



Financial Essentials for Head Start

National Indian Head Start Association Conference

June 17, 2026

Part I: 8:30 a.m. - 11:30 a.m.

Part II: 1:00 p.m. – 4:00 p.m.



Head Start Regional TTA Network

Welcome



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One Decision, Big Impact



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Why is it important for everyone to know about fiscal?



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Standard Terms and Conditions

Federal awards are subject to legally binding requirements called terms and conditions (T&Cs).

By acceptance of awards for this program, the recipient agrees to comply with the requirements included in both the Standard and Supplemental Terms and Conditions for this program.

This Includes:

- HS Act
- HSPPS
- Uniform Administrative Requirements, Cost Principles, and Audit Requirements
- Financial Reporting
- Program Reporting (PIR)
- Property Reporting



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Grants Policies and Regulations

[Head Start Program Performance Standards | HeadStart.gov](#)



[Head Start Act | HeadStart.gov](#)

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[Grants Policies & Regulations | HHS.gov](#)



[2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)



Getting Started with Fiscal Terms in Head Start



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Allowable Costs



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Allowability



An **allowable cost** is a cost that meets federal requirements for necessity, reasonableness, allocability and allowability.

An **unallowable costs** is a cost that cannot be charged to a federal award.



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Cost Principles cont.

Necessary

- A cost is necessary if it is generally recognized as ordinary and essential for the program to operate.



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Cost Principles cont.

Reasonable

A cost is reasonable if it:

- Is prudent in light of circumstances.
- Represents sound business practices.
- Demonstrates arm's length bargaining
- Aligns with established practice.



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Cost Principles cont.

Allocable

A cost is allocable if it:

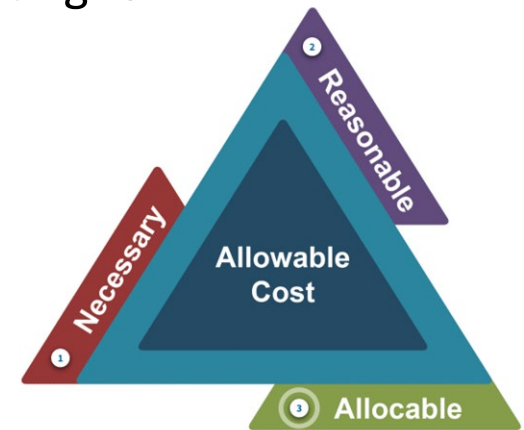
- Reflects the relative benefits received by the program.
- Is treated consistently across all funding sources compared to other costs.



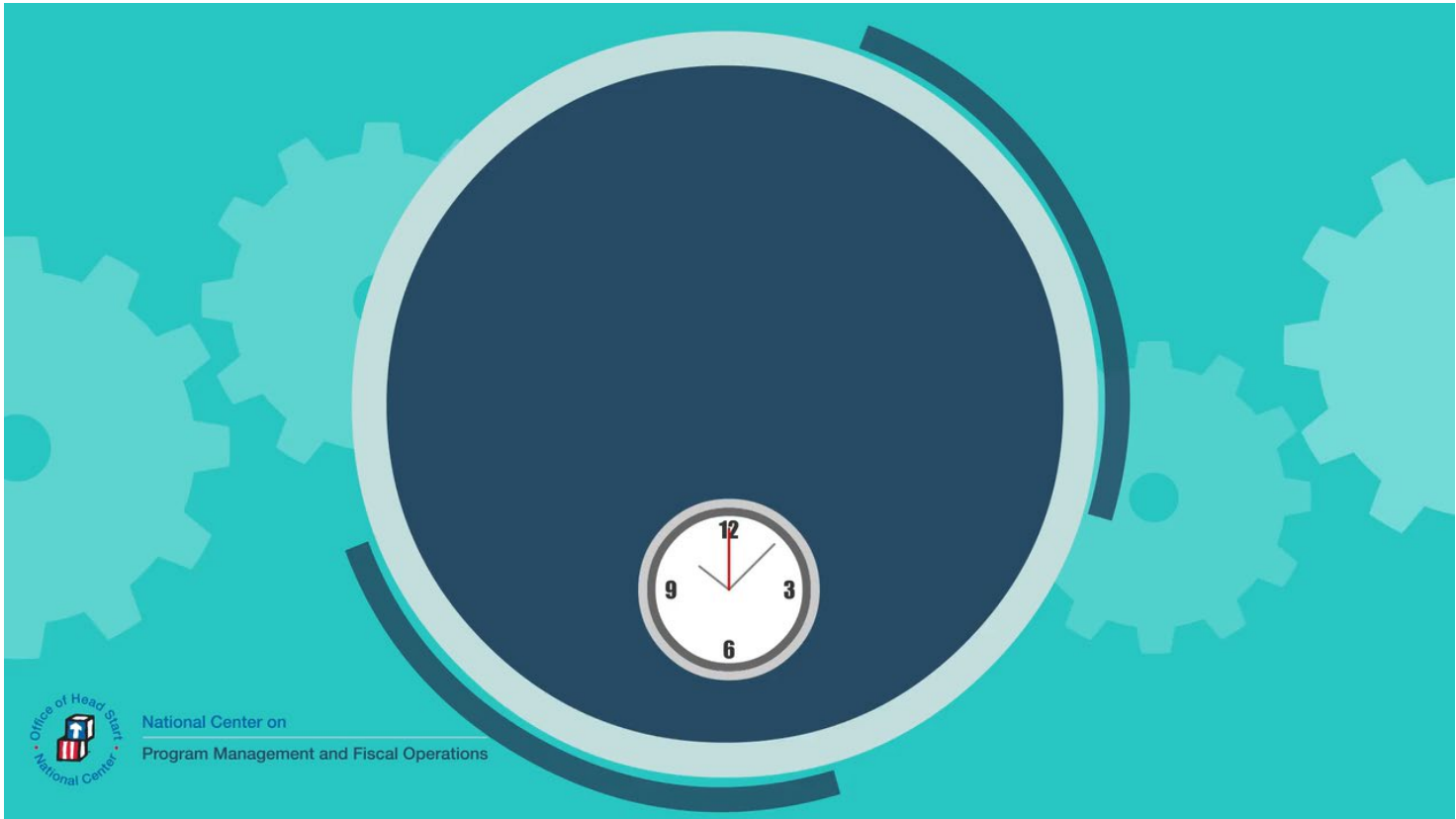
Unallowable Costs

All costs must support program and administrative operations, so some costs are not allowable, such as:

- Alcoholic beverages
- Bad debts
- Advertising (other than help-wanted ads or marketing for ERSEA services)
- Contributions/donations
- Entertainment
- Fines and penalties



Cost Principles That Guide Head Start Grants Management



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These materials were developed for OHS/Region XI Training and Technical Assistance Network under Contract No. 140D0425C0027 by ICF.



Allowable or Not?





Classifying Costs



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Direct Costs



Direct costs are those costs that can be identified specifically with a particular service or activity that benefits children and families served by the program.

Direct costs:

- Clearly and directly support the implementation of a program or service
- Are easily identified with a high degree of accuracy
- Pertain to just one program or award, or
- Are shared across more than one program or award



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Indirect Costs



Indirect costs must be classified within two broad categories:

Facilities: depreciation on buildings, equipment, and capital improvement.

Administration: general administration and general expenses such as the executive director's office, accounting, personnel, auditing services, and all other types of expenditures not listed specifically under one of the subcategories of facilities.



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Indirect Costs cont.



Negotiated Indirect Cost Rate (NICRA)

If you apply for an indirect cost rate, you will receive a rate designation from your federal cognizant agency. This is the federal agency responsible for negotiating and approving indirect cost rates on behalf of all federal agencies.

