

What Directors & Managers Need to Know: Fiscal Management

NIHSDA Conference
Minneapolis, Minnesota
June 12, 2014



Outcomes

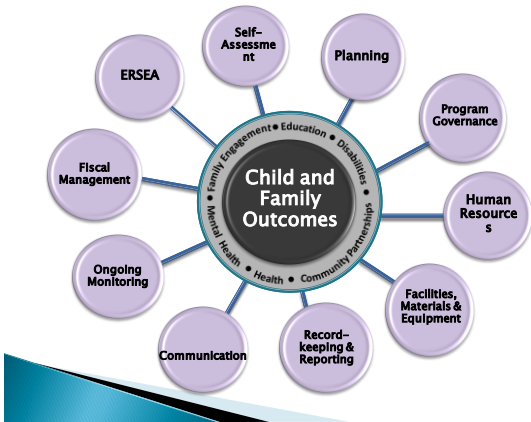
- Identify your role and relationship with important fiscal stakeholders
- Become familiar with federal fiscal regulations impacting Head Start operations
- Learn about key fiscal terms and concepts



Outcomes

- Understand what you need to do and oversee as it relates to fiscal management
- Understand the Head Start budgeting process
- Learn more about Non-Federal Share match
- Understand Head Start required internal and external reporting requirements





Systems Are Linked



Systems Are Linked



2013 National OHS Monitoring Fiscal Findings



Top Fiscal Findings – 2013

- ▶ Reporting Issues
 - Mostly around monthly reporting of Head Start expenditures and credit card expenditures
 - (642(d)(2)(A) from the Head Start Act
- ▶ Internal Controls
 - General requirement to maintain control over Federal funds (92.20(b)(3))
 - Frequent issues include
 - Bank reconciliations not timely
 - Financial procedures not followed
 - Segregation of duties not adequate --- one person has too much responsibility



Top Fiscal Findings – 2013

- ▶ Administrative Costs
 - Grantee's administrative costs exceeded 15% of total approved costs (1301.32(a)(1))
 - Financial records didn't separately identify admin costs (1301.32(a)(1))
 - Indirect costs not included as administrative costs (1301.32(e)(1))



Top Fiscal Findings – 2013

- ▶ Cost of grantee-owned space
 - Head Start charged more than depreciation or use allowance for building owned by grantee (225, App B(11))
 - Head Start charged more than depreciation or use allowance for building owned by related party (225, App B(37)(c))



Top Fiscal Findings – 2013

- ▶ Equipment Management (92.32)
 - Equipment records were not up to date (didn't reflect new purchases or recent disposals)
 - Equipment records didn't include all required information (e.g. award number, serial number)
 - Grantee didn't perform inventory and/or didn't reconcile between the inventory and the equipment records



Top Fiscal Findings – 2013

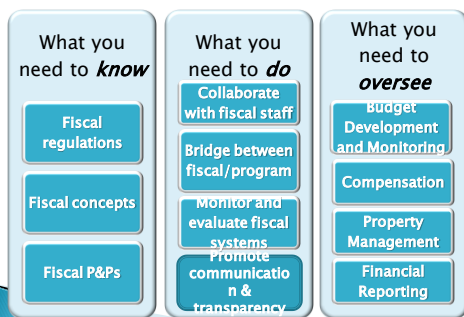
- ▶ Cost Allocation
 - Grantee didn't have records to show how shared costs were allocated between Head Start and other programs (225, App A(C)(3)(a))
 - Grantee did not have personnel activity reports showing the actual activity of employees whose salaries was split between Head Start and other programs (225, App (B)(8))



Top Fiscal Findings – 2013

- ▶ Period of Fund Availability
 - Costs incurred during a prior grant period were charged to the current grant (92.23(a))
- ▶ Documentation of Costs
 - Charge to Head Start not supported by an invoice or contract (225, App (A)(C)(1)(j)).

