)</th>
<th>Discretionary Funds</th>
<th>Discretionary Base</th>
<th>Discretionary Per Child</th>
<th>Total FY 2018 CCDF Funding for AI/AN Grantees</th>
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<tbody>
<tr>
<td>$58,340,000</td>
<td>$300,495,000</td>
<td>$13,506,000</td>
<td>$286,989,000</td>
<td>$358,835,000</td>
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</table>

2% set-aside from mandatory funds for AI/AN grantees

2.75% set-aside from discretionary funds for AI/AN grantees

additional $156,780,000 in discretionary funds specifically for AI/AN grantees

Total CCDF funding for AI/AN grantees in FY 2018 (more than double FY 2017 funding)

Obligation and Liquidation Requirements

The following **obligation and liquidation** provisions apply to tribal discretionary and tribal mandatory funds:

- After funds are awarded, AI/AN CCDF grantees have 2 years to obligate funds and an additional year to liquidate funds.

- Timeframes begin on October 1, regardless of when award letters are issued. Funds are available for use in more than one fiscal year.

Child Care and Development Fund, 45 C.F.R. § 98.60 (2016).
Definitions: Obligation and Liquidation

- **Obligate**: To commit CCDF funds; for example, through a legally binding agreement, purchase order, contract, or subgrant.

- **Liquidate**: To expend CCDF funds (that is, the payment of funds to a third party as a result of an obligation).

Child Care and Development Fund, 45 C.F.R. § 98.2 (2016).
## Obligation and Liquidation Periods

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<tbody>
<tr>
<td></td>
<td>10/1/15 to 9/30/16</td>
<td>10/1/16 to 9/30/17</td>
<td>10/1/17 to 9/30/18</td>
<td>10/1/18 to 9/30/19</td>
<td>10/1/19 to 9/30/20</td>
<td>10/1/20 to 9/30/21</td>
<td>10/1/21 to 9/30/22</td>
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<td>FY2016</td>
<td>Funds available</td>
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<td>FY2017</td>
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<td>Funds available</td>
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<td>FY2018</td>
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<td>Funds available</td>
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<td>FY 2018</td>
<td></td>
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<td>Obligate by 9/30/19</td>
<td>Liquidate by 9/30/20</td>
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<tr>
<td>FY 2019</td>
<td></td>
<td></td>
<td></td>
<td>Funds available</td>
<td></td>
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<tr>
<td>FY 2020</td>
<td></td>
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<td></td>
<td></td>
<td>Funds available</td>
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</table>

- **Obligate by 9/30/17**
- **Liquidate by 9/30/18**
- **Funds available**
- **Obligate by 9/30/19**
- **Liquidate by 9/30/20**
- **Funds available**
- **Obligate by 9/30/21**
- **Liquidate by 9/30/22**
Allotment and Redistribution

◆ AI/AN CCDF grantees must report to the Secretary of Health and Human Services if they are unable to obligate all of their funds the prior year.

◆ After all the reports are submitted, funds will be reallocated among other AI/AN CCDF grantees.

Child Care and Development Fund, 45 C.F.R. § 98.64 (2016).
Sharing

How do you determine what funds are set aside for direct services?
Subsidy Program Management
How Are Child Care Services Provided?

- Certificate programs
- Tribally operated child care centers
- Contracts and grants

Note: American Indian and Alaska Native (AI/AN) CCDF grantees with small allocations are not required to provide direct services.
Questions to Consider

◆ Certificate programs
  ▪ How are payments to providers made?
  ▪ Who is tracking provider payments and hours and how?

◆ Grants and contracts
  ▪ How are contracts set up with contracted providers?

◆ Tribally operated centers
  ▪ How are funds transferred to tribally operated centers?
Types of Payments

Eligible child care providers are paid for the direct services they provide:

- The subsidy amount that the tribe pays based on the payment rate or “reimbursement rate”
- The family portion of the child care fee, which is called a family copayment, or “copay” or “family fee”

Tribal subsidy payment
+ Parent copayment

Payment to provider
Activity: Payment Processes

Draw a visual representation of your payment process for your subsidy program.
Program Budgeting Related to Subsidy Administration
Funds are awarded through a “notice of grant award” letter by the beginning of each fiscal year (October 1).

By accepting the grant award, AI/AN CCDF grantees agree to comply with the terms and conditions related to the CCDF award.
Program Budgeting Considerations

Administrative Costs (all allocations)
- Organization-wide CCDF management and administration functions
- Maximum of 15% of all expended funds
- Excludes base amount

Quality Spending (all allocations)
- Allowable activities under the CCDF final rule designed to improve the quality and availability of child care
- 7% of all FY 2018 expenditures
- Excludes base amount

Direct Services (medium and large allocations)
- Child care services provided via grants or contracts, certificates (or vouchers), or tribally operated centers
- No less than 70% of remaining discretionary funds, after taking into account funds for quality activities and administrative costs

Nondirect Services
- Program costs that are not direct services to families, quality expenditures, or administrative costs
# Budget Example for Medium-Allocation Grantee, FY 2018

