



FISCAL MANAGEMENT AND OVERSIGHT OF HEAD START GRANTS PART II

**Sandy, Utah
January 22, 2010**

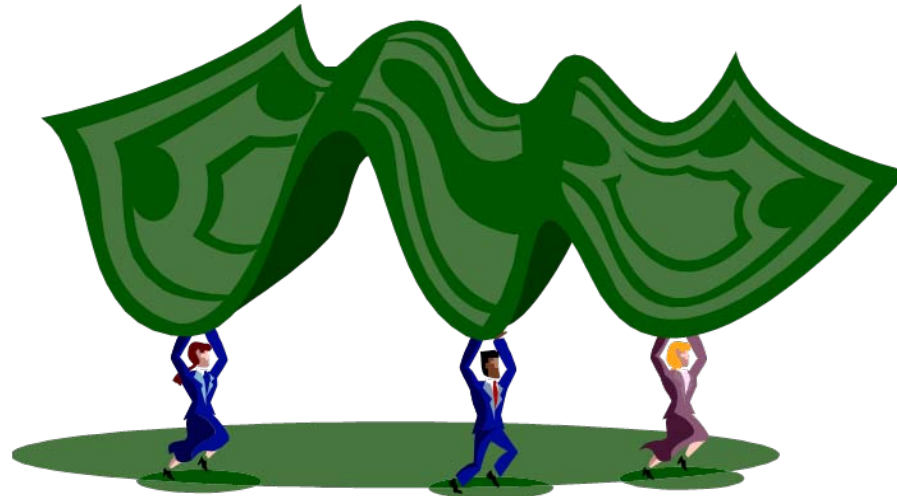
Session Highlights

In this session we will cover:

- **Cost Allocation**
- **Administrative
Costs/Indirect Costs**
- **Non-Federal Share**
- **Reporting**

Cost Allocation

WHAT IS IT AND WHEN DO WE NEED IT?



Cost Allocation

- ▶ The process of assigning to two or more programs the costs of an item shared by the programs (e.g., space)
- ▶ The goal is to ensure that each program bears its fair share of the total cost of the item
- ▶ For purposes of cost allocation in Head Start grantee agencies, cost allocation refers to the allocation of costs to various sources of funding, not to accounting categories
- ▶ Cost allocation plan:
 - A written account of the methods used by the grantee agency to allocate shared costs to its various funding sources

The Basics of Cost Allocation

- ▶ Cost allocation is defined as:
 - The process of assigning to two or more programs the costs of an item shared by the programs.
(from ECLKC Fiscal section)

- ▶ Cost allocation ensures that Federal funds are used to benefit the program for which the funds were awarded and that each program bears its fair share of the total costs.

Cost Allocation Plans: When They Are Necessary

- ▶ A program cost must be analyzed to see if two or more programs are *sharing the same resource*.
 - Space
 - Staff
 - Transportation
 - Supplies
 - *IM-01-06, and IM-01-13*

The Basics of Cost Allocation

- ▶ Cost allocation is required only in situations in which Head Start resources are shared with another program which is not Head Start, and when a program receives funds from two different Head Start streams (e.g., HS and EHS).
 - This would include a program which may be similar to Head Start, but is not providing the full range of Head Start services.
 - ARRA considerations

Top Cited Issues Related to Cost Allocation in FY 2007-2009 (YTD)

1. Costs NOT allowable, allocable and reasonable
2. Time record procedures do NOT allow for allocation
3. Allocation base does NOT best measure relative degree of benefit

Requirements Associated with Cost Allocation

Requirements: Cost Allocation

▶ Factors affecting allocability

2 CFR 230, Appendix A(A)(4)(a)(1-3); 2 CFR 230, Appendix A(A)(4)(b);
2 CFR 225, Appendix A(C)(3); 2 CFR 220, Appendix (C)(3);

- A cost is allocable to a particular cost objective in accordance with the relative benefits received.
- Additionally, allocable costs must:
 - » Be incurred specifically for the award
 - » Benefit both the award and other work
 - » Be necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown
 - » May not be shifted to other awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award

Requirements: Cost Allocation

- ▶ All grantees MUST have written policies and procedures describing their cost allocation methodology.
 - 74.21(b)(6)
 - 92.20(b)(5) – not written

- ▶ REMEMBER:
 - Grantees should also have clear, written documentation of:
 - Staff who are shared with more than one program.
 - Job descriptions of shared staff that show benefit to HS/EHS programs.