- Provisional
- Predetermined Rate
- Fixed Rate
- Final Rate

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Administrative Costs



Administrative Cost Limitation

Allowable costs to develop and administer a Head Start program cannot exceed 15% of the total approved program costs, which includes both federal costs and non-federal match.

A waiver is possible if approved by the Office of Head Start.

1303.5(b) Waivers



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Executive Salary Level II Limitation



Executive Level II Cost Limitation

In the grant application, you must certify that you are not using federal funds to pay for compensation above the executive level II pay scale. Recipients of Head Start grants may not use any federal funds to pay for compensation that exceeds the rate payable to an Executive Level II.

Head Start Act, Section 653

Salary Cap Summary (FY 1990 - Present) | grants.nih.gov



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Allocating Shared Costs



- In some cases, such as in transportation, you might use funding from other sources to support your goals.
- When this occurs programs must allocate costs on a reasonable basis making sure shared costs reflect the benefit received by the children and families.
- This calculation may be in the form of square footage, number of children, hours of services, or timecard data, but must be consistent throughout the application.



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Cost Allocation



Cost allocation is the process of assigning the shared cost of an item or service to two or more programs that benefit from that item or service.

- The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) require that all funds used to support program services be traceable back to the funding source.



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How to Know When to Allocate Costs



Ask yourself, “Does my program receive funds from more than one source?” If the answer is yes, which services are shared between programs? If the answer is no, then there is no need to cost allocate. Here are some examples to consider:

- Does your space benefit both the Head Start program and the state prekindergarten program?
- Do school buses transport Preschool Head Start children and public-school children?
- Do teachers teach both Preschool Head Start and childcare?



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Why Is Cost Allocation Important?



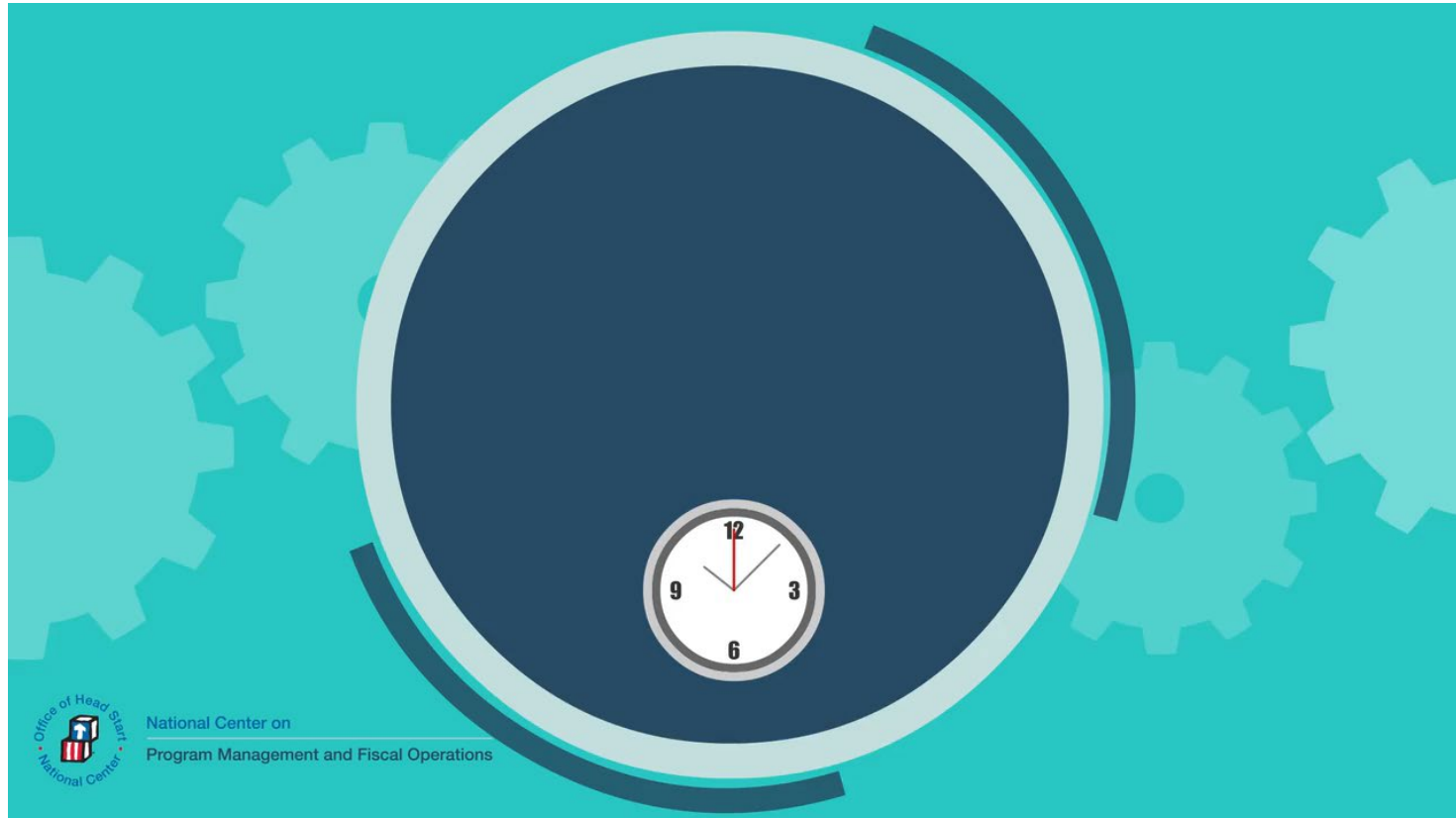
Shared costs make up a substantial part of the overall budget of most recipients. More complex organizations may have dozens of funding sources, including Head Start and Early Head Start. Cost allocation is required because:

- Accurate cost allocation supports a recipient's ability to anticipate the impacts of changes in funding on the budget and program.
- Each funding source should pay a fair proportion of the costs that are shared, and no program should subsidize another.
- Without a reasonable cost allocation plan, multiple programs are at risk for disallowance.



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How to Allocate Shared Services and Facilities



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Cost Allocation Relay



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Cost Allocation Plan



To carry out the requirement of appropriation law, a cost allocation plan should:

- **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 (e.g., personnel, space, supplies) and describe how expenditures within the major cost categories will be allocated and recorded in the grantee agency's accounting system.

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Cost Allocation Considerations



- Check with your auditor to identify costs that benefit only one program. These do not have to be allocated.
- Identify costs shared between Head Start and other programs. These must be allocated in accordance with approved policies and procedures.
- Make sure the allocation of staff time matches timesheets, payroll, and time and effort reporting.
- The allocation plan needs to assign costs as accurately as possible in the most reasonable method to make sure funding streams are charged their fair share based on the benefit received.
- Monitor cost allocation plans regularly to confirm the proper allocation to funding resources. This process could be done through an automated accounting system.



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Lunch Break
11:30 – 1:00



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Non-Federal Match



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Non-Federal Match

Part 1: The Why, What, and How

- Review the purpose of non-federal match
- Review which costs are allowable



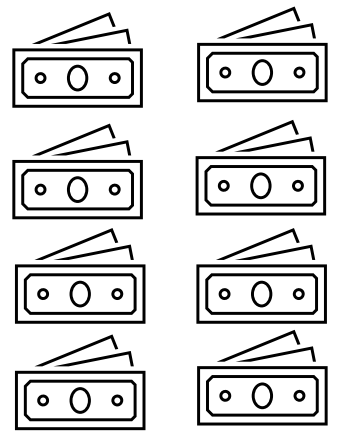
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Federal Government

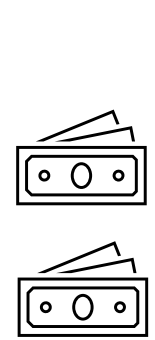
HEAD START

Local Community or Tribal Nation

80%



20%



NON-FEDERAL MATCH COMES FROM:
*CASH MATCH
*DONATION OF GOODS OR SERVICES



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Federal Legislation and Regulations

Head Start Program Performance Standards

§1303.4 Federal financial assistance, non-federal match, and waiver requirements.