Head Start Leader & Fiscal Management



What you need to **know**

| Fiscal Regulations | Fiscal Concepts | Fiscal P&Ps |
|---|--|--|
| <ul style="list-style-type: none"> • Head Start Act Section 642-Fiscal Reporting • Grants Administration: HSPPS 1301 • Uniform Admin. Regs: 45 CFR 74 & 92 • Cost Principles: 2 CFR 220, 225, 230 | <ul style="list-style-type: none"> • Reasonable, allowable & allocable • Internal Controls & Segregation of Duties • Non-federal share • Cash Management • Maintaining Records • Understanding your own audit • Administrative Cost Limitations | <ul style="list-style-type: none"> • Your organization's fiscal policies and procedures |

Fiscal Management System

- ▶ Fiscal management means having a system of administering resources including funds, property and equipment. A fiscal management system is necessary to ensure that limited resources, allocated carefully and accountably, **support the program's delivery of quality services**



Fiscal Management System

- ▶ **support the program's delivery of quality services**



Fiscal Management System: Cost Principles

- ▶ As with any program costs, Federal or Non-Federal, they must pass the three-fold test of:
 - Allocable
 - Reasonable and Necessary
 - Allowable



Fiscal Management System: Cost Principles

- ▶ **Allowable:** Any cost or in-kind contribution directly associated with the activities listed in Head Start Performance Standards is allowable.
- ▶ **Allocable:** A cost is allocable to a particular cost objective if the goods or services involved are able to be charged or assigned to cost objectives in accordance with the relative benefits received.



Fiscal Management System: Cost Principles

- ▶ **Reasonable:** A cost is reasonable if in its nature and amount does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.
- ▶ Must be consistent with the grantees policies and procedures and applied uniformly
- ▶ Must meet the "bona fide need" rule



Fiscal Management System: Cost Principles

- ▶ Common reasons for questioning costs
 - Lack of documentation
 - Credits not handled correctly
 - Non-compliance with procurement requirements
 - Improper dispersal of bonuses, COLAs, performance awards
 - Claiming a cost as both a direct and indirect



Fiscal Management System: Cost Principles

- ▶ Common reasons for questioning costs
 - Charging a federal grant differently than other funds
 - Written cost allocation and/or indirect costs plan not on file
 - Cost not allocated or allocated correctly
 - Year-end spending
 - No formal system for recording obligations



Fiscal Management System: Internal Controls

- ▶ Internal financial controls are the systems put in place by Head Start leaders, financial managers and governing bodies to ensure that program resources are safeguarded from fraud, waste, and abuse.



Fiscal Management System: Internal Controls

- ▶ Why are they important
 - To ensure the proper use of funds
 - Safeguard assets to prevent illegal or unauthorized transactions or acts
 - To strengthen grantee operations
 - Increase efficiency of operations and maximize use of limited resources
 - Provide reliable information, allowing managers and governing bodies to make more informed programmatic decisions



Fiscal Management System: Internal Controls

- ▶ Internal controls can be judged as effective if the governing body and management have reasonable assurance that:
 - They understand the extent to which the entity's operations objectives are being achieved
 - Published financial statements are being prepared reliably
 - Applicable laws and regulations are being complied with



Fiscal Management System: Non-Federal Share

- ▶ Head Start is community based and therefore the community is asked to support the program.
- ▶ Non-federal share ensures community involvement



Fiscal Management System: Non-Federal Share

- ▶ Non-federal contributions to a program may consist of cash or in-kind donations, but these contributions are always used to support actual operations of a program and be used for expenses that a grantee would use federal funds for if those funds were available.



Fiscal Management System: Non-Federal Share

- ▶ Non-federal share is not about “funny money” – these are essential costs to operating a successful Head Start program that are not borne by the federal government. The cost of operating a program might be either federal or non-federal, but it is always going to be real.



Fiscal Management System: Non-Federal Share

- ▶ As with any program costs, non-Federal share must pass the three-fold test of:
 - Allocable?
 - Reasonable?
 - Allowable?



Fiscal Management System: Non-Federal Share

What is Non-Federal Share?

“Property or services which benefit a grant supported project or program and are contributed by non-federal third parties without charge to the grantee”



Fiscal Management System: Non-Federal Share

What is allowable?

"Third party shall count towards satisfying a cost-sharing or matching requirement only where, if the party receiving the contribution were to pay for them, they would be allowable cost."



Fiscal Management System: Non-Federal Share

What is considered in-kind?

"In-kind is considered all donated or discounted goods and services the program receives that would normally be paid for out of Federal funds."