Allocability of Cost: Cost Allocation Plans

- ▶ List the sources of Federal and other revenue for the program, supported by historical or other data to substantiate the amounts.
- ▶ Describe how many of the total number of Head Start enrollees are covered by Federal Head Start funds in the cost allocation plan, if the agency is serving children with funds from more than one source.
- ▶ Describe the methods used to determine the allocation of the costs of shared resources to the various funding sources.
- ▶ Specify the basis for allocating costs within specific cost categories (personnel, space, supplies) and provide a description for how expenditures within the major cost categories will be allocated and recorded in the grantee agency's accounting system.

Unacceptable Methods for Allocation

- ▶ Budgeted amounts
- ▶ Ratio of funds received
- ▶ Estimates of time spent on a program or activity
- ▶ New funds are used only for the increased incremental cost
- ▶ Dividing up the resources and claiming the share
- ▶ Primary concept of “it is the responsibility of that program anyway, so that program can pay for it”

Best Practices: Cost Allocation

- ▶ A cost allocation plan or methodology should:
 - List the sources of Federal and other revenue (please keep in mind that costs cannot be allocated solely on the basis of revenue);
 - Describe how many of the total number of Head Start enrollees are covered by Federal Head Start funds;
 - Describe the methods used to determine the allocation of the costs of shared resources to the various funding sources
 - Include a rational and reasonable approach to shared costs:
 - Percent of time worked (personnel)
 - Proportional share of space used (facilities)
 - Head count (office supplies)
 - Days or hours of service
 - Specify the basis for allocating costs within specific cost categories.

Best Practices: Cost Allocation

- ▶ Additionally, a sound methodology must:
 - Be consistent
 - Not be overly complex
 - Simple is easier to follow and explain
 - Be justifiable
 - Tie back to actual, when possible (e.g., % of time worked)

Best Practices: Cost Allocation

- ▶ Typical challenge: Properly accounting for ‘dual benefit’ costs.
 - Costs that are both programmatic and administrative.
- ▶ How is your program handling these?

Resources: Cost Allocation

- ▶ HHS Division of Cost Allocation Website
 - <http://rates.psc.gov/>
- ▶ ECKLC (<http://eclkc.ohs.acf.hhs.gov/hslc>)
 - Information Memoranda (NOTE: These IMs are currently under review by OHS)
 - Financial Management Issues in Head Start Programs Utilizing Other Sources of Funding
 - ACYF-IM-HS-01-06
 - Budgeting for Partnerships Between Child Care & HS
 - ACYF-IM-HS-01-13

Administrative And Indirect Costs

The Basics of Indirect Costs

Indirect costs are the shared costs incurred by an organization that may not be readily identifiable with a particular project or program but are necessary to the overall operation of the organization and the performance of its programs.

(from ECLKC)

The Basics of Indirect Costs: Additional Indirect (and Direct) Terminology

- ▶ **Indirect cost rate** means the ratio, expressed as a percentage, of an organization's total indirect costs to its direct cost base.
- ▶ **Indirect cost** is the documentation prepared by a recipient to substantiate its claim for the reimbursement of indirect costs.
- ▶ **Direct cost** means those costs that can be identified specifically with a particular project, program or activity (i.e., a particular award, project, service, or other direct activity of an organization).
- ▶ **Direct cost bases** are normally the total direct costs less exclusions on salaries plus fringe benefits.

