



Office of Head Start Monitoring Protocol

Fiscal Integrity Guides

October 7, 2013



Table of Contents

Interviews	1
<i>Fiscal Officer—Interview</i>	<i>1</i>
Agreements.....	1
Compensation	1
Credit Card	1
Program Operations	1
Reporting	1
Wage Comparability Study.....	2
Document Reviews	3
<i>FIFO & Audit—Document Review</i>	<i>3</i>
A-133 Audit	3
Indirect Costs	3
Non-Federal Share.....	3
Cost Allocation	3
Key Personnel	3
Facilities.....	4
Other Fiscal Concerns	4
<i>Delegate Agency—Document Review.....</i>	<i>4</i>
Audits	4
Payments	4
<i>Financial Reports/Accounting Records—Document Review.....</i>	<i>4</i>
SF-425	4
USDA/CACFP Documentation.....	5
IRS Forms/Documentation.....	5
Equipment Sold or Disposed	6
<i>General Ledger—Document Review</i>	<i>6</i>
Aged Payables	6
Bank Reconciliations.....	6
General Ledger	6
One-Time Funds	7
<i>Insurance Policies—Document Review</i>	<i>7</i>
Certificates of Insurance	7



Transaction Reviews 8

Equipment—Transaction 8

Equipment Description 8

Grantee-Owned Facilities—Transaction 8

Facility Description 8

Mortgage Conformance 8

Allocation of Space Cost 9

Facilities Acquired, Constructed, or Subject to Major Renovation Using Head Start Funds 9

Allowability of Charges 9

Insurance on Facilities with a Federal Interest 9

Arrangement of Modular Facility 9

Recording of Notice to Federal Interest 10

Lease Conformance 10

Journal Entries—Transaction 10

Allowable, Reasonable, Allocable 10

General Ledger 10

Leased Facilities—Transaction 11

Leased Facility Description 11

Less-Than-Arm’s-Length Lease Agreements or Capital Leases 11

Approval of Capital Lease 12

Major Renovations to Leased Property 12

Cost Allocation of Leased Facilities 12

Loan Review—Transaction 13

Loan Review Description 13

Non-Federal Share—Transaction 13

Cash Match 13

Donated Space 13

Donated Time/Services 14

Donated Goods 14

Parent In-Kind 15

Non-Personnel Costs—Transaction 15

General Ledger 15

Allowable, Reasonable, Allocable 16

Credit Card Transactions 16

Payroll—Transaction 16

General Ledger 16

General Payroll Transaction 16



Reasonableness of Incentives	17
Salary Allocation.....	17
Reasonableness of Wages.....	18
<i>Procurement—Transaction</i>	<i>19</i>
Competition	19
Contract Selection	19
Summary	20
<i>Fiscal Integrity Summary.....</i>	<i>20</i>
Management Systems Key Indicator #6—Strengths and Summaries.....	20



Interviews

Fiscal Officer—Interview

Agreements

- ▶ Has the grantee received a notice of default on any mortgage or security agreement on a property with Federal interest?
- ▶ Can the grantee document that the Regional Office was informed of all instances of default related to properties with a Federal interest?

Compensation

- ▶ What method does the program use to ensure that funds are available for payment of any vested accrued leave owed to employees of the grantee?

Credit Card

- ▶ What is the program's procedure for reviewing credit card charges/retail store credit charges to insure that only authorized signatories use agency credit cards and that charges are reasonable and necessary for program operations?

Program Operations

- ▶ Since the completion of the most recent audit, have there been significant changes in fiscal staffing or to financial systems? If so, how has potential negative impact associated with these changes been mitigated?
- ▶ Is the grantee current in processing of transactions, payments to vendors, and production of financial reports for staff, the Board, and the Policy Council? Please describe the evidence you observed in arriving at your conclusion.
- ▶ What is your and your staffs' experience and educational level?
- ▶ Is the staffing level adequate to provide for appropriate segregation of duties? Please describe the evidence you observed in arriving at your conclusion.

Reporting

- ▶ Is the agency current in its payments to the Internal Revenue Service and State tax authorities (significant amounts not remitted when due and/or significant penalties, interest or levies related to late filings or late remittance)? Please describe the evidence you observed in arriving at your conclusion.



Wage Comparability Study

- ▶ How (and how recently) has the grantee ensured that wages paid are comparable to wages paid for comparable positions within the organization or those paid for similar work in the labor markets in which the organization competes?
- ▶ If the grantee received COLA funds, were the funds distributed in accordance with the terms of the grantee's funding award? Please describe the evidence you observed in arriving at your conclusion.
- ▶ If the grantee has an incentive compensation plan, how recently has it been used to compensate Head Start employees and how is reasonableness of payments determined?