Fiscal Management System: Non-Federal Share

▸ In-kind can't be:

- Costs paid by other Federal grants.
- Costs which are counted towards other cost-sharing requirements.
- Costs specifically unallowable under grant terms.



Fiscal Management System: Non-Federal Share

- ▶ How much non-federal share does a program need? Unless a waiver from the statutory requirement is obtained, a program must receive 20% of the **total** costs of operating the program from non-federal sources.
- ▶ Another way of stating this is that the non-federal share equals 25% of the federal share of the program budget.



Fiscal Management System: Non-Federal Share

- ▶ Calculation Basis
 - Is applied to the total approved federal budget including PA-20
 - All grants submitted must provide a calculation for in-kind

| | |
|----------------------------------|--------------------|
| Federal Share (FS) | \$1,000,000 |
| In-kind Match (25% of FS) | \$ 250,000 |
| Total Approved Budget | \$1,250,000 |



Fiscal Management System: Non-Federal Share

- ▶ (Grantee that does not meet the required 20% (or other approved match amount), runs the risk of having a disallowance.)
- ▶ When a grantee proposes a non-Federal match of more than the required 20% and the NOA reflects the higher match percentage, the grantee is required to provide the higher match amount. (From the definition of *total approved costs* found in 45 CFR 1301.2)



Fiscal Management System: Non-Federal Share

- ▶ Matching contributions may be in the form of in-kind services or cash
 - In-kind contributions must be provided and cash expended during the budget period along with Federal funds.
 - In-kind contributions can only be counted towards the matching requirement of ONE Federally funded award



Fiscal Management System: Non-Federal Share

- ▶ Documentation must:
 - Be verifiable from the grantee's records
 - Include the source and application of cash match, services received, and donations of supplies and equipment
 - Be maintained on a regular basis
- ▶ Funds received from Federal sources are not allowable unless there is specific, statutory language allowing this use of Federal funds



Fiscal Management System: Non-Federal Share

- ▶ Volunteer Services
 - Consultants and professionals may provide their services to a Head Start program at a reduced rate.
 - The difference between the reduced rate and the amount normally charged by the individual may be used as in-kind.



Fiscal Management System: Non-Federal Share

- ▶ Volunteer Services
 - The grantee should have a written agreement with the individual, which will document the reduction, and documentation should be maintained of the services provided. This may be in the form of an invoice or other grantee developed form.
 - Grantees are responsible for assuring the reasonableness of the 'usual charge' and its comparability to what others usually charge for the same service in the area.



Fiscal Management Systems: Non-Federal Share

- ▶ Volunteer Services
 - Parents and other family members may provide volunteer services as follows:
 - 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.



Fiscal Management System: Non-Federal Share

- ▶ Volunteer Services
 - Parents and other family members may provide volunteer services as follows:
 - To count volunteer's time as match, volunteers must provide a service to and not receive a service from the program.
 - If a volunteer's time is being paid under another Federal grant, it may not be used for match.



Fiscal Management System: Non-Federal Share

- ▶ Volunteer Services
 - Parents and other family members may provide volunteer services as follows:
 - A volunteer's time for any single event may not be counted as match for more than one grant.
 - Services provided must be considered allowable.
 - The duties of the individual must be managed by the agency.



Fiscal Management System: Non-Federal Share

- ▶ Volunteer Services
 - Employees may volunteer but there are challenges in complying with Department of Labor regulations. In general:
 - Employees cannot volunteer in the same capacity in which they are paid (e.g., a teacher cannot volunteer as a teacher in a different classroom or center).
 - The employee's time must be given freely, outside of work hours.



Fiscal Management System: Non-Federal Share

- ▶ Volunteer Services
 - Board, Tribal Council, and Policy Council members may (and do) volunteer – keep these principles in mind:
 - Time spent by governing bodies such as the Board of Directors, Tribal Councils and the Policy Council may be used as in-kind for time spent in their decision-making capacity related to the Head Start program.



Fiscal Management System: Non-Federal Share

- ▶ Volunteer Services
 - In determining the valuation, the agency or program should bear in mind the nature of the contribution rendered by these individuals.
 - When governing body or Policy Council members volunteer in activities outside of their decision making role, these hours should be valued at the appropriate rate for that task.