In accordance with section 640(b) of the Act, federal financial assistance to a grant recipient will not exceed 80 percent of the approved total program costs. A grant recipient must contribute 20 percent as non-federal match each budget period. The responsible HHS official may approve a waiver of all or a portion of the non-federal match requirement on the basis of the grant recipient's written application submitted for the budget period and any supporting evidence the responsible HHS official requires.



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Federal Legislation and Regulations cont.

Notice of Award Standard Terms and Conditions

COST SHARING OR MATCHING (NON-FEDERAL SHARE) OF PROGRAM FUNDING

1. Recipients are required to meet a non-federal share of the project cost, in accordance with Section 640(b) of the Head Start Act, [42 U.S.C. § 9835\(b\)](#). Recipients must provide at least 20 percent of the total approved cost of the project. The total approved cost of the project is the sum of the ACF (federal) share and the non-federal share. The non-federal share may be met by cash or in-kind contributions. Any shared costs or matching funds and all contributions, including cash and third-party in-kind contributions, must be accepted as part of the recipient's cost-sharing or matching when such contributions meet all criteria listed in [2 CFR § 200.306](#).



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How to Determine Non-Federal Match

$$\begin{aligned} &\text{Total Cost} = \\ &\$1,250,000 \times 20\% \\ &= \$250,000 \text{ Match} \end{aligned}$$

OR


$$\begin{aligned} &\text{Federal Share} = \\ &\$1,000,000 \times 25\% \\ &= \$250,000 \text{ Match} \end{aligned}$$

If Total program cost = \$1,250,000



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Non-Federal Match is on Your Notice of Award

 Department of Health and Human Services Administration for Children and Families		Notice of Award Award# FAIN# Federal Award Date:	
Recipient Information		Federal Award Information	
1. Recipient Name		11. Award Number	
2. Congressional District of Recipient		12. Unique Federal Award Identification Number (FAIN)	
3. Payment System Identifier (ID)		13. Statutory Authority 42 USC 9801 ET SEQ	
4. Employer Identification Number (EIN)		14. Federal Award Project Title	
5. Data Universal Numbering System (DUNS)		15. Assistance Listing Number #1-000	
6. Recipient's Unique Entity Identifier (UEI)		16. Assistance Listing Program Title Head Start	
7. Project Director or Principal Investigator		17. Award Action Type New Competing Continuation	
8. Authorized Official		18. Is the Award R&D? No	
Federal Agency Information ACF/OHS Central Office of Discretionary Grants		Summary Federal Award Financial Information	
9. Awarding Agency Contact Information Grant Management Officer		19. Budget Period Start Date - End Date	
10. Program Official Contact Information Regional Program Manager Region XI ALAN OHS		20. Total Amount of Federal Funds Obligated by this Action 20a. Direct Cost Amount 20b. Indirect Cost Amount	
30. Remarks		21. Authorized Carryover	
		22. Offset	
		23. Total Amount of Federal Funds Obligated this budget period	
		24. Total Approved Cost Sharing or Matching, where applicable	
		25. Total Federal and Non-Federal Approved this Budget Period	
		26. Period of Performance Start Date - End Date	
		27. Total Amount of the Federal Award including Approved Cost Sharing or Matching this Period of Performance	
		28. Authorized Treatment of Program Income ADDITIONAL COSTS	
		29. Grants Management Officer - Signature	

Page 1

Summary Federal Award Financial Information	
19. Budget Period Start Date	- End Date
20. Total Amount of Federal Funds Obligated by this Action	
20a. Direct Cost Amount	
20b. Indirect Cost Amount	
21. Authorized Carryover	
22. Offset	
23. Total Amount of Federal Funds Obligated this budget period	
24. Total Approved Cost Sharing or Matching, where applicable	
25. Total Federal and Non-Federal Approved this Budget Period	
26. Period of Performance Start Date	- End Date
27. Total Amount of the Federal Award including Approved Cost Sharing or Matching this Period of Performance	



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In-kind and Non-Federal Match

One of the handouts provided today is called “Non-federal Match Narrative.”

It is a very helpful resource in understanding the definitions and process for Non-Federal Match.

Let’s look at the definitions for In-kind and Non-Federal Match.



Early Childhood Knowledge and Learning Center

Non-federal Match Narrative

headstart.gov/fiscal-management/article/non-federal-match-narrative

April 5, 2017

Non-federal matching information and explanations of fiscal issues such as contributions, disallowances, documentation, in-kind, and volunteer services can be found below. Head Start administrators and non-federal entities may find this information helpful.

Overview of Requirements

The [Head Start Act](#) stipulates that the federal share of the total costs of the Head Start program will not exceed 80 percent of the total grantee budget unless a waiver has been requested and granted ([Head Start Act Section 640\(b\)](#)). If the grantee agency fails to obtain and document the required 20 percent, or other approved match, a disallowance of federal funds may be taken. Non-federal match must meet the same criteria for allowability as other costs incurred and paid with federal funds.

Clarifying Definitions

Allowable Cost: Third party in-kind contributions shall count toward satisfying a cost-sharing or matching requirement only where, if the party receiving the contribution were to pay for them, they would be an allowable cost. Allowable costs are determined by the tests of reasonableness, necessity and allocability as defined in [45 CFR § Part 75 Subpart E-Cost Principles](#).

Cash Contributions: The grantee’s cash outlay, which is generated by the non-federal entity or donated by a third party, and is expended to fund allowable program costs. Cash match counts toward the non-federal match requirement when expended, not when donated to or generated by the grantee.

Disallowance: A cost determined during an audit, or other review conducted by the funding agency, to be unallowable under the OMB Cost Principles and/or the Terms and Conditions of the grant award that may require subsequent repayment to the Office of Head Start. A cost can be disallowed whether paid for by federal or non-federal sources.

Documentation: Written proof that a service has been provided or a donation has been received. Examples include receipts, timecards and invoices or proof of payment.

1/10

[Non-federal Match Narrative | HeadStart.gov](#)

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In-Kind: Property or services that benefit a grant-supported project or program and are contributed by **non-federal** third parties without charge to the recipient.

In-kind contributions may consist of the value of real property and equipment and the value of goods and services directly benefiting the grant program and specifically identifiable to it.

In-kind non-Federal match is counted for the period when the services are provided or when the donated goods are received and used.



Non-Federal Match



Non-Federal Match:

That portion of the total costs of the program provided by the non-Federal entity in the form of in-kind donations or cash match received from third parties or contributed by the agency.

In-kind contributions must be provided and cash expended during the project period along with federal funds to satisfy the matching requirements.