The Basics of Indirect Costs

- ▶ Indirect costs are allowable only when a grantee has an approved indirect rate agreement.
 - In the absence of an approved agreement, everything is treated as a direct cost. The grantee must in all cases establish the allocability of direct costs.
 - ✦ For example, an indirect rate would be required to allocate central administrative costs to programs based on total program expenses. There is not a strong causal relationship between program expenses and central administrative costs. A program with high expenditures may also require little in the way of central administrative services. In the absence of an approved indirect rate, central administrative salaries should be allocated based on actual activity as reflected in a personnel activity report.

The Basics of Indirect Costs

- ▶ Common examples of indirect costs:
 - General management
 - Fringe benefits of administrative staff
 - General organizational expenses
 - Administrative services
 - Depreciation or use allowances on buildings and equipment

The Basics of Indirect Costs

- ▶ Types of Indirect Cost Rates
 - Provisional/final rates
 - Negotiated with HHS
 - Fixed rate with carry-forward
 - State and tribal governments
 - Predetermined rate
 - Rare, exception

Monitoring Findings Related to Indirect/Administrative Costs

Top Cited Issue Related to Indirect Costs in FY 2007-2009 (YTD)

1. EXCEEDED limitations on development and administrative costs

NO citations for indirect costs not supported by indirect cost rate

Requirements Associated with Indirect Costs

Requirements: Indirect Costs

- ▶ Indirect Costs
 - 2 CFR 230, Appendix A(C)
 - 2 CFR 225, Appendix A(F)
- ▶ Allocation of Indirect Costs and Determination of Indirect Cost Rates
 - 2 CFR 230, Appendix A(D)
- ▶ Negotiation and Approval of Indirect Cost Rates
 - 2 CFR 230, Appendix A(E)
- ▶ Cost Allocation and Rate Disputes
 - 45 CFR Part 16, Appendix A, Section D

Guidance: Indirect Cost Rate

- ▶ The Indirect cost rate(s) is the ratio (percentage) between the indirect costs and a direct cost base.
 - Direct cost base may be:
 - Direct salaries or wages,
 - Direct salaries plus fringe benefits, or
 - Total direct costs excluding capital expenditures and other distorting items.

- ▶ The approval process will finalize:
 - Direct cost base (and types and amounts of items excluded)
 - Indirect cost rate

Guidance: Establishing Indirect Cost Rates

- ▶ Submit an indirect cost proposal.
 - See the indirect cost guide based on your type of organization for guidance on the preparation and submission of proposals.
- ▶ The Regional Division of Cost Allocation (RDCA) reviews proposals and negotiates the indirect cost rate.
- ▶ The results of each negotiation will result in the indirect cost rate agreement.
- ▶ Indirect cost rate agreement must be negotiated annually.
 - Grantees will first get a provisional rate (based on estimates) and then a final rate (based on actual budget).

Best Practices: Indirect Costs

- ▶ Ensure that costs are allocated appropriately.
- ▶ Follow appropriate procedures to obtain new indirect cost rates annually.
- ▶ Maintain supporting documentation.
- ▶ Develop a working relationship with your Division of Cost Allocation (DCA) Negotiator.

Requirements Associated with Administrative Costs

A Word on Administrative Costs

Not the same as Indirect Costs

Requirements: Administrative Costs

- ▶ Administrative costs

- 45 CFR 1301.32

- Related to overall management of the program

- Examples provided in the Requirements:

- Organization-wide management functions

- » Planning, coordination and direction
 - » Budgeting, accounting, and auditing
 - » Management of purchasing, property, payroll and personnel

- Have specific reporting requirements

Requirements: Administrative Costs

- ▶ Administrative costs must not exceed 15% of total approved program costs without a waiver.
 - 45 CFR 1301.32(a)(1)
- ▶ Administrative costs exceeding 15% must:
 - Be covered by another funding source.
 - Be reduced by the grantee to remain at or below 15%.
- ▶ If a non-Federal funding source pays the excess indirect costs, that amount may be applied as a grantee agency's matching requirement, as long as the 15% limitation is not exceeded.

