Session Objectives

In this session participants will:

• Learn how strong fiscal management systems impact program goals

• Review fiscal regulations: Uniform Guidance, Head Start Performance Standards, Head Start Act

• Explore ways to optimize fiscal regulations

• Identify key considerations when updating and implementing policies and procedures
Questions to Consider

• What changes are having the biggest fiscal impact on programs in your region?
• What do you want to take away from this session?

The Changing Landscape

Head Start programs should:

• Shift from “compliance-only” thinking to a culture of “continuous improvement”
• Move from being simply “good stewards” to demonstrating the impact of the investment in our children, families, and communities

Aligning Fiscal Systems to Program Goals

• Strong program-fiscal-governance relationships
• Effective communication, financial planning, and budgeting
• Data-informed decisions that reflect resources needed to accomplish program goals and objectives
Fiscal Management Systems and Five-Year Performance Goals

Grantees should demonstrate that their fiscal decisions and operations are aligned with program goals and objectives and informed by program data.

Program Goals and Data Collection

What do you want to know?

• What data needs to be collected to show fiscal regulations and standards are being met?
• What data is needed to show progress on goals/objectives?
• How do you measure impact?

Fiscal Regulations
Head Start Fiscal Regulations

- 45 CFR Part 75: Uniform Administrative Requirements, Cost Principles and Audit Requirements for HHS awards (the Uniform Guidance)
- Head Start Program Performance Standards, Subparts §1303, §1305, §1302.91, §1302.101, §1302.102
- The Head Start Act, especially Sec. 642
- GAAP (Generally Accepted Accounting Principles)

Uniform Guidance – 45 CFR Part 75

http://www.ecfr.gov/cgi-bin/text-idx?node=pt45.1.75

What’s changed with Uniform Guidance?

- Performance goals
- Less prescriptive – more flexible
- Procurement
- Audit requirements
- And more…
Uniform Guidance Procurement Management

**Procurement Standards**
45 CFR §§ 75.326–75.335
- Documented procurement procedures
- Written conflict of interest policies
- Procurement methods (micro and small purchase, sealed bids, competitive proposals, non-competitive proposals)
- Oversight to ensure contractors perform in accordance with contract terms

Audit Changes and Resources

**Uniform Guidance and Audits**
45 CFR §§ 75.500–75.520
- Annual threshold now at $750,000
- Audits must disclose if non-federal entities (NFE) are using de minimis rate
- Threshold for questioned costs increases to $25,000+
- Auditors must use a risk-based approach to determine major programs
- Audit reports, except for tribal governments, will now be available to the public online

Key Appendices

**Don’t Forget the Uniform Guidance 45 CFR Part 75 Appendices I–XII**
- Appendix III, IV, VII – Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education, Nonprofits, and Governments/Indian Tribes
How do the Head Start Program Performance Standards (HSPPS) affect the Uniform Guidance?

- Fiscal requirements in HSPPS are consistent with the Uniform Guidance
- HSPPS refers to financial requirements in the Head Start Act, the Uniform Guidance, and other statutes and regulations, but does not restate them in the HSPPS

HSPPS – What has changed in fiscal?

- New staff qualifications for fiscal officer § 1302.91(c)
- Uniform Guidance 45 CFR Part 75 is applicable to HHS grants § 1303.3
- Insurance and bonding § 1303.12
- Automated accounting system § 1302.101
- Facilities § 1303 Subpart E
- Definitions § 1305.2

What has not changed in fiscal?

- Fiscal requirements in the Head Start Act
  - Non-federal match Sec. 640(b)
  - Administrative cost limitations Sec. 644(b)
  - Davis Bacon Act compliance Sec. 644(g)(3)
  - Salary compensation limitation at Level II Executive schedule Sec. 653(b)
  - Accurate and regular reporting to governing body and Policy Council Sec. 642(d)(2)
Group Activity

- Where are grantees in the process of **updating** and **implementing** their fiscal policies and procedures?
- What are the most **significant** aspects of implementation?
- What **questions** do grantees still have about the Uniform Guidance and HSPPS?