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Allowability



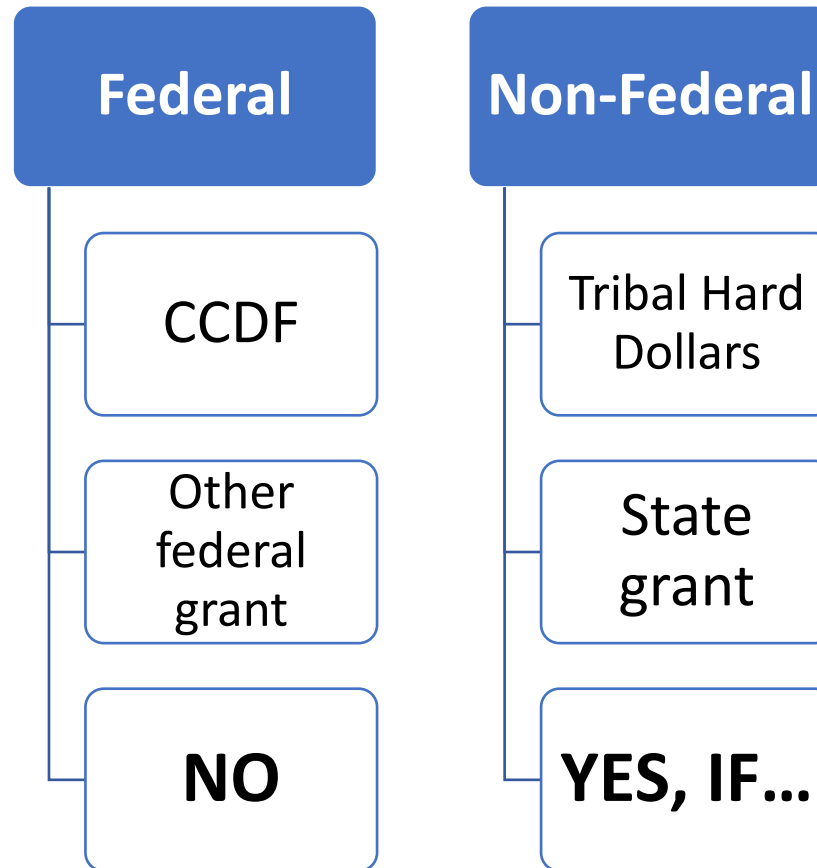
Factors affecting allowability of matching expenditures (whether cash or in-kind) are the same as for federal expenditures in that the costs must be **reasonable**, **allocable**, and **necessary** for the accomplishment of the project objectives and are allowable under the applicable **cost principles**.



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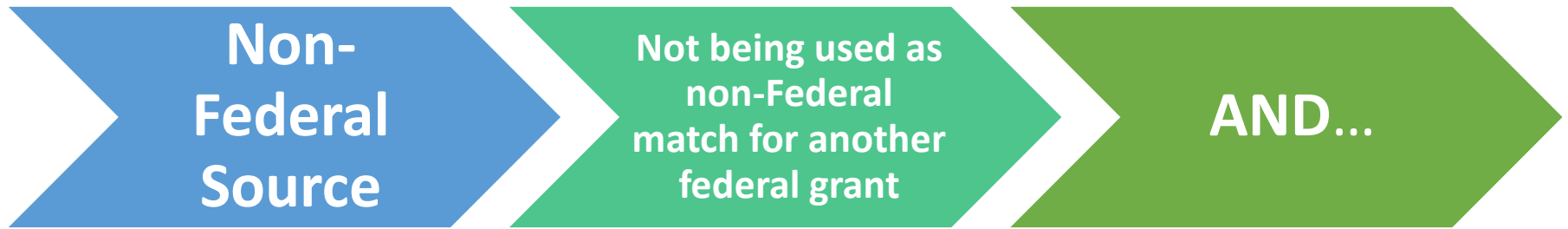
Can it be counted as non-Federal match?

1. What is the source of the in-kind contribution/donation?



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Can it be counted as non-Federal match?



It is an allowable cost



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Part 2: Valuing, Documenting, and Tracking Non-Federal Match

- How to value donated goods and services
- How to document non-Federal match
- How to monitor non-Federal match budget
- Waiver request process



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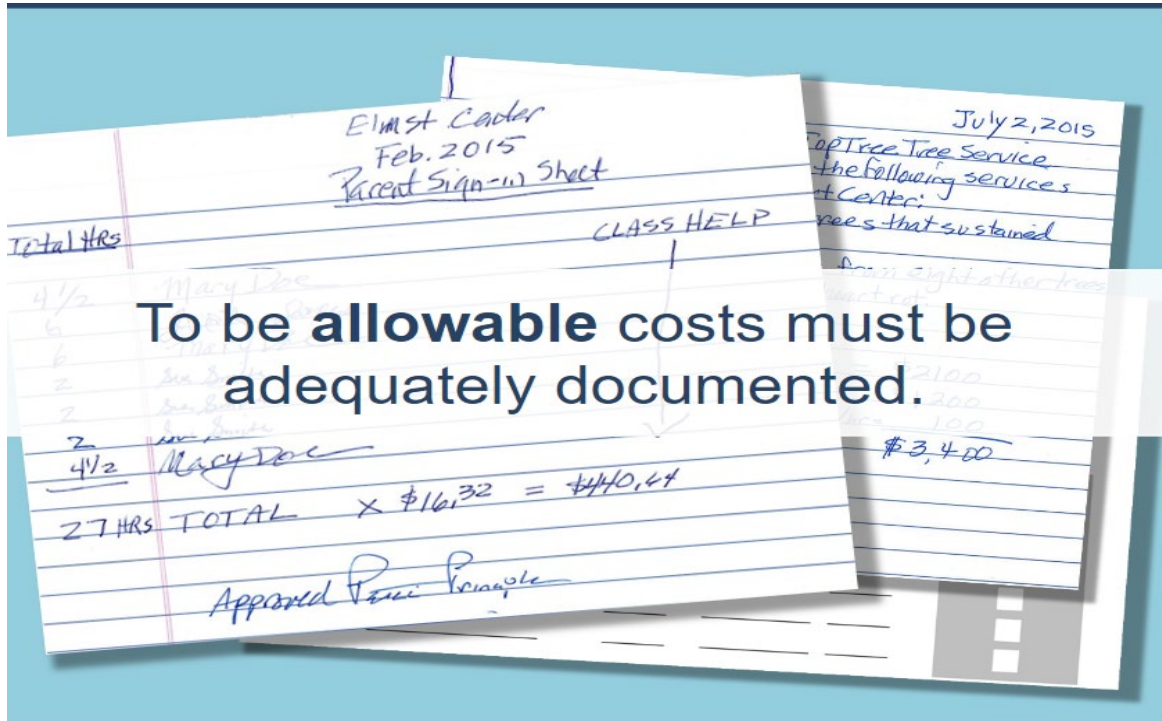
What is it worth?

2 CFR 200.306



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Documenting and Tracking Non-Federal Match



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Documenting Non-Federal Match

Elmst Cader
Feb. 2015
Parent Sign-in Sheet

Total Hrs	Volunteer Name	Activity
4 1/2	Mary Doe	CLASS HELP ↓
6	Jack Jones	
6	Mary Doe	
2	Sue Smith	
2	Sue Smith	
2	Sue Smith	
4 1/2	Mary Doe	
27 HRS TOTAL x \$16.32 = \$440.64		
Approved <i>Peter Principle</i>		

- Volunteer's Name
- Dates, including year, the volunteer provided services
- Number of hours volunteer worked
- Volunteer's supervisor's signature
- Volunteer's activity
- Rate applied to activity
- Total value for time period



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Tracking Non-Federal Match cont.

In-Kind Match Tracking								
Grant Period 12/1/20xx-11/30/20xx								
Month Completed: July 20xx								
In-Kind Category	% Grant Year Complete	Budget: In-Kind Match	Actual: In-Kind Match To-Date	Budget to Actual (%)	Year-End Projected Earnings	Year-End Total Projected: Actual + Projection	Projection to Budget Variance (\$)	Projection to Budget Variance (%)
Parent volunteers	67%	\$ 130,000	\$ 85,230	66%	\$ 40,000	\$ 125,230	\$ (4,770)	-4%
Classroom volunteers	67%	\$ 88,000	\$ 30,000	34%	\$ 25,000	\$ 55,000	\$ (33,000)	-38%
Professional volunteers	67%	\$ 67,000	\$ 50,000	75%	\$ 10,000	\$ 60,000	\$ (7,000)	-10%
Donated supplies and materials	67%	\$ 56,000	\$ 60,000	107%	\$ 10,000	\$ 70,000	\$ 14,000	25%
Governing Body volunteer	67%	\$ 33,000	\$ 20,000	61%	\$ 11,000	\$ 31,000	\$ (2,000)	-6%
Donated space	67%	\$ 26,000	\$ 17,333	67%	\$ 8,667	\$ 26,000	\$ -	0%
TOTAL	67%	\$ 400,000	\$ 262,563	66%	\$ 104,667	\$ 367,230	\$ (32,770)	-8%

Is the recipient at risk of not meeting its match?