Resources: Indirect/Administrative Costs

- ▶ ECLKC
 - <http://eclkc.ohs.acf.hhs.gov/hslc>
- ▶ HHS Division of Cost Allocation Website
 - <http://rates.psc.gov/>

Resources: Indirect/Administrative Costs

Available on ECLKC (<http://eclkc.ohs.acf.hhs.gov/hslc>)

▶ Policy Clarifications

- Relationship Between Indirect Cost Rates and Administration and Development Costs

OHS-PC-A-26

- Allocating Non-Federal Share and Administrative Costs across Head Start and Early Head Start Programs

OHS-PC-A-34

- Record Retention

OHS-PC-F-001

▶ Program Instructions

- Statutory Requirement Regarding Compensation of Head Start Staff

ACF-PI-HS-08-03

Tips for Grantees

Allocable, Reasonable, Allowable.

Know which requirements fit your organization.

Reasonableness – stay out of the newspaper.

Cost Allocation: be fair to each program.

Get those time studies/activity reports in on time!

Don't go crazy with allocation formulas. Keep it simple.

Non-Federal Share



The Basics of Non-Federal Share

- ▶ This is NOT about Funny Money!!
- ▶ Non-Federal costs are REAL costs.
 - Program costs can either be Federal or non-Federal.
 - Non-Federal costs consist of in-kind or cash, but they are always **COSTS**.
 - As with any program costs, non-Federal costs must pass the test:
 - Allocable?
 - Reasonable?
 - Allowable?

The Basics of Non-Federal Share

“Non-Federal share ensures community investment.”

Definitions

- ▶ Cost sharing or matching: that portion of a project or program cost not borne by the Federal government (the grantee's share of the cost)
- ▶ Third party in-kind contributions: the value of non-cash contributions provided by non-Federal third parties

Requirements Associated
with
Non-Federal Share

Requirements: Non-Federal Share

▶ Non-Federal Share Requirements

– Head Start Act, Section 640(b); 45 CFR 1301.20(a)

Federal costs for a Head Start program shall not exceed 80% of the approved total Head Start program costs.

Grantee must provide 20% of the total costs of the Head Start program unless a waiver has been granted.

Grantee that does not meet the required 20% (or other approved match amount), runs the risk of having a disallowance.

– *REMEMBER*

When a grantee proposes a non-Federal match in their grant application of more than the required 20% and the FAA reflects the higher match percentage, then the grantee is required to provide the higher match amount.

Requirements: **Non-Federal Share Waivers**

- ▶ Waivers for Non-Federal Share
 - Head Start Act, Section 640(b)(1)-(5)

Waivers may be granted for the following reasons:

- Lack of community resources
- Impact of cost an agency may incur in the early days of the program
- Impact of an unanticipated increase in cost
- Community affected by disaster
- Impact upon the community if the program is discontinued

For example, if a grantee receiving a large program improvement grant supplement feels that it may be difficult to fully match with non-Federal share, the grantee's request for a waiver should accompany the application for funding.

Requirements: Matching

▶ Matching Requirements

- 45 CFR 92.24 & 45 CFR 74.23

Matching can be in the form of in-kind services or cash

In-kind contributions must be provided and cash expended during the project period along with Federal funds.

- REMEMBER

In-kind contributions can only be counted towards the matching requirement of ONE Federally funded award

The non-Federal share is cumulative across programs and must be satisfied 'overall,' not for each HS and EHS program

It never hurts to exceed the match requirements, but grantees must meet the match they have proposed!