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td><strong>Per-child amount calculation</strong></td>
<td>$520,000 total grant (mandatory and discretionary, including base amount)</td>
</tr>
<tr>
<td></td>
<td>- $30,000 discretionary base amount</td>
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<tr>
<td></td>
<td>= $490,000 per-child amount</td>
</tr>
<tr>
<td><strong>Administrative cap calculation</strong></td>
<td>$490,000 per-child amount x 15% administrative cap</td>
</tr>
<tr>
<td></td>
<td>= $73,500 maximum CCDF funds that can be expended on administrative costs</td>
</tr>
<tr>
<td><strong>Minimum quality expenditure calculation for FY 2018</strong></td>
<td>$490,000 per-child amount x 7% quality minimum expenditure</td>
</tr>
<tr>
<td></td>
<td>= $34,300 minimum CCDF funds that must be spent on quality activities</td>
</tr>
<tr>
<td><strong>Remainder of CCDF funds after administrative cap and quality expenditures are deducted</strong></td>
<td>$520,000 total grant (mandatory and discretionary, including base amount)</td>
</tr>
<tr>
<td></td>
<td>- $73,500 maximum CCDF funds that can be expended on administrative costs</td>
</tr>
<tr>
<td></td>
<td>- $34,300 minimum quality expenditure</td>
</tr>
<tr>
<td></td>
<td>= $412,200 remaining CCDF funds, including the discretionary base amount ($30,000), to be used on direct services, nondirect services, and quality activities</td>
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</tbody>
</table>
Budget Activity
Discussion Question

How is your program’s financial management system structured?
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◆ How many families are you serving?
◆ Average number of children served each month?
◆ How many children total are you serving?
  ▪ In-home provider
  ▪ Tribally operated center
Layered Funding
Blending, Braiding, and Layering
Layering Services and Costs

- **Layer 1:** Core Child Care Services
  - Direct expenses charged to appropriate funding source

- **Layer 2:** Program-Level Enhancements (must not supplant child care funds)
  - Direct expenses charged to EARLY HEAD START–Child Care Partnership

- **Layer 3:** Individual Child Services
  - Shared expenses to be cost allocated
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What are some ways you blend, braid, or layer funds to best serve the children and families in your community?
Cost Allocation Plans
Allowable costs must be:

- **Reasonable**
  - Recognized as ordinary and necessary
  - Comparable to market prices
  - Meet sound business practices, including arm's length bargaining
  - Prudent in light of circumstances
  - Meet established cost practices and are consistently applied

- **Allocable**
  - Are chargeable and assignable
  - Beneficial and distributed using reasonable methods
  - Necessary to the award

- **Adequately Documented**
  - Are verifiable from the nonfederal entities' records

Other
- Conform to limitations and exclusions
- Are consistent with policies and procedures and applied uniformly
- Are accorded consistent treatment
- Meet generally accepted accounting principles (except local and tribal governments)
- Don’t match other federal awards

45 C.F.R. § 75.403-405.
What Is a Cost Allocation Plan?

- A document that identifies, tracks, and calculates costs that are spread across the agency
- Provides control over and accountability for funds, property, and other assets
- Cost allocation is an important part of effective fiscal management
Cost Allocation Plan Basics

- Affects planning, budgeting, reporting, internal controls, and monitoring
- Provides an accurate picture of how organization spends funds and uses nonfederal match
- Documents shared costs to operate—indirect costs
  - Use of buildings and equipment, including repairs
  - Utilities
  - Personnel costs—salaries, benefits
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- Does your program have any cost allocation plans in place?
- Do you need help drafting one?
Program Accountability
Program Accountability

- Effective internal controls to ensure integrity and accountability
- Processes to ensure sound fiscal management
- Processes to identify areas of risk
- Processes to train providers and program staff on requirements
- Regular evaluation of internal control activities
Improper Payments

- An improper payment is any CCDF payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) based on statute or policy.

- Grantees are required to recover improper payments that are a result of fraud.
Recovering Improper Payments

- Repayment plan
- Reduce payments in future months
- Tax intercepts
Imposing Sanctions

- AI/AN CCDF grantees are required to impose sanctions on clients and providers in response to fraud
- They are also required to provide an appeal process
Sharing

What are some successful program accountability strategies that you’ve put into place in your program?
Tools and Resources

- **American Indian and Alaska Native Child Care and Development Fund: Guide to Financial Management, Grants Administration, and Program Accountability**

- Subsidy Administration Resource List (handout)
# Common Fiscal Terms and Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Term</th>
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<tbody>
<tr>
<td>CAN</td>
<td>Common accounting number</td>
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<tr>
<td>CCDBG</td>
<td>Child Care and Development Fund Block Grant</td>
</tr>
<tr>
<td>CCDF</td>
<td>Child Care and Development Fund Program</td>
</tr>
<tr>
<td>CFDA</td>
<td>Catalog of Federal Domestic Assistance</td>
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<tr>
<td>C.F.R.</td>
<td>Code of Federal Regulations</td>
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<tr>
<td>EIN</td>
<td>Employer identification number</td>
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<tr>
<td>IDC</td>
<td>Indirect cost</td>
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<tr>
<td>MOA</td>
<td>Memorandum of agreement</td>
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<tr>
<td>MOU</td>
<td>Memorandum of understanding</td>
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<tr>
<td>PMS</td>
<td>Payment management system</td>
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<tr>
<td>RFQ</td>
<td>Request for quotes</td>
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Questions
Reflective Evaluation

What worked today?  

What do we want more of?