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Monitoring Non-Federal Match

- Monitoring your non-federal match requirement is as important and critical as tracking your full budget.
- You need to monitor your budget-to-actual expenses for non-Federal match on a regular basis, just as you would your federal revenue and expenses.
- Ideally, fiscal and program staff meet together to assure the organization is going to meet the non-Federal match.
- Have a clear policy and procedure that includes the timeframes for providing the documented non-Federal match totals to the finance department.



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Non-Federal Match Detectives



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How to Request a Non-Federal Match Waiver

HS Act Sec. 640(b):

- (1) the lack of resources available in the community that may prevent the Head Start agency from providing all or a portion of the non-Federal contribution that may be required under this subsection;
- (2) the impact of the cost the Head Start agency may incur in initial years it carries out such program;
- (3) the impact of an unanticipated increase in the cost the Head Start agency may incur to carry out such program;
- (4) whether the Head Start agency is located in a community adversely affected by a major disaster; and
- (5) the impact on the community that would result if the Head Start agency ceased to carry out such program



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[Sec. 640 Allotment of Funds Limitations on Assistance | HeadStart.gov](#)

How to Submit a Non-Federal Match Waiver Request in HSES

- Go to the **Financials** tab in HSES, then the **Application** tab.
- Select **Add Amendment**. Amendment type is **Budget Revision**.
- Select **Edit** and go to the **Budget** tab.
- Enter the amount you want to reduce the non-Federal match by as a negative number in the same budget category it was entered in for the grant application.
- When you are finished entering the budget it will appear as a negative number. For example:

Budget Summary					
	Federal			Non-Federal Share	Total Cost
	Program Operations	TTA	Total		
Total Budget:	\$0	\$0	\$0	-\$17,898	-\$17,898
Total Direct Costs:	\$0	\$0	\$0	-\$17,898	-\$17,898

How to Request a Non-Federal Match Waiver cont.



Supporting documents required for the non-Federal Match waiver:

- Letter signed by the authorizing official with at least one of the five conditions listed in Sec. 640(b) of the HS Act.
- Policy Council and Governing Body meeting minutes approving the waiver request.
- It's recommended to submit the waiver request at least 90 days before the end of your budget period, if not sooner.



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Knowledge Check

For a cost, including non-federal match, to be allowable, it needs to be adequately documented and verifiable from the program's source records.

- True
- False

Handwritten notes are not adequate documentation for non-federal match.

- True
- False

You need to track your budget-to-actual expenses for non-federal match on a monthly basis, just as you would your federal revenue and expenses.

- True
- False



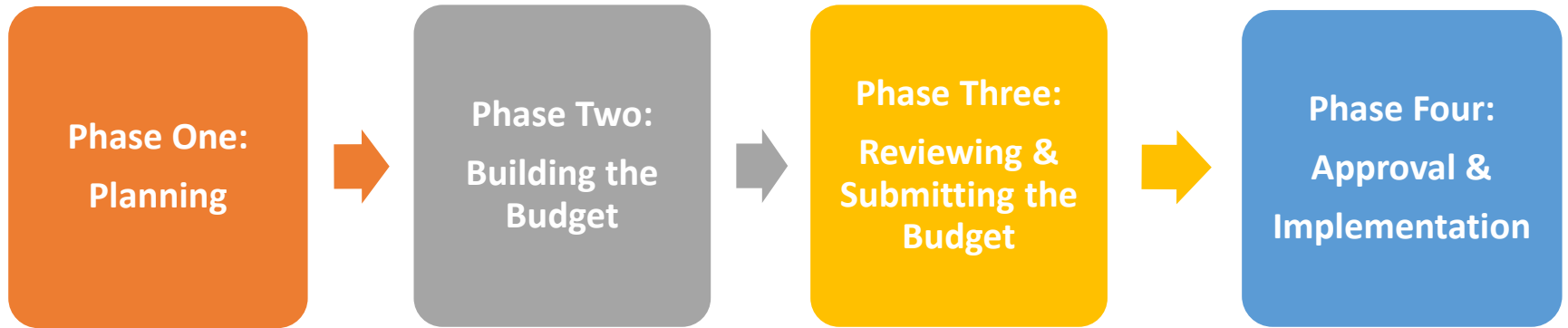


Break
2:30 – 2:45



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Phases of Budget Development



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Budget Planning



Funding Guidance Letter (FGL):

- Received in GrantSolutions.
- Received 90 days prior to application due date.
- Provides the total amount of federal funds allocated for program operations and TTA.
- Funded enrollment.
- Due date for grant application submission.



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Budget Planning



Key Ingredients for Successful Budgeting

- Strong relationships
- Effective communication
- Data-informed decisions

Reminder

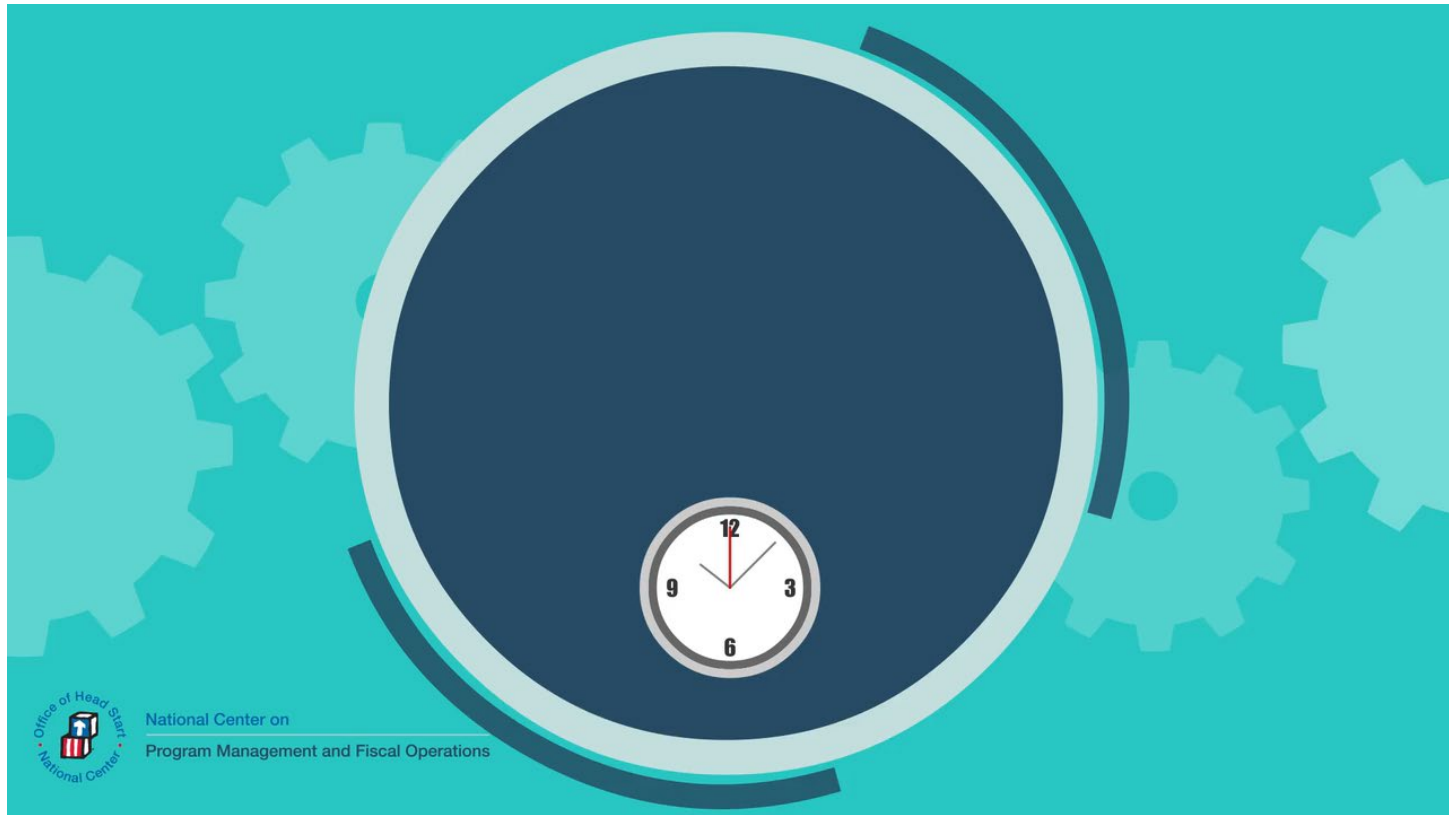
You are not expected to be a budget expert. You are expected to communicate.