Fiscal Policies and Procedures (P&Ps): Things To Consider

<table>
<thead>
<tr>
<th>Plan</th>
<th>Review and Analyze</th>
<th>Develop Revised P&amp;Ps</th>
<th>Approve</th>
<th>Implement</th>
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<tbody>
<tr>
<td>Use a systematic approach</td>
<td>Review existing P&amp;Ps</td>
<td>Incorporate all regulations (UG, HSPPS and HS Act)</td>
<td>Include a thorough review and approval process</td>
<td>Establish a rollout plan</td>
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<td>Include the right people in the process</td>
<td>Identify what is already compliant</td>
<td>Consider using structure and layout of 45 CFR Part 75</td>
<td>Consider having a consultant and/or auditor take a look</td>
<td>Conduct staff training</td>
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<tr>
<td>Make a plan with a timeline of who will do what and when</td>
<td>Identify what needs to be changed or added?</td>
<td>Organize into manageable sub-sections and tackle one at a time</td>
<td>Secure Policy Council and governing body approvals</td>
<td>Communicate effectively the implementation plan and timeline</td>
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<tr>
<td>Align fiscal P&amp;Ps with program goals</td>
<td>Identify costs associated with the changes</td>
<td>Include a thorough review and approval process</td>
<td>Establish a rollout plan</td>
<td>Perform ongoing monitoring and updates as necessary</td>
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Policies & Procedures Structure (cont’d)

**IV. Procurement (45 CFR §75.326 – §75.335)**

- General Procurement Requirements
  - Written Standards of Conduct Covering Conflicts of Interest and governing performance of employees engaged in selection, award and administration of contracts
  - Organizational Conflict of Interest
    - Written policies that include disciplinary actions for violations
    - Written Standards of Conduct Covering Organizational Conflicts of Interest if NFE has a parent, affiliate or subsidiary that is not a state, local government or Indian Tribe
III. Financial Statements and Reporting
(45 CFR §75.302)
A. Frequency of preparation of financial statements
B. Review and distribution
C. Distribution of financial statements to the board
D. Annual financial statements
E. Budget reports
F. Fiscal reports to funding sources
   i. Policies specific to each funding source with due dates and close-out instructions (SF-425)
   ii. Annual reporting on real property (SF-429)
   iii. Close-out of federal awards

Key Takeaways

- Identify a key strategy that resonates with you.
- Discuss how you plan to use it with a grantee or grantees.

Resources

- ECLKC https://eclkc.ohs.acf.hhs.gov/hslc
- 45 CFR Part 75 regulations http://www.ecfr.gov/cgi-bin/text-idx?node=pt45.1.75
- The Council on Financial Assistance Reform (COFAR) resource and frequently asked questions https://cfo.gov/cofar/
Updating Fiscal Policies and Procedures

This chart highlights key areas of change in fiscal regulations from the Uniform Guidance and Head Start Program Performance Standards (HSPPS). It is designed to assist grantees to update policies and procedures and ensure that automated accounting systems are in place that provide effective financial oversight. This chart can be used as a stand-alone resource or in concert with the presentation *Strengthening Financial Management Systems: Fiscal Regulations Implementation*.