Fiscal Management System: Non-Federal Share

- ▶ Documentation of Volunteer Services
 - 45 CFR 74.23 and 45 CFR 92.24
 - Establishment of a wage scale based upon the grantee agency's internal scale or prevailing wages in the area.
 - Value the service not the individual providing the service.

Fiscal Management System: Non-Federal Share

- ▶ Documentation of Volunteer Services
 - Timesheets, which should contain:
 - Volunteer's name.
 - Dates, including year, the volunteer provided services.
 - Duration of time of services the volunteer provided to the program.
 - Signatures:
 - Volunteer.
 - Volunteer's supervisor.
 - Volunteer's activity (and the rate applied to this activity).

Fiscal Management System: Non-Federal Share

- ▶ Grantee Owned Space
 - Based on either depreciation or use allowance
 - Depreciation schedule
 - 39 years useful life for buildings, 20 years for modulars.
 - Use Allowance for buildings and improvements
 - 2% of acquisition cost annually (assuming no federal contribution)
 - Use allowance for equipment
 - 6.66% of acquisition cost annually



Fiscal Management System: Non-Federal Share

- ▶ 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
 - Difference between appraised value and actual cost should be documented in the lease or other use agreement as an in-kind contribution to the program.



Fiscal Management System: Non-Federal Share

- ▶ Donated Equipment
 - Defined as having a fair-market value greater than \$5,000 and a useful life longer than one 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.



Fiscal Management System: Non-Federal Share

- ▶ Donated Equipment
 - Temporary use of equipment may be also be counted (valued) as a donation.
 - Donated equipment used as match is subject to equipment regulations (45 CFR 74.34 and 45 CFR 92.32)



Fiscal Management System: Non-Federal Share

- ▶ Donated Equipment
 - Include donated equipment in inventory.
 - Records should include:
 - A description of the equipment.
 - Reference to the proposed use in the program and the condition at time of receipt.



Fiscal Management Systems: Non-Federal Share

- ▶ Donated Supplies
 - 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.



Fiscal Management System: Cash Management

- There is a restriction for maintaining more than 3 days of cash on hand
- Head Start funds can not be used to cover non-Head Start activities
- Head Start programs draw down grant award funds through wire transfer from the Division of Payment Management (DPM)
- These cash draw downs must be reconciled on a quarterly basis through a report to the Payment Management System (PMS)



Fiscal Management System: The Audit

- Head Start programs that expend \$500,000 or more of federal funds are required to have an independent audit conducted annually and comply with the OMB A-133 Compliance Supplement: Head Start Cluster.
- An audit tests both the accuracy and completeness of information presented in a program's financial statements as well as the financial systems used to gather this information.



Fiscal Management System: The Audit

- An audit examines:
 - Whether programs' financial statements are accurate;
 - Whether programs are complying with the terms and conditions of their Head Start grants and other federal funding sources, and
 - Whether appropriate financial and administrative procedures and controls have been implemented effectively.



Fiscal Management System: The Audit

Head Start Act Sec. 642(c)(1)(E)(iv)(V)(aa):
"The governing body shall be responsible for ...reviewing and approving all major policies of the agency, including the annual self-assessment and financial audit."

Head Start Act Sec. 642(c)(1)(E)(iv)(VII)(dd):
"The governing body shall be responsible for ...monitoring of the agency's actions to correct any audit findings and of other action necessary to comply with applicable laws (including regulations) governing financial statement and accounting practices."

Fiscal Management System: The Audit

- ▶ Best Practice
 - The governing body should understand the goals of the audit and what the audit report says (and doesn't say).
 - The governing body should be informed of any significant accounting policy changes from prior years and be informed of any controversial issues.
 - The governing body should understand the effects of management judgments and estimates on the financial records.

Fiscal Management System: The Audit

- ▶ Two things must be done:
 - The governing body must vote to accept the results of the audit.
 - The governing body must follow-up with agency management on any necessary responses to the Auditor's management letter, as well as any necessary corrective actions.

Fiscal Management System: The Audit

- ▶ The governing body should meet with the auditors without agency management present to discuss any auditor concerns with management of which the governing body should be aware.
- ▶ The governing body should be fully informed of any audit findings or questioned costs and the effect those may have on agency operations.
- ▶ The governing body should be fully informed of any other compliance issues related to program operations that were detected during the course of the audit.