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Budget Planning

Foster Collaborative Governance through Communication



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Budget Planning

Inclusive Leadership



The Governing body or Tribal Council has legal and fiduciary responsibility for the Head Start grant. Their legal and fiscal oversight builds on the unique insights and perspectives of the Policy Council and management staff. This model of inclusive leadership is foundational to the Head Start program.

The Policy Council fulfills its role as an important advisory entity, focusing on program direction. Parents and community members provide their perspectives on program goals and funding.

Management staff generate information from day-to-day activities that inform the decision-making activities of the governing body or Tribal Council.

Building the Budget



Data Informed Budget Development

Review the Current Year Budget:

- Review patterns to plan for the upcoming year (Over budget? Under budget?)
- Make sure you have a recent budget narrative to give you information on how costs should be adjusted.

Building the Budget



Update and Review the Cost Allocation Plan

- Identify all current funding sources.
- Review the plan to see if partnerships are still current.
- Current year budget and actuals.
- Review spending patterns to plan for the upcoming year based on actual spending.



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Building the Budget



Preparing the Budget to Complete the SF424A

The SF424A, Line-Item Budget, is the Standard Form (SF) in the Head Start Enterprise System (HSES) you will use to identify how planned expenditures support the program's operation.

This form is where the program's operational budget and grant funds are reconciled.

The SF424A also provides Regional Office staff a budget summary and identifies non-federal resources, forecasted cash needs, and other budget information.

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Building the Budget



Creating an Itemized Budget

- Your itemized budget in the grant application provides a clear picture of how you intend to use Head Start funds.
- This includes paying for salaries, travel, supplies, materials, equipment, construction, and other contractual arrangements.
- Your budget should align with the goals and objectives detailed in your five-year funding application.



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Budget Object Categories

Budget Object Category	Defined
Personnel	Expense for program staff such as HSD, Managers/Coordinators, Teachers, Assistant Teachers, Bus Monitors, Cooks, and Janitors.
Fringe Benefits	FICA, Workers Compensation, Unemployment, Health, Dental, Life Insurance, and Retirement.
Contractual	Any cost occurring elsewhere (audit, legal fees) which requires a formal contract with a provider for the service. If a grantee has delegate agencies, that cost is the only one to be placed in this category.
Construction	Costs for major construction or renovation projects.
Equipment	Any single item that costs \$10,000 or more and has a lifespan of greater than a year.
Supplies	Costs for operating supplies such as pens, paper, cleaning supplies, classroom manipulatives.
Travel	Costs for out-of-town travel such as expenses for conferences.
Other	Costs not occurring elsewhere. For example, local travel, gas, fuel, and building maintenance.
Indirect	Cost of operating the agency / Tribal Government benefiting all programs equitably go into the indirect cost pool. The pool is charged out to all programs on a formula basis. The administrative cost limitation limits the amount that can be charged to Head Start.



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Knowledge Check

1. \$37,140 for mental health consultant

- a. Personnel
- b. Fringe Benefits
- c. Construction
- ✓d. Contractual

2. \$1,039,085 for wages of 35 teachers

- ✓a. Personnel
- b. Fringe Benefits
- c. Construction
- d. Contractual

3. \$123,417 for retirement contributions

- a. Personnel
- ✓b. Fringe Benefits
- c. Construction
- d. Contractual

4. \$750,000 for major renovations to facility

- a. Personnel
- b. Fringe Benefits
- ✓c. Construction
- d. Contractual



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Other Funds



For meal services, the primary source of funds must be from the Child and Adult Care Food Program (CACFP), funded by USDA Food, Nutrition, and Consumer Services Child Nutrition Programs. Early Head Start and Head Start funds may be used to cover those allowable costs not covered by the USDA.

Other sources of funding might include:

- State early childhood programs
- State preschool programs
- School district funding
- Tribal government funding
- Fundraising activities
- Other state, federal, or tribal government funding

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Building the Budget



Writing the Budget Narrative

Along with the SF424A line-item budget, you must submit a detailed narrative that explains all expenditures in each cost category. In some cases, you may also need to explain:

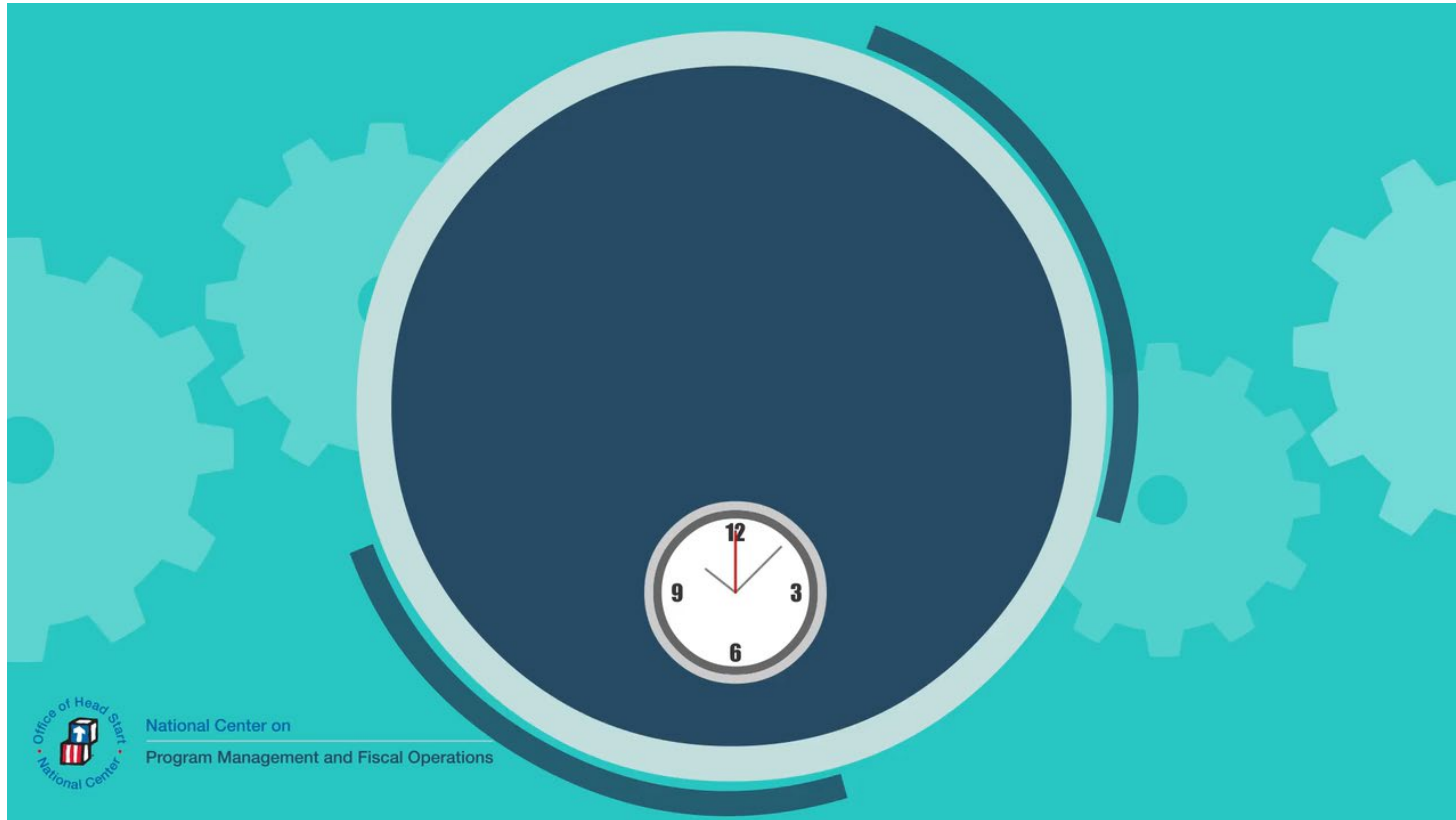
- Any delegate agency agreement, partnership contract, or single item costing more than \$150,000, if applicable
- Planned use of cost-of-living adjustment (COLA) funds based on the relevant Program Instruction, if applicable
- The need for and proposed use of facility purchase, construction, or major renovation that has not been previously approved, if applicable
- All proposed sources of funding for facilities activities with supporting documentation