Document Reviews

FIFO & Audit—Document Review

A-133 Audit

- ▶ Are there unresolved audit findings which should be considered by the reviewer? (1a)
- ▶ Does the most recent audit include audit findings either directly or indirectly related to the Head Start program? (1b)
- ▶ Do audit reports disclose any companies related to the grantee organization providing services and/or facilities to the Head Start program? (1c)
- ▶ Does the latest audit report describe potential impairment of financial health or significant issues outside of audit findings which should be considered by the reviewer? (1d)

Indirect Costs

- ▶ Does the grantee use an indirect cost rate? (2a)
- ▶ Are there any issues related to indirect costs which should be considered by the reviewer? (2b)

Non-Federal Share

- ▶ Any there any issues related to non-Federal share which should be considered by the reviewer? (3)

Cost Allocation

- ▶ Does Head Start/Early Head Start share resources or personnel with other programs or with central administration? (4a)
- ▶ Are there cost allocation issues which should be considered by the reviewer? (4b)

Key Personnel

- ▶ Please list the agency's specific personnel.
 - Chief Executive Officer
 - Chief Financial Officer
 - Head Start Director
 - Early Head Start Director
- ▶ Are there specific issues involving key personnel which should be considered by the reviewer?



Facilities

- ▶ During this grant period or any of the two previous grant periods, has the grantee received funding for new facilities, either traditional buildings or modular units, or major renovation to existing facilities? (6a)
- ▶ Were there indications that charges for a facility owned by the grantee (or a related party) exceeded depreciation or use allowance? (6b)
- ▶ Were there any other facility issues? (6c)

Other Fiscal Concerns

- ▶ Did the Regional Office list any other issues which should be considered by the reviewer? (7)

Delegate Agency—Document Review

Audits

- ▶ How does the grantee use information in the audits and other information from delegate agencies such as claims for reimbursement, support documentation, bank statements and advance payment requests for monitoring?
- ▶ Are recommendations discussed with the delegate agencies and corrective action developed?
- ▶ How does the grantee ensure corrective action occurred?

Payments

- ▶ If delegate agencies receive advance payments, how is the amount determined and does the grantee recover the advance amounts by the end of the grant year?
- ▶ What documentation is included with the requests for payment and how are the requests processed?

Financial Reports/Accounting Records—Document Review

SF-425

- ▶ Has the grantee reconciled any variances between the amount recorded in the financial records, amounts reported on the audit, and amounts reported on the SF-425?
- ▶ Describe any un-reconciled variances and discuss with the Fiscal Officer.
- ▶ Did disbursements for the latest award reported on the most recent PMS report (the SF-425 submitted electronically each quarter) vary from the disbursements reflected in the grantee's financial records?



- ▶ Did the grantee's accounting records separately identify the source and application for each Head Start award: Federal awards, authorizations, unobligated balances, assets, liabilities, outlays (total expenditures), income and interest?
- ▶ If the final, paper-based SF-425, revenue/expense report, or other financial record reflect a claim for indirect costs, does the NOA reflect an award for indirect costs, and does the grantee have a current negotiated Indirect Cost Rate Agreement?
- ▶ If the grantee has an established Indirect Cost Rate Agreement, is the total indirect cost on the most recent final, paper-based SF-425 computed per the approved agreement?
- ▶ Are the indirect costs charged to Head Start also included in the grantee's development and administrative cost for the period? Please describe the evidence you observed in arriving at your conclusion.
- ▶ Is the total recipient share (non-Federal share) on the grantee's financial records at least as much as the amount shown on the most recent, final SF-425? Please describe the evidence you observed in arriving at your conclusion.

USDA/CACFP Documentation

- ▶ Were any USDA/CACFP claims reduced or rejected due to late or inaccurate reporting or improper documentation of costs resulting in a disallowance or reduced payment to the program?
- ▶ Compare the actual USDA revenue reported on the final, paper-based SF-425 filed with the budgeted amount of USDA revenue reflected on the GABI and ask the grantee to document the total food cost for the Head Start program and show the sources from which the food costs were paid. Based on your review of this documentation, was Head Start charged for food costs that should have been paid by USDA?
- ▶ Does the grantee's most current USDA/CACFP compliance review identify any areas of noncompliance related to fiscal issues? If yes, did USDA/CACFP disallow any costs?
- ▶ Based on your review of the grantee's repayment of costs disallowed by USDA, were Head Start funds used to pay the disallowance?
- ▶ Based on your review of the grantee's records, was it determined that the USDA removed the grantee from participation in the CACFP program?