Cash is counted when expended

Requirements: Documentation

- ▶ Non-Federal share documentation must:
 - Be verifiable from grantee's records.
45 CFR 74.23(a)(1) and 45 CFR 92.24(b)(6)
 - Include the source and application of cash match, services received and donations of supplies and equipment.
45 CFR 74.23(a)(3)-(5) and 45 CFR 92.24(a)(1)
 - Be maintained on a regular basis.
Head Start Act, Section 642(d)(2)
45 CFR 74.21(b)(1), 45 CFR 74.23(i)(1), 45 CFR 92.20(b)(1) and 45 CFR 92.24(b)(6)
e.g. Monthly time sheet for regular volunteers or daily time sheets for occasional volunteers.

Requirements: In-Kind Contributions

▶ Allowable in-kind contributions

- Described in the Head Start Program Standards.

Any cost or in-kind contribution directly associated with the activities listed in these standards is allowable.

Funds received from Federal sources are not allowable unless there is specific, statutory language allowing this use of Federal funds.

- For example, you can use State money as part of your cash match, if the original source of this State funding is NOT Federal.
- Also, see 45 CFR 92.24(b)(7)(i)-(iv) and 45 CFR 74.23(a)(1)-(5)

Requirements: Cash Match

- ▶ Program Income Used to Finance Non-Federal Share

- 45 CFR 74.24(b)

Program income earned during the project period shall be retained by the recipient and, in accordance with the terms and conditions of the award, shall be used in one or more of the following ways:

- Added to funds committed to the project or program, and used to further eligible project or program objectives;
 - Used to finance the non-Federal share of the project or program; or
 - Deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based.

- 45 CFR 92.24(b)(4), 45 CFR 92.25(g)

Costs financed by program income, as defined in Sec. 92.25, shall not count towards satisfying a cost sharing or matching requirement unless they are expressly permitted in the terms of the assistance agreement. (This use of general program income is described in Sec. 92.25(g).)

Requirements: Donated Equipment

- ▶ Donated/Loaned Equipment Valuation

- 45 CFR 74.23(h)(2); 45 CFR 74.23(h)(4)
- 45 CFR 92.24(d)(2); 45 CFR 92.24(e)

Donated equipment is defined as having a fair-market value greater than \$5,000 and a useful life longer than a year.

May be valued at the market value of the equipment at the time of the donation, if prior written approval is received from ACF.

If the grantee donates the equipment, only depreciation or use-allowance can be counted as match.

- REMEMBER

Temporary use of equipment may be donated, as well.

- For example, the grantee may have a tympanometer it allows Head Start to use but does not want to permanently give to Head Start, as it hopes to one day re-open its community health room.

Requirements:

Records for Donated Equipment

- ▶ Donated equipment used as match is subject to equipment regulations.
 - 45 CFR 74.34 and 45 CFR 92.32.
 - Include donated equipment in inventory.
 - Property records should include:
 - A description of the equipment.
 - Reference to the proposed use in the program and the condition at time of receipt.

Requirements: Valuing Donated Supplies

- ▶ Valuing Third-Party Donations of Supplies

- 45 CFR 74.23 and 45 CFR 92.24

Third-party donations of supplies should be valued at their fair market value at the time of donation.

Donations of supplies to be used as gifts, prizes and awards are NOT allowable.

- Value of such items can be counted as match only if the program would otherwise have had to purchase the items to implement the program objectives.

- REMEMBER

A common area of noncompliance involves items for personal use offered as non-Federal share.

Requirements: Volunteer Services

- ▶ Valuing volunteer services

- 45 CFR 74.23 and 45 CFR 92.24

Professional and technical personnel, consultants, and other individuals, such as Head Start parents may furnish volunteer services.

Service may be counted, if the service is an integral and necessary part of the program.

- **REMEMBER:**

Services provided must benefit the program, not individual children/families, unless the services for individual children /families were determined to be integral and necessary parts of the program.

To count volunteer's time as match, volunteers must provide a service to and not receive a service from the program.

Caution!! Remember ...

- ▶ If a volunteer's time is being paid under another Federal grant, it may not be used for match.
- ▶ A volunteer's time for any single event may not be counted as match for more than one grant.