Fiscal Management System: Policies & Procedures

- ▶ Understand the culture of your grantee
- ▶ The grantee must have up-to-date fiscal policies and procedures that are widely used and distributed
- ▶ The grantee's fiscal policies and procedures can be more restrictive than Head Start fiscal regulations
 - But they should not create an obstacle for the efficient and effective use of Federal Head Start funds

Fiscal Management System: Administrative Cap

- ▶ Administrative Cap:
 - Costs do not exceed 15% of total project costs
 - 15% limitation is calculated on the federal and non-federal share
 - 15% limitation is based on final expenditures

Fiscal Management System: Indirect Cost

- ▶ 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.



Fiscal Management System: Indirect Cost

- ▶ Common examples of indirect costs for Head Start grantees include
 - Administrative services – personnel, administration, procurement, grant and contract administration, business office, accounting (including contracted services as well as agency staff who perform these duties), etc.
 - Depreciation or use allowances on buildings and equipment.



What you need to *do*

| Manage/collaborate with fiscal staff | Bridge fiscal/program | Monitor/evaluate |
|---|---|--|
| <ul style="list-style-type: none"> • Qualified fiscal officer • Linking to fiscal staff you don't supervise | <ul style="list-style-type: none"> • Integrated meetings • Model good communication | <ul style="list-style-type: none"> • Ongoing monitoring • Periodic tests • Annual Program Self Assessment |



Fiscal Management System

- ▶ Head Start requires that each agency has a qualified fiscal officer to oversee the financial management systems operation (45 CFR 1304.52(d) (8)).
- ▶ The most important element in any financial management system is the capacity of people in charge of it.
- ▶ Who's Responsible?
 - Executive Director
 - Director
 - Governing Body
 - Policy Council
 - Fiscal Officer and Staff

Fiscal Management System: Teamwork

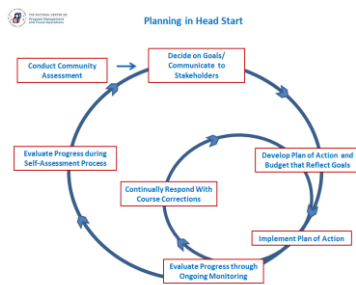
- ▶ Directors cannot do it all. They need assistance to:
 - Bridge the gap between program and fiscal
 - Establish regular meetings
 - Cross train staff
 - Be the model



What you need to *oversee*

| Budget Development and Monitoring | Compensation | Property Management | Financial Reporting |
|---|--|--|--|
| <ul style="list-style-type: none"> • Restrictions / allowances • GABI • Cost Allocation • Notice of Award | <ul style="list-style-type: none"> • Executive compensation • Wage Comparability • Personnel Activity reports | <ul style="list-style-type: none"> • Facilities Activities • Inventory | <ul style="list-style-type: none"> • Internal reporting • External reporting |

Fiscal Management System: Planning



Fiscal Management System: Teamwork



Fiscal Management System: Budgeting

- ▶ Federal regulations require that Head Start programs' financial management systems generate monthly financial statements that compare expenditures to date with budgeted amounts.
- ▶ The budget must present and justify the program's financial plans
 - Costs must be allocated

Fiscal Management System: Budgeting

- ▶ Establish Budget Planning & Development Team
 - Head Start Director
 - Fiscal Officer
 - Program Managers
 - Selected Staff Members
 - Anyone else?
- ▶ Establish a Budget Development Schedule
- ▶ Identify Needed Resources



Financial Management System: Budgeting

- ▶ Steps to the GABI
 - Local Line-Item Budget Projections
 - Personnel & Fringe
 - Other Line Items
 - Detailed Line Item Budget Justification & Explanations
 - GABI Line Item Budget
 - 424B Object Class Categories Budget



Financial Management System: Budgeting

- ▶ Using GABI for final budget preparation
 - Audit Report: identifies if program passed audit and any warnings and/or errors
 - Detail Report: provides all information on budget and enrollment, cost allocation, cost per child, administration, NFS, etc.
 - SF424: key features summary
 - SF424a: detailed budget by object class category, NFS, TTA, forecasted cash needs



Financial Management System: Budgeting

- ▶ Using GABI for final budget preparation
 - SF424b: assurances – to sign
 - Grant Application Report: grant application format for budget and enrollment
 - Functional Allocations: shows budget data by function

Financial Management System: Notice of Award

- ▶ Were supplemental funds (e.g. training and technical assistance) or one-time funds (e.g. program improvement) awarded by ACF for specific purposes subject to restrictive language in the FAA?
- ▶ Were restricted supplemental or one-time funds used for the restrictive purpose indicated in the grant award?
- ▶ If the restricted supplemental or one-time funds have not been spent or partially spent, does the grantee have a plan for spending the remaining funds in accordance with the restrictive purpose indicated in the grant award?