IRS Forms/Documentation

- ▶ Review grantee correspondence and notices from the Internal Revenue Service, State Income Tax, State Tax Withholding, Workers Compensation and Unemployment Compensation documents. Does any correspondence indicate unresolved compliance issues such as unpaid amounts that were past due, material significant penalties for late, missing or incomplete returns or reports? If yes, describe all unresolved issues in detail and indicate the amount of any levies, taxes, payments, penalties and interest claimed by the authority.
- ▶ If a review of grantee correspondence and notices from the Internal Revenue Service, State Income Tax, State Tax Withholding, Workers Compensation and Unemployment Compensation documents revealed that there were unresolved issues with late payroll taxes



or late insurance premiums, can the agency document that no portion of the taxes or insurance premiums were related to the Head Start program?

- ▶ Are there amounts due but not remitted (e.g. unpaid taxes or insurance premiums)? If yes, did the grantee draw down funds from PMS For the unremitted taxes or premiums?
- ▶ Does the grantee's most recent IRS Form 990, individual W-2 statement, or final year end payroll register list any employee with compensation exceeding the Level II rate?
- ▶ For employees identified in the grantee's IRS Form 990 or individual W-2 statements as having compensation exceeding the Executive Level II rate, is any portion of their compensation paid from Head Start funds (directly charged or as part of an indirect rate) or claimed as non-Federal share (match or in-kind)?

Equipment Sold or Disposed

- ▶ Since the last triennial, has the grantee sold or disposed of any equipment with a fair market value of \$5,000 or more?
- ▶ How did the grantee determine the fair market value? Please describe the evidence you observed in arriving at your conclusion.
- ▶ Did the grantee request and follow disposition instruction from the Regional Office?

General Ledger—Document Review

Aged Payables

- ▶ Review a report or listing of aged payables. Are bills and invoices paid on time (not more than 30 days past due unless disputed)?

Bank Reconciliations

- ▶ Review two consecutive bank statements. Are bank statements reconciled to the general ledger? Are reconciling items (including outstanding checks) resolved within 30 days? Do checks clear the bank by the second statement after the issue date?
- ▶ If the reconciliations show any checks outstanding more than 60 days, can the grantee show that payments were disbursed (checks signed and issued to the payees) on or near the date on which the checks were written?

General Ledger

- ▶ Do the grantee's fiscal records differentiate development and administrative costs from program costs to insure that development and administrative costs do not exceed 15 percent of the total grant (unless a waiver granting a higher percentage has been received)?



One-Time Funds

- ▶ Does the grantee's financial reporting system separately account for the use of one-time funds for the construction, purchase or major renovation of facilities? Were the funds used for the intended purpose?

Insurance Policies—Document Review

Certificates of Insurance

- ▶ Review the list of vehicles used by the agency (or its contractors) for the transport of Head Start children. For a sample of vehicles, can the grantee provide current certificates of transportation liability insurance?
- ▶ Review the list of vehicles purchased using Head Start funds. For a sample of vehicles, can the grantee provide current certificates of insurance showing coverage equivalent to the level of coverage on other agency-owned vehicles?
- ▶ Can the grantee produce a current certificate showing a fidelity bond or employee dishonesty coverage on officials and employees authorized to disburse program funds?
- ▶ Review the list of locations in which the grantee provides Head Start services. For a sample of locations (donated, leased, or owned), can the grantee provide current certificates of insurance for program service locations covering liability for accidents on the premises?



Transaction Reviews

Equipment—Transaction

Equipment Description

- ▶ Is the equipment 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; location, use and condition of the property; and ultimate disposition data, including the date of disposal and sales price of the property)?
- ▶ Can the grantee document that the equipment was part of a physical inventory conducted at least once in the past 2 years?

Grantee-Owned Facilities—Transaction

Facility Description

- ▶ Which of the statements below best describes the facility?
 - The facility is grantee-owned and was not acquired, constructed or renovated using Head Start funds.
 - The facility is a modular facility owned by the grantee and was acquired, constructed or renovated using Head Start funds.
 - The facility is a non-modular facility owned by the grantee and was acquired, constructed or renovated using Head Start funds.
- ▶ For non--modular facilities, is the facility located on land owned by the grantee?
- ▶ Is the building subject to a mortgage?
- ▶ Is the title in the name of the grantee?