Requirements: Valuation of Donated Property

- ▶ Grantee owned space
 - Is based on either depreciation or use allowance
 - § 230 App B(11)(a)-(b) and § 225 App B(11)(a)-(b)
 - Depreciation schedule
 - 39 years useful life
 - § 225 App B(11)(d)(1) and § 225 App B(11)(f)(1)
 - §230, Appendix B(11)(d)(1) and §230, Appendix B(11)(g)(1)

- ▶ Third Party owned space
 - 45 CFR 74.23(h)(3) and 45 CFR 92.24(g)
 - Must have certified appraisal
 - Grantee must certify the appraisal value
 - Outdoor space must also be appraised

Computation of Non-Federal Share

- ▶ The normally required 20 percent of the total grantee budget (Federal funds plus non-Federal share) is the same as 25 percent of the Federal funds.
- ▶ An alternative method of calculation is: Federal funds divided by the Federal share percentage minus the Federal funds equals the non-Federal share.

Computation of Non-Federal Share (cont.)

- ▶ For example, if the match is 20%:

Federal funds: \$1,000,000

Non-Federal share: $\$1,000,000 / 0.8 =$
 $\$1,250,000$ minus

- \$1,000,000, the Federal share

= \$ 250,000, the non-Federal share.

Computation of Non-Federal Share (cont.)

- ▶ This could be verified as:

Federal share = \$1,000,000

Non-Federal share = \$ 250,000

Total cost = \$1,250,000 X 20% = \$250,000

- ▶ The required non-Federal share for a budget period is calculated at the close of the period based upon the Federal funds expended.

General Principles

- ▶ Necessary, reasonable, allocable and allowable (i.e., basic cost principles)
- ▶ Supports an activity in program plans and Head Start Program Performance Standards.
- ▶ Something program *could* legally and appropriately spend Federal dollars on.
- ▶ Something program *would* normally spend Federal dollars on.
- ▶ Service performed *by* the donor *for* the program, not *by* the program *for* the recipient.

Monitoring Findings Related to Non-Federal Share

Top Cited Non-Federal Share Issues among in FY 2007-2009 (YTD)

1. Non-Federal share NOT verifiable from documentation
2. Claimed non-Federal share NOT allowable and reasonable
3. Federal Share EXCEEDS 80% without a waiver

REPORTING



The Basics of Reporting

▶ Reporting:

- Allows for informed decision-making and active involvement
- Is necessary for monitoring financial expenditures and program operations
- Identifies potential risks
- Accurate and timely reports are only possible when a strong record keeping system exists
- Provides checks and balances by keeping everyone in the loop
- Increases accountability

Monitoring Findings Related to Reporting

Top Cited Issues Related to Reporting

in FY 2007-2009 (YTD)

1. Reporting to the IRS and other Federal, State and local entities (untimely and inaccurate)*
2. Reporting to the Governing Body, Policy Council, and staff (not periodic, inclusive or detailed)
3. Grantee financial reports and accounting records (not current, accurate or available)
4. Governing body did not receive T/TA related to understanding financial reports

Requirements Associated with Reporting

General Reporting Requirements

Reporting System

- 1304.51(h)(2)

Reporting systems. Grantee and delegate agencies must establish and maintain efficient and effective reporting systems that: generate official reports for Federal, state, and local authorities, as required by applicable law.

Reporting to Governing Body/Tribal Council, Policy Council, and staff

- 1304.51(h)(1)

Generate periodic reports of financial status and program operations in order to control program quality, maintain program accountability, and advise governing bodies, policy groups, and staff of program progress.

***While these regulations are applicable, grantees must also meet the additional and more specific reporting requirements found in the Head Start Act.**

Reporting Requirements-

Reporting to the Governing Board/Tribal Council and Policy Council

Reporting Requirements - Reporting to the Governing Board/Tribal Council and Policy Council

- ▶ HS Act: 642(d)(2)(A) – (I)
 - Each Head Start agency shall ensure the sharing of accurate and regular information for use by the Governing Body and the Policy Council, about program planning, policies, and Head Start agency operations.
 - This standard requires the provision of several new reports, like credit card transactions, to the governing bodies.