Financial Management System: 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.
 - 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.

Financial Management System: 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.



Financial Management System: Cost Allocation

- If You're Going to Share Resources between Programs with Different Standards, You Need a Plan ... A **Cost Allocation Plan**



Financial Management System: Cost Allocation

- ▶ A Cost Allocation Plan is a:
 - Road map: How a grantee intends to allocate costs that benefit more than one program
 - Should be *written down*
 - Very practical tip: try to keep it simple and easy to administer



Financial Management System: Cost Allocation

- ▶ Best practices
 - Identify the sources of revenue available – federal and non-federal
 - Document the basis for distribution of various types of costs
 - Percent of time worked (personnel)
 - Proportional share of space used (facilities)
 - Head count (office supplies)
 - Days or hours of service



Financial Management System: Cost Allocation

- ▶ Cost allocation plan means a written account of the methods used by the grantee agency to allocate costs to its various funding sources.



Financial Management System: Cost Allocation

- ▶ 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 increased incremental cost
 - Dividing up the resources and claiming the share
 - Primary concept



Financial Management System: Cost Allocation

- Best practices
 - A sound cost allocation method must:
 - Not be overly complex (simple is easier to follow and explain)
 - Be consistent for similar types of costs
 - Be justifiable
 - Tie back to actual results, when possible (e.g. % of time worked)



Fiscal Management System: Procurement

- The program develops and effectively implements procurement policies and procedures and meets, at a minimum, all requirements in the applicable Federal, State, and local statutes, regulations and administrative rules for Federal grants.



Fiscal Management System: Procurement

- The grantee implemented procurement procedures that meet, at a minimum, all requirements specified in the applicable Federal, State, and local statutes, regulations, and administrative rules for Federal grants, including a written code or standards of conduct governing the performance of its employees engaged in awarding and administering contracts.



Fiscal Management System: Procurement

- ▶ Contracts are current, available, signed, and dated, with a complete description of the performance and financial expectations of the grantee and the other parties. The grantee can demonstrate that contractual agreements were met.



Fiscal Management System: Procurement

- ▶ Were the grantee's written procurement procedures followed (use of purchase orders, approvals, documentation of cost quotations, etc.)?
- ▶ Did the grantee document the basis for its selection of the contractor or vendor (including justification for lack of competition when competitive bids or offers were not obtained)?



Fiscal Management System: Procurement

- ▶ How did the grantee provide for open and free competition?
- ▶ Was an analysis made of lease and purchase alternatives where appropriate?
- ▶ Was some form of cost or price analysis made and documented in the procurement files?



Fiscal Management System: Compensation

- ▶ The program ensures that salaries charged to the award are reasonable and necessary for the accomplishment of the program's objectives and are allocated to the grant in relationship to the relative benefit received. The program must also be able to provide documentation of all salaries charged to the award.

▶



Fiscal Management System: Compensation

- ▶ Original time records are prepared and properly signed by the individual employee and approved by a responsible supervisory official, and an appropriate methodology was used to allocate salaries among Head Start and other programs.



Fiscal Management System: Compensation

- ▶ Head Start or Early Head Start grant funds are not used as any part of the monetary compensation (e.g. salary, bonuses, severance) of an individual employed by the grantee who is paid at an annual rate in excess of Executive Level II (\$179,700 through calendar year 2012).



Fiscal Management System: Compensation

- Total compensation for personal services, including employee wages and incentive compensation payments, charged to the grant are allowable and reasonable.
 - How (and how recently) has the grantee conducted a wage and comparability study?
 - If the grantee received COLA funds, were the funds were the funds distributed in accordance with the terms of the grantee's funding award?