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Building the Budget

Four Best Practices When Creating a Budget Narrative



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Building the Budget



What are the internal process and timelines for budgets that you need to follow?

Consider:

- Finance- What is the finance process/timeline to provide documents for budget development and to approve new budgets?
- Policy Council- When will you need to have a new budget to PC for approval?
- Tribal Council or Governing Board- When will you need to have the budget to TC for approval? How often do they meet?

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Submitting the Budget



Your budget must include a certification, signed by an official who is authorized to:

- Legally bind the agency
- Ensure accountability for federal funds
- Ensure compliance with the cost allocation plan or indirect (F&A) cost rate proposal



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HS Planning Cycle and Phases of Budget Development: Approval, Implementation and... **MONITORING**



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Notice of Award



Once your grant application is approved, you will receive a Notice of Award (NOA). In the NOA, you will find funded enrollment, the total amount of program operations and training and technical assistance funding awarded, and the required non-Federal match.

*Additional information may also be included.



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Monitoring the Budget



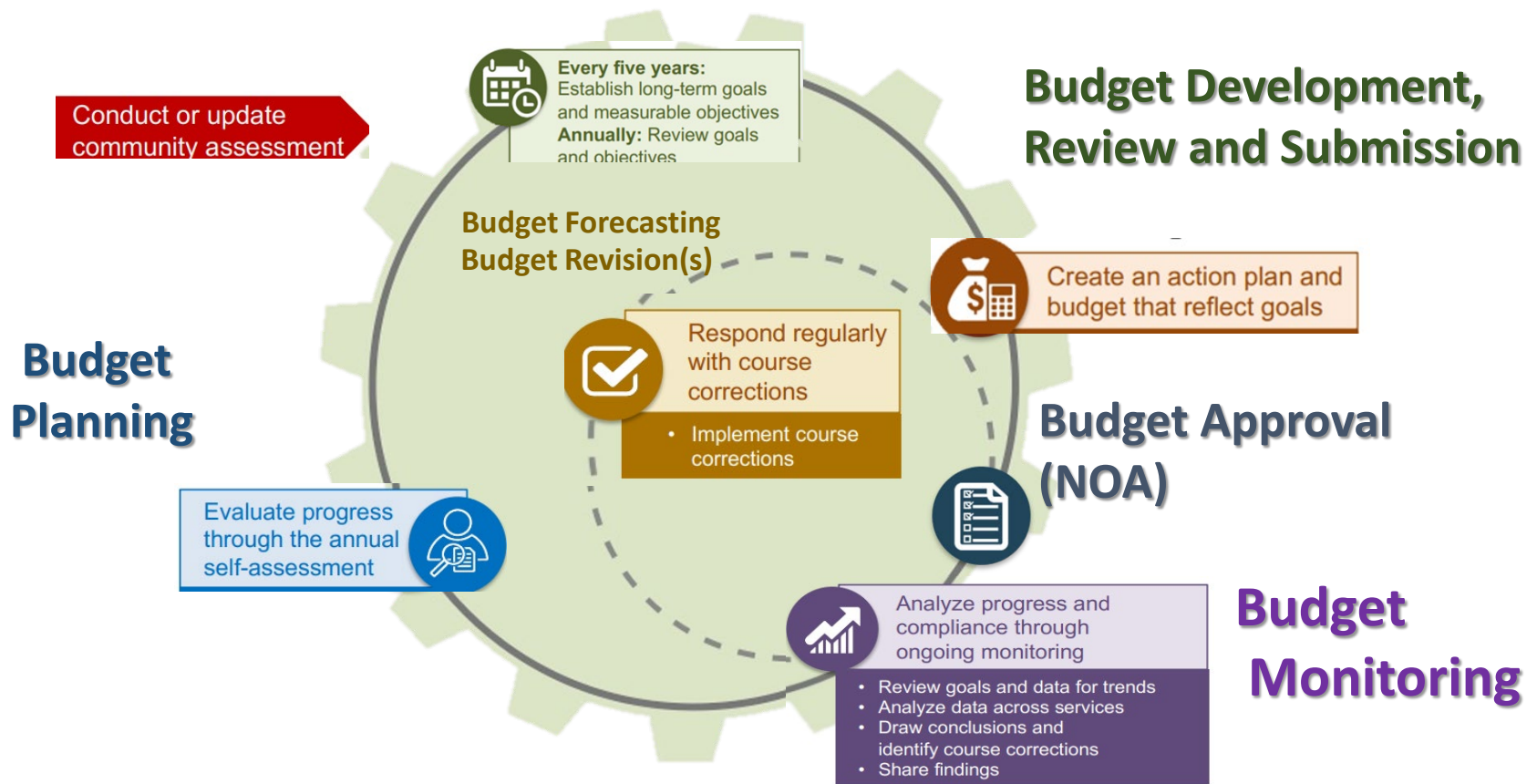
§ 200.329 Monitoring and reporting program performance.

Monitoring by the recipient and subrecipient. The recipient and subrecipient are responsible for the **oversight** of the Federal award. The recipient and subrecipient **must monitor** their activities under Federal awards to ensure they are compliant with all requirements and meeting performance expectations. Monitoring by the recipient and subrecipient must cover each program, function, or activity. See also §200.332.



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Monitoring the Budget



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Monitoring the Budget

Financial Indicators

Perhaps the most commonly used financial indicator is a comparison of budgeted revenue to actual revenue, and budgeted expense to actual expense.