Financial Statements

- ▶ Actual expenditures compared to budget
 - Variances should be analyzed
- ▶ Reports should be received monthly on a **timely basis**
- ▶ Should be in sufficient detail to provide for program oversight
- ▶ Reports should be understandable
- ▶ Communicated to appropriate governing body (e.g., Board of Directors, Tribal Council (1304.51(h)(2))).

Financial Statements (cont.)

- ▶ Financial statements must be provided to Policy Council with the opportunity for input and discussion to financial matters
- ▶ Financial statements must be provided to staff responsible for oversight of program operations (1304.51(h)(1)).
- ▶ Financial statements must be reconciled against the general ledger and verifiable from financial data (92.20(b)(6) and 74.21(b)(7)).

Reporting Requirements - Reporting to the Governing Board/Tribal Council and Policy Council

- ▶ Monthly - SEC.642(d)(2)(A)-(D)
 - Monthly financial statements, including credit card expenditures
 - Monthly program information summaries
 - Program enrollment reports, including attendance reports for children whose care is partially subsidized by another public agency
 - Monthly reports of meals and snacks provided through USDA programs

- ▶ Annual - SEC.642(d)(2)(E)-(G)/(I)
 - The financial audit
 - The annual self-assessment, including any findings related to such assessment
 - The communitywide strategic planning and needs assessment of the Head Start agency, including any applicable updates
 - The program information reports

- ▶ As available - SEC.642(d)(2)(H)
 - Communication and guidance from the Secretary

Reporting Requirements - Gov Body/Tribal Council's role in establishing report guidelines

- ▶ Head Start Act: 642(c)(1)(E)(iv)(IV)
 - The Governing Body is responsible for establishing procedures and guidelines for accessing and collecting information in reports received by the Governing Body/Policy Council.

Reporting Requirements - Supporting Gov Body/ Tribal Council/Policy Council's use of reports

- ▶ Head Start Act: 642(d)(3); 1304.52(l)(4)

- Provide training and technical assistance to ensure members:

- Understand information in reports.

- Use information effectively to oversee and participate in the programs of the Head Start agency.

Governing Board/Tribal Council and Policy Council Requirements – Related to Reporting

- ▶ Governing Body/Tribal Council responsibilities include:
 - Head Start Act: 642(c)(1)(E)(iv)
 - Reviewing all applications for funding and amendments
 - Reviewing and approving all major policies of the agency
 - Approving financial management, accounting, and reporting policies
 - Approving major financial expenditures
 - Annual approval of the operating budget
 - Selection of independent financial auditors
 - Monitoring of the agency's actions to correct any findings and comply with laws and regulations
 - Reviewing results from monitoring including follow-up activities
 - Approve compensation policies and personnel policies and procedures
- ▶ Policy Council Members responsibilities include:
 - Head Start Act: 642(c)(2)(D)
 - Applications for funding and amendments to applications for funding for programs
(*prior* to submission of applications)
 - Budget planning for program expenditures

Best Practices-

Reporting to the Governing Body/Tribal Council and Policy Council

Best Practices - Reporting to the Governing Body/Tribal Council and Policy Council

- ▶ For reports to be meaningful, they must include:
 - Budget to actual comparisons
 - Non-Federal share reporting
 - Administrative cost reporting
 - Breakouts by cost categories, as reflected on the FAA
 - Reporting of any one-time funding for which the Head Start agency is accountable (e.g. one-time money for buildings, vehicles)
 - Translations, when necessary

For programs with Board/PC members whose preferred or primary language is a language other than English.