Fiscal Management System: Facilities & Property

- The program complies with all Federal requirements (e.g. adhering to the instructions in the application process and providing required documentation to Regional Offices) associated with the purchase, construction, or major renovation of facilities or equipment purchased with a purchase value of at least \$25,000.



Fiscal Management System: Facilities & Property

- The grantee has established the allowability of costs for owned or leased facilities and has adequately protected any Federal Interest in facilities through the filing of Notices of Federal Interest, insurance, and maintenance of property records.



Fiscal Management System: Facilities & Property

- Compensation for the use of facilities owned by the grantee, a delegate agency, or other related party was through depreciation or use allowance based on the cost of the facility (excluding costs paid by Head Start).



Fiscal Management System: Facilities & Property

- The grantee obtained advance Regional Office permission for any mortgage or loan agreements using collateral property acquired or subject to major renovation using Head Start funds and has ensured that mortgage/loan agreements include the required provisions.



Fiscal Management System: Facilities & Property

- The grantee can document that a physical inventory of equipment has been completed within the last two years?
- There evidence of a reconciliation of the physical inventory to the accounting records for the equipment in use and equipment disposed of.



Fiscal Management System: Facilities & Property

- ▶ The equipment is supported by an entry in the grantee's equipment records including all required information
 - a description of the property;
 - serial number or other identification number;
 - source of the property; title holder; acquisition date;
 - cost of the property;
 - percentage of Federal participation in the cost of the property

Fiscal Reporting



Internal

- Monthly Budget to Actual
- Credit Card Statements
- Annual Audit

External

- Financial Status (SF-425)
- Cash Reconciliation (PMS)
- Annual Audit & IRS 990
- Payroll Taxes
- USDA CACFP

Fiscal Management System: Accounting Systems

- ▶ All accounting systems must meet three important standards including:
 - They must meet generally accepted accounting principles (GAAP).
 - They must rely on records that support the source and application of federal funds (45 CFR 74.21 (b)(2) and 92.20 (b)(2)).
 - They must produce accurate financial information for review by program managers and governance groups (governing body and Policy Council/Committee),

Fiscal Management System: Reporting & Review

- Financial reporting is a process of summarizing all financial transactions—all revenue received and expenditures made—for a given period.
 - It is a tool to support internal monitoring, and
 - A means to meet external requirements and communicate financial information.



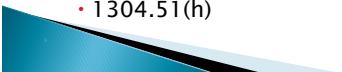
Fiscal Management System: Reporting & Review

- Financial management systems should make it possible to generate the necessary financial data to complete all required reports on a timely basis.



Fiscal Management System: Reporting & Review

- Reports include:
 - SF-425/269 (paper-based Federal Financial Report filed to Regional Office);
 - SF-425/272 (web-based Federal Cash Transactions Report filed with Division of Payment Management); and
 - USDA/Child and Adult Care Food Program (CACFP) reports.
 - 74.21(b)(1-2)
 - 92.20(b)(1-2)
 - 1304.23(b)(1)(i)
 - 1304.51(h)



Fiscal Management System: Reporting & Review

- In addition to reports required by funding sources, Head Start leaders and financial managers should routinely examine financial data that communicates the program's financial health.
- Examples of financial reports that provide a clear understanding of a program's financial status include:
 - Budget to actual
 - Year to year comparisons
 - Comparison of cost by site and/or program option



Other Fiscal–Related Reports



Internal

- Enrollment & Attendance
- Meals and Snacks

External

- Monthly Enrollment
- Annual Community Report
- Unemployment
- Worker's Compensation



Fiscal Management System: Reporting & Review

Head Start Act Sec. 642(d)(2)
(A)(B)(C)(D)(E)(F)(G)(H)(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, including—”



Fiscal Management System: Reporting & Review

- Subsection (A) monthly financial statements, including credit card expenditures;
- Subsection (B) monthly program information summaries;
- Subsection (C) program enrollment reports, including attendance reports for children whose care is partially subsidized by another public agency;



Fiscal Management System: Reporting & Review

- Subsection (D) monthly reports of meals and snacks provided through programs of the Department of Agriculture
- Subsection (E) the financial audit;
- Subsection (F) the annual self-assessment, including any findings related to such assessments;



Fiscal Management System: Reporting & Review

- Subsection (G) the community-wide strategic planning and needs assessment of the Head Start agency, including any applicable updates;
- Subsection (H) communications and guidance from the Secretary; and
- Subsection (I) the program information reports (PIR).