Mortgage Conformance

- ▶ Was this loan entered into or refinanced since the last triennial review?
- ▶ Can the grantee provide a written Subordination Agreement signed by an ACF official subordinating the Federal interest to the rights of the lender?
- ▶ Did the review of the loan agreement find the lender was required to give written and telephonic notice to ACF in the event of a default in payment by the grantee, provide that the lender would not foreclose on the property until at least 60 days after the required notice was sent, and that ACF had the right to cure the default or name another payee?



Allocation of Space Cost

- ▶ Can the grantee document through a space map or other mechanism how the portion of the building allocable to Head Start was determined?

Facilities Acquired, Constructed, or Subject to Major Renovation Using Head Start Funds

- ▶ Can the grantee show ACF approval of a Facilities application under Part 1309?

Allowability of Charges

- ▶ Were non-Head Start funds used in the acquisition, construction or permanent improvement of the facility?
- ▶ Did the grantee limit charges to the cost of ownership (depreciation or use allowance plus utilities, insurance and maintenance)? Please describe the evidence you observed in arriving at your conclusion.
- ▶ Did the calculation of depreciation exclude the cost of land and any portion of the cost of buildings paid by the Federal Government? Please describe the evidence you observed in arriving at your conclusion.

Insurance on Facilities with a Federal Interest

- ▶ Can the grantee show title insurance for the full appraised value as approved by ACF or the amount of the purchase price, whichever is greater, and contains an endorsement identifying ACF as a loss payee to be reimbursed if the title fails?
- ▶ Can the grantee show it provided certified copies of the deed, lease, loan instrument, mortgage, and any other legal documents related to the acquisition or major renovation of the facility or the discharge of any debt secured by the facility to the Regional Office after their execution?
- ▶ Can the grantee produce a current Certificate of Insurance showing a physical-destruction insurance policy that insures the full replacement value of the facility from risk of partial and total physical destruction?
- ▶ If the facility is located in a flood zone, can the grantee produce a current Certificate of Insurance showing flood insurance covering the full replacement value of the facility?

Arrangement of Modular Facility

- ▶ Which of these best describes the arrangement of this modular facility?
 - The modular is permanently affixed to land owned by the grantee.
 - The modular is situated on land owned by a third party.
 - The modular is located on grantee-owned land but is not permanently affixed.



- ▶ For modular units not permanently affixed to land owned by the grantee or affixed to land not owned by the grantee, has the grantee posted the following notice on the modular unit: "On (date), the Department of Health and Human Services (DHHS) awarded (grant number) to (Name of grantee). The grant provided Federal funds for conduct of a Head Start program, including purchase of this modular unit. The grant incorporated conditions which included restrictions on the use and disposition of this property, and provided for a continuing Federal interest in the property. Specifically, the property may not be used for any purpose other than the purpose for which the facility was funded, without the express written approval of the responsible DHHS official, or sold or transferred to another party without the written permission of the responsible DHHS official. These conditions are in accordance with the statutory provisions set forth in 42 U.S.C. 9839; the regulatory provisions set forth in 45 CFR part 1309, 45 CFR part 74 and 45 CFR part 92; and Administration for Children and Families' grants policy."

Recording of Notice to Federal Interest

- ▶ Can the grantee show it recorded a Notice of Federal Interest in the appropriate official records for the jurisdiction in which a facility is located?

Lease Conformance

- ▶ Can the grantee show a land lease or other document ensuring the right of the grantee to have undisturbed use and possession of the facility?
- ▶ Is the lease filed in the official records of the jurisdiction in which the facility is located?
- ▶ Does the land lease (or affidavit or other document) include the address and legal description of the property (1309.21(d)(4)(i)), acknowledge that the grant incorporated conditions that included restrictions on the use of the property and provide for a Federal interest in the property (1309.21(d)(4)(ii), and state the property may not be used for any purpose inconsistent with that authorized by the Head Start Act and applicable regulations (1309.21(d)(4)(iii))?

Journal Entries—Transaction

Allowable, Reasonable, Allocable

- ▶ Why was the journal entry created and is the amount allowable and reasonable? Please describe the evidence you observed in arriving at your conclusion.
- ▶ Did the documentation show that the cost was allocated to Head Start in proportion to the benefit received? Please describe the evidence you observed in arriving at your conclusion.

General Ledger

- ▶ Was the cost posted to the award period in which the obligation was incurred?