Best Practices - Reporting to the Governing Body/Tribal Council and Policy Council

- ▶ Governing Body/Tribal Council and Policy Council need to understand the content of the reports.
 - CFO should make themselves available to the Board and Policy Council.
 - To act as a resource.
 - To foster understanding of the role and importance of accounting and budgeting.

Best Practices - Reporting to the Governing Body/Tribal Council and Policy Council

- ▶ Staff, Governing Body/Tribal Council members, and Policy Council members need to have TIME to:
 - Digest information in reports
 - Think critically and ask questions
 - Discuss the implications of the numbers
 - Tie the information in the reports back to the bigger picture (program goals, objectives and overall operation)

Reporting Requirements-

Reporting to HHS Awarding Agencies and the IRS

Reporting Requirements - Reporting to HHS Awarding Agencies and the IRS

- ▶ Financial reports required by HHS awarding agencies
 - Head Start Act Sec. 647(c)(1)-(3)
 - Complete accounting of the recipient's administrative expenses
 - Additional documentation, as the Secretary may require
 - Copy of audit management letter and of any audit findings

- ▶ Other reports required by HHS awarding agencies
 - Head Start Act Sec. 641A(h)(2)(A)-(B); 644(a)(2)
 - Annual report to the public
 - Enrollment reporting

Elements Defined in Regulation

- ▶ *Accurate, current and complete* disclosure of the financial results of each federally sponsored project or program. The grantee may maintain its records on a *cash or accrual basis* (45 CFR 74.21(b)(1) or 92.20(b)(1)).
- ▶ **Records that document the source and application of Federal funds**
 - Awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest (45 CFR 74.21(b)(2) or 92.20(b)(2)).
 - The records must permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes (45 CFR 92.20(a)(2)).

Systems Standards for Financial Management

- ▶ 45 CFR Part 74.21
- ▶ 45 CFR Part 92.20
- ▶ Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or sub-grant

Reporting Requirements - Reporting to HHS Awarding Agencies and the IRS

- ▶ Financial reports required by IRS
 - 1304.51(h)(2)
- ▶ Financial reports required by HHS awarding agencies
 - 74.52(a)-(b)

***While these regulations are applicable, grantees must also meet the additional and more specific reporting requirements found in the Head Start Act.**

Reporting Requirements- Reporting to HHS Awarding Agencies and the IRS

- ▶ Annually
 - Audits A-133(200)(a); A-133(320)(a); A-133 Compliance Supplement; HS Act Sec. 647(c)(2)
 - Annual Report to the Public HS Act Sec.644(a)(2); 644(a)(2)(A)-(H)
 - IRS 5500 1304.51(h)(2)
 - IRS 990 (for non-profits) 1304.51(h)(2)
- ▶ Semi-Annually
 - SF-269 or SF-269A, Financial Status Report 74.52(a)(1)
- ▶ Quarterly
 - PMS-272, Report of Federal Cash Transactions 74.52(a)(2)
 - SF-425, Federal Financial Report
 - IRS 941 1304.51(h)(2)
- ▶ Monthly
 - Enrollment Reports HS Act 641A(h)(2)(A)-(B)
 - USDA Reports 1304.51(h)(2)

Resources

- ▶ ECLKC
 - <http://eclkc.ohs.acf.hhs.gov/hslc>
- ▶ Grantees' Financial Assistance Awards
 - Contains references to reporting requirements
- ▶ Division of Cost Allocation web-site
 - <http://rates.psc.gov/>
 - Exploration of indirect cost rates
- ▶ OMB Circulars
- ▶ Head Start Act of 2007

PIs, IMs, and PCs

- ▶ Monthly Enrollment Reporting
 - ACF-PI-HS-08-06
- ▶ Head Start Compliance Supplement to Office of Management and Budget (OMB) Circular A-133
 - ACYF-IM-HS-99-11
- ▶ Reporting Obligations on the SF-269
 - OHS-PC-A-036
- ▶ Record Retention Requirements
 - OHS-PC-F-001

QUESTIONS?