Fiscal Management System: Reporting & Review

Head Start Act Sec. 642(d)(2)

- Subsection (A) monthly financial statements, including credit card expenditures;
- Subsection (D) monthly reports of meals and snacks provided through programs of the Department of Agriculture
- Subsection (E) the financial audit;



Fiscal Management System: Reporting & Review

- Allows for informed decision-making and active involvement
- Is necessary for monitoring financial expenditures and program operations
- Identifies potential risks
- Demands the existence of a strong record keeping system
- Provides checks and balances by keeping everyone in the loop
- Increases accountability



Fiscal Management System: Reporting & Review

- The reports are most effective when they :
 - Provide accurate information and sufficient detail
 - Are presented in an easy way to interpret
 - Are presented in a timely manner



Fiscal Management System: Reporting & Review

- ▶ Individuals receiving the reports must know:
 - How to interpret the information provided
 - How to apply the information to their responsibilities
 - What critical questions to ask about the information
 - How to use the information to identify red flags or problem areas



Fiscal Management System: Reporting & Review

- Programs should provide financial reports to the Governing Body and Policy Council on a monthly basis. Programs that do not meet monthly should not bundle the reports. Programs who “bundle” the financial reports may be cited in monitoring reviews.



Fiscal Management System: Reporting & Review

- ▶ Best Practices
 - Governing body receives monthly financial statements in advance of meetings to review and discuss
 - Statement of financial position
 - Statement of financial activities
 - Statement of functional expenses, comparing budget to actual expenditures
 - Any explanatory narrative necessary to increase governing body’s understanding of the financial reports



Fiscal Management System: Reporting & Review

- ▶ Best Practices
 - Governing body receives information about credit card expenditures. This will look different in various types of agencies. Governing body should establish policy and procedures for information to be reviewed
 - Governing body receives reports on meals and snacks provided through USDA programs; to be most useful, to be tied to expected meal counts or budgets.



Fiscal Management System: Reporting & Review

- ▶ Best Practices
 - Minutes of the governing body meeting should reflect the presentation of and acceptance of the financial reports and any discussion of them; this helps document the governing body's engagement in the conduct of its fiduciary duties.
 - Programs should provide financial reports to the Governing Body and Policy Council on a monthly basis. Programs that do not meet monthly should not bundle the reports. Programs who "bundle" the financial reports may be cited in monitoring reviews.



Fiscal Management System: Reporting & Review

- ▶ Reporting to the Feds
 - The Federal Financial Report (FFR or Standard Form 425)
 - Replaces the SF 269 (Financial Status Report) and the PSC272 (Federal Cash Transactions Report) with a single electronic report.
 - Semi-annual filing plus final report
 - Talk to your Regional Office for further guidance



Fiscal Management System: Budget Revisions & Carryover

- ▶ Definition – Unobligated funds of the recipient from a previous funding period under a grant that are authorized for use to cover allowable costs in a current funding period
- ▶ Carryover funds should be used to complete any objectives which remain unmet from the prior budget period



Fiscal Management System: Budget Revisions & Carryover

- ▶ The request should contain:
 - A 424 & 424A showing the requested Carryover amount only
 - A detailed description of objectives/goals not completed and why they were completed
 - A description of how the goals/objectives will be met
 - A detailed budget justification and the proportionate Non-Federal Share (if applicable)
 - A copy of the annual financial status report (FFR 425)



Fiscal Management System: Budget Revisions & Carryover

- ▶ Revisions that are 25% of project costs or \$250,000, whichever is lower:
 - A cover letter stating the purpose of the revisions and how they will impact the scope of services
 - A 424 & 424A showing the revised budget
 - A detailed budget justification for the revised budget



Budget Development and Monitoring *Digging a Little Deeper*

Your Role: Budget Champion

Your Budget: Reflection of program goals and priorities

Your Tools: RO Communiques, GABI, Cost Allocation,
HHS Grants Policy Statement

Your Funding: Federal, Non-Federal Share, Other
Revenue

Your Expenses: Understanding line items &
allowable/unallowable



Q & A

THANK YOU