Leased Facilities—Transaction

Leased Facility Description

- ▶ Which of the following best describes the lease?
 - This is an operating lease between the grantee/delegate and an unrelated property owner. The relationship between the grantee/delegate and the owner is arm's length. The lease does not include elements of purchase.
 - There is a less-than-arms-length relationship between the grantee/delegate and the landlord. One party to the lease agreement is able to control or substantially influence the actions of the other. Such leases include, but are not limited to those between divisions of a non-profit organization, non-profit organizations under common control through common key personnel, and a non-profit organization and a key personnel of the non-profit organization or his immediate family, either directly or indirectly in which they hold a controlling interest.
 - The lease contains at least one of the elements of a purchase:
 - the lease provides for transfer of ownership to the grantee/delegate
 - the lease provides for the grantee/delegate to purchase the property for less than fair market value
 - the duration of the lease is 75% or more of the facility's expected economic life
 - payments under the lease are at least 90% of the asset's value
- ▶ Please describe the evidence you observed in arriving at your conclusion of the description of the lease.
- ▶ Was this facility subject to renovation paid from Head Start funds involving one or more of the following?
 - The renovation involved a structural change to the foundation, roof, floor, or exterior or load-bearing walls of a facility or extension of an existing facility to increase its floor area.
 - The renovation involved extensive alteration of an existing facility, such as to significantly change its function and purpose, even if such renovation did not include any structural change to the facility.
 - The renovation cost is in excess of \$250,092 (\$200,000 adjusted for inflation since 2003) or 25 percent of the total annual direct costs approved for the grantee by ACF for the budget period in which the application was made.

Less-Than-Arm's-Length Lease Agreements or Capital Leases

- ▶ Did the grantee limit lease charges to the amount that would be allowed had the grantee purchased the property on the date the lease agreement was executed? This amount would include expenses such as depreciation or use allowance, maintenance, taxes, and insurance. Please describe the evidence you observed in arriving at your conclusion.

When reviewing evidence consider the following:



- What is the cost of the building (including any improvements and excluding the cost of the land)?
- What is the annual depreciation of the building (based on the useful life used for financial-statement or tax purposes) or use allowance (2 percent of the cost of the facility, excluding land)?
- What is the annual charge to the Head Start award [and/or non-Federal share claimed] for the facility?

Approval of Capital Lease

- ▶ For capital lease arrangements where charges exceed depreciation or use allowance, can the grantee show that the Regional Office approved an application for the purchase of this facility under Part 1309?

Major Renovations to Leased Property

- ▶ For leased property subject to major renovation using Head Start funds is the lease filed in the official records of the jurisdiction in which the facility is located?
- ▶ For leased property subject to major renovation using Head Start funds does the lease (or affidavit or other document filed as Notice of Federal Interest) include the address and legal description of the property (1309.21(d)(4)(i)), acknowledge that the grant incorporated conditions that included restrictions on the use of the property and provide for a Federal interest in the property (1309.21(d)(4)(iii); and state that the property may not be used for any purpose inconsistent with that authorized by the Head Start Act and applicable regulations (1309.21(d)(4)(iii))?
- ▶ Does the grantee's lease or other arrangement for occupancy provide the funding agency with the required right to designate a new lessee in the event of default, withdrawal, or termination; protect the Federal interest in the facility; and ensure the grantee's undisturbed use and possession of the facility?
- ▶ Can the grantee produce a current Certificate of Insurance showing a physical-destruction insurance policy that insures the full replacement value of the facility from risk of partial and total physical destruction?

Cost Allocation of Leased Facilities

- ▶ Can the grantee document through a space map or other mechanism how the portion of the building allocable to Head Start is determined? Please describe the evidence you observed in arriving at your conclusion.



Loan Review—Transaction

Loan Review Description

- ▶ Did the loan agreement exclude any claims against assets acquired or improved by Head Start funds?
- ▶ If the loan agreement did not exclude assets having a federal interest from use as collateral, did the grantee receive written approval from the Grants Management Officer (or designee) to encumber the Federal interest?
- ▶ If the loan agreement did not exclude assets having a federal interest from use as collateral, did the grantee receive written approval from the Grants Management Officer (or designee) to encumber the Federal interest?

Non-Federal Share—Transaction

Cash Match

- ▶ Was the cash expended for allowable costs necessary and reasonable for the operation of the Head Start program?
- ▶ Was the cost posted to the appropriate award period?
- ▶ This question only applies if cash match was from state or local government funds. Has the grantee established that the claimed match is not from funds paid by the Federal Government under another award, except where authorized by Federal Statute, or the funds were not used to match other Federal funds? Please describe the evidence you observed in arriving at your conclusion.
- ▶ Does the grantee administer other programs that require a match?
- ▶ How did the grantee establish the donation has not been counted toward a match for another program? Please describe the evidence you observed in arriving at your conclusion.
- ▶ For cash