<table>
<thead>
<tr>
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<th>Steps to Consider</th>
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| **Performance Measurement** - must relate financial data to performance accomplishments | Uniform Guidance 45 CFR § 75.301 | - Ensure program goals are clearly identified and include descriptions of measurement indicators and milestones.  
- Identify how financial data will provide reporting that shows progress of performance goals. |
| **Procurement** - must have written standards of conduct covering conflicts of interest to include disciplinary actions for violations | Uniform Guidance 45 CFR § 75.327(c) | - Review and revise procurement policies to include all conflict of interest language from the Uniform Guidance.  
- Revise conflict of interest personnel forms and obtain staff signatures, if applicable. |
| **Procurement** - must maintain records sufficient to detail the history of transactions | Uniform Guidance 45 CFR § 75.327(i) | - Revise procedures to require that records reflect the rationale for:  
  - Method of procurement  
  - Selection of contract type  
  - Contractor selection or rejection  
  - Basis of contract price |
| **Procurement** - must use one of the five procurement methods  
  1. Micro-purchase  
  2. Small purchase  
  3. Sealed bids  
  4. Competitive proposals  
  5. Non-competitive proposal | Uniform Guidance 45 CFR § 75.329 | - Compare existing procurement procedures to the five methods outlined in the Uniform Guidance.  
- Determine if there are necessary revisions to align with Uniform Guidance and overall organizational needs.  
- Uniform Guidance provides added flexibility in procurement, however, agencies can opt for more restrictive policies.  
- Revise purchasing forms if needed. |
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| **Contracts Over $10,000** – must address termination for cause and for convenience including the manner and basis for settlement | Uniform Guidance 45 CFR § 75 Appendix II | - Revise policies and procedures to include new requirements.  
- Establish a list of existing contracts over $10,000.  
- Revise contract language for all new contracts (including upcoming contract renewals for existing vendors). |
| **Cost Allocation Plan** – must be certified using Certificate of Cost Allocation Plan and signed by an individual at level no lower than vice president or chief financial officer | Uniform Guidance 45 CFR § 75 Appendix II  
45 CFR § 75 Appendixes III through V | - Revise policies and procedures to include new requirement of cost allocation plan certification.  
- Create certification document for organization based on sample Certificate of Cost Allocation Plan outlined in Appendices III through V  
- Obtain signature of staff person no lower than VP or CFO. |
| **Indirect Cost Proposal** – must be certified using Certificate of Indirect Costs and signed by an individual at level no lower than vice president or chief financial officer | Uniform Guidance 45 CFR § 75 Appendix II  
45 CFR § 75 Appendixes III through V | - Revise policies and procedures to include new requirement of indirect cost plan proposal certification.  
- Create certification document for organization based on sample Certificate of Indirect Costs outlined in Appendices III through V.  
- Obtain signature of staff person no lower than VP or CFO. |
| **Fiscal Officer Qualifications** – fiscal officers hired after 11/7/2016 must be a certified public accountant or have, at a minimum, a baccalaureate degree in accounting, business, fiscal management, or a related field | HSPPS 45 CFR § 1302.91(c) | - Assess staffing needs in consideration of fiscal complexity of organization.  
- Determine if new regulations apply to current fiscal officer (based on hire date).  
- Review and revise position description for fiscal officer to include educational requirements. |
| **Automated Accounting System** – program must maintain an automated accounting and recordkeeping system adequate for effective oversight | HSPPS 45 CFR § 1302.101(a)(4) | - Determine if current accounting system is automated.  
- Review accounting and recordkeeping system for accuracy and adequacy.  
- Ensure fiscal systems effectively provide tools necessary for oversight of fiduciary responsibilities. |
| **Insurance and Bonding** – must have ongoing risk assessment process and have cost-effective insurance for those identified risks | HSPPS 45 CFR § 1303.12 | - Determine if there is a risk assessment process in place.  
- Ensure risk assessment includes: (1) risk of accidental injury to children, and (2) risk of losses from fraudulent acts by individuals authorized to disburse Head Start funds.  
- Revise insurance coverages/policies if needed.  
- HSPPS has provided more flexibility in that amounts of coverage are not specified, however, appropriate coverage is required. |
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| **Fiscal Definitions** – new and revised definitions could  | Uniform Guidance 45 CFR § 75.2       | - Review definitions section of the Uniform Guidance and the Head Start Program Performance Standards  
- Revise fiscal policies and procedures to reflect changes in definitions and/or terminology. A revised definition may result in a new or changed process.  
- Examples of new and/or revised definitions include: equipment, federal interest, financial viability, major renovations, and repair   |
| affect policies and procedures                             | HSPPS 45 CFR § 1305.2                |                                                                                                                                                                                                                 |
| **Facilities** – must comply with facilities requirements  | HSPPS 45 CFR § 1303 Subpart E        | - Review current policies and procedures related to facilities purchase, construction or major renovations.  
- Ensure revised facility definitions from HSPPS are incorporated into policies and procedures.  
- Establish clear procedures that align with HSPPS requirements for:  
  - Facilities eligibility determination  
  - Facilities applications and cost comparisons  
  - Approval process  
  - Notice of federal interest changes                                                                 |
| when purchasing, constructing, or undergoing major          |                                      |                                                                                                                                                                                                                 |
| renovations                                                |                                      |                                                                                                                                                                                                                 |
| **Davis-Bacon Act** – all laborers employed by contractors  | Uniform Guidance 45 CFR § 75, Appendix II | - Ensure policies include that $2,000+ construction contracts require:  
  - Contractors pay wages not less than local prevailing wages  
  - Contractors pay wages not less than once a week  
  - Grantees include copy of prevailing wage determination by the Department of Labor in each solicitation  
  - Awarded contract conditioned upon the acceptance of the wage determination |
| or subcontractors shall be paid wages at not less than those | HSPPS 45 CFR § 1303.11               |                                                                                                                                                                                                                 |
| prevailing on similar construction in the locality         |                                      |                                                                                                                                                                                                                 |
| **Executive Compensation** – no federal funds may be used   | Head Start Act Sec. 653(b)            | - Review employee compensation levels to determine if staff exceed executive level II threshold  
- Ensure no part of such staff’s compensation is charged to a federal grant  
- Review and update annually as per revised executive level II salary scale |
| to pay any part of the compensation of an individual if    |                                      |                                                                                                                                                                                                                 |
| such compensation, including non-federal funds, exceeds    |                                      |                                                                                                                                                                                                                 |
| an amount equal to the rate payable for level II of the     |                                      |                                                                                                                                                                                                                 |
| executive schedule                                         |                                      |                                                                                                                                                                                                                 |
Next steps to consider when updating policies and procedures:

- Include a thorough review and approval process
- Consider having a consultant and/or auditor take a look
- Secure Policy Council and governing body review and approvals
- Establish a rollout plan
- Conduct staff training
- Communicate the implementation plan and timeline to all stakeholders
- Perform ongoing monitoring and updates as necessary