Budget to Actual Report

BASE FUNDS	BUDGET	ACTUAL	REMAINING	% SPENT	% REMAINING
PERSONNEL	10,000,522	4,622,109	5,378,413	46%	54%
FRINGE BENEFITS	2,787,432	1,475,081	1,312,351	53%	47%
TRAVEL	0	0	0		
EQUIPMENT	0	0	0		
SUPPLIES	733,439	269,709	463,730	37%	63%
CONTRACTUAL	148,506	60,298	88,208	41%	59%
CONSTRUCTION	0	0	0		
OTHER	2,748,825	1,914,630	834,195	70%	30%
INDIRECT	1,583,809	816,927	766,882	52%	48%
TOTAL BASE FUNDING	18,002,533	9,158,754	8,843,779	51%	49%
TRAINING & TECHNICAL ASSISTANCE					
TRAVEL	41,904	6,375	35,529	15%	85%
SUPPLIES	23,986	14,440	9,546	60%	40%
CONTRACTUAL	22,800	25,849	(3,049)	113%	-13%
OTHER	72,752	45,777	26,975	63%	37%
INDIRECT	16,144	9,350	6,794	58%	42%
TOTAL TRAINING & TECHNICAL ASSISTANCE	177,586	101,790	75,796	57%	43%
CARRYOVER					
SUPPLIES	2,294		2,294	0%	100%
CONTRACTUAL	15,000		15,000	0%	100%
CONSTRUCTION	2,276,903	899,385	1,377,518	40%	60%
OTHER	20,000	0			
INDIRECT	231,443	0	231,443		
TOTAL CARRYOVER	2,545,640	899,385	1,626,255	35%	65%



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Monitoring the Budget



200.308 Revision of budget and program plans.

(b) ***Deviations from approved budget.*** The recipient or subrecipient must report deviations from the approved budget, project or program scope, or objective(s) in accordance with § 200.329. The recipient or subrecipient must request prior approvals from the Federal agency or pass-through entity for budget and program plan revisions in accordance with this section.



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Common Examples from 2 CFR Part 200.308(f)(1-10)

- Changes in the **approved non-federal cost-sharing or matching.**
- **Change in scope or objective** of the project or program.
- **Change in key personnel** (including employees and contractors) that are identified by name or position in the Federal award.
- The need arises for **additional Federal funds** to complete a project.

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What is considered a “Change in Scope”?

- Change to the objective of the program.
- Opening or closing a location.
- Changes to “key” personnel.
- Changing a program option such as center to home-based.



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Monitoring the Budget



Transfer of funds. The Federal agency must not permit a transfer of funds that would cause any Federal appropriation to be used for purposes other than those consistent with the appropriation. The Federal agency may also, at its option, restrict the transfer of funds among direct cost categories (for example, personnel, travel, and supplies) or programs, functions, and activities when:

- (1) The Federal share of the Federal award exceeds the simplified acquisition threshold; and
- (2) The cumulative amount of a transfer exceeds or is expected to exceed 10 percent of the total budget, including cost share, as last approved by the Federal agency.



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Federal Reports for Head Start Grants



Filing on-time federal reports is a requirement of the Head Start grant award. Each form tells the financial story of the recipient. When recipients identify how they use their organization's funds, they are able to tie them to the program's goals. They demonstrate proper stewardship over the federal funding that has been provided to them.

Recipients are required to submit three reports:

- SF425
- SF429
- SF428



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Submission Dates for the SF-425 Report

Table 1. Find the month in which your Head Start budget period begins in Column 1 and then read across that line.

Budget Period Start Date	Report Cumulative Costs Through	Semi-Annual SF-425 Due	Report Cumulative Costs Through	Annual SF-425 Due	Final SF-425 Due
January 1	June 30	July 30	December 31	March 31	April 30
February 1	July 31	August 30	January 31	May 1	May 31
March 1	August 31	September 30	February 28/29	May 30	June 28
April 1	September 31	October 30	March 31	June 30	July 29
May 1	October 31	November 30	April 30	July 30	August 28
June 1	November 30	December 30	May 31	August 30	September 28
July 1	December 31	January 30	June 30	September 30	October 28
August 1	January 31	March 1/2	July 31	October 30	November 28
September 1	February 28/29	March 30	August 31	November 30	December 29
October 1	March 31	April 30	September 30	December 30	January 28
November 1	April 30	May 30	October 31	January 30	February 28
December 1	May 31	June 30	November 30	March 1/2	March 30



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Federal Interest



A federal interest in real property is created when a recipient uses Head Start or other federal funds to purchase or construct real property or conduct major renovations on leased or owned property. Protection of the federal interest is required by 2 CFR Part 200.326.

The federal interest includes total project costs paid with federal funds, those amounts awarded directly from the OHS, and amounts claimed by the recipient as cost match.



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SF-429-A No Property Reports



- If a recipient does not have real property with federal interest, they must submit an *SF-429-A No Property Report* in OLDC annually.
- For Recipients without federal interest properties, there will be one Attachment A Cover Page and ***Attachment A No Real Property*** form stating that there is no property with federal interest.



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Internal Controls



What are *internal controls*?

An internal control is a system created to guard an agency's public and private assets. It also assesses the accuracy and liability of the accounting information.

Control systems outline the process to achieve organizational goals. They set down the how, why, what, where, and when of any set of actions.



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Internal Controls

Components of Internal Controls



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Strong Control or Control Gap?

A Family Engagement Manager uses a shared program credit card for classroom supplies and submits receipts at the end of the month. No one reviews the purchases.

CONTROL GAP

HR processes new hires, Fiscal staff enters payroll, and Program leadership approves timesheets monthly.

STRONG CONTROL

Tablets purchased with Head Start funds are assigned to classrooms, but the inventory list hasn't been updated in two years.

CONTROL GAP

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Strong Control or Control Gap?

Fiscal staff prepares the SF-425 and submits it to GrantSolutions with no management review.

CONTROL GAP

Policy Council receives an explained monthly fiscal report, discusses key items, and documents feedback in the minutes.

STRONG CONTROL

The Program Director approves purchases and payroll changes without written documentation.

CONTROL GAP



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Strong Control or Control Gap?

Fiscal staff prepares monthly budget-to-actual reports and meets with program leadership to review variances.

STRONG CONTROL

Multiple staff use the same login for the accounting system for convenience.

CONTROL GAP

A Head Start purchasing card has no spending limit because staff are trusted.

CONTROL GAP



Strong Control or Control Gap?

Classroom donations are accepted, but values are estimated without source documentation

CONTROL GAP

Fiscal staff prepare monthly bank reconciliations, and a supervisor who does not handle cash reviews and signs them.

STRONG CONTROL

Head Start vehicles are used for field trips, but mileage logs are incomplete.

CONTROL GAP



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Strong Control or Control Gap?

The Governing Body receives monthly budget-to-actual reports, reviews key variances, asks questions, and documents discussion in meeting minutes.

STRONG CONTROL

Fiscal staff draw down funds based on projected needs but do not reconcile to actual expenses

CONTROL GAP

Fiscal reports are included in Governing Body packets, but no discussion time is scheduled.

CONTROL GAP



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Strong Control or Control Gap?

Multiple staff have full edit access to financial folders, and files are overwritten.

CONTROL GAP

Audit findings are discussed once and not tracked for resolution.

CONTROL GAP

Fiscal policies exist but have not been reviewed or updated in several years.

CONTROL GAP

New managers receive budget reports but are not trained on how to interpret them.

CONTROL GAP

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Internal Controls



Basic Control Methods

- Establish responsibility by assigning each task to only one person.
- Implement separation of duties by ensuring that no one employee is responsible for all parts of a process.
- Control the risk of fraud by limiting access to financial management systems to those who require it.
- Create clear written policies and procedures and monitor compliance.
- Establish recordkeeping and retention policies and procedures.

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Internal Controls



Monitoring Strategies

Five monitoring strategies to ensure internal controls are effective:

1. Adequate segregation of duties
2. Proper authorization of transactions
3. Adequate records
4. Physical control over assets
5. Independent checks on performance



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Questions/Comments



Thoughts or Comments About Today?

Thank you for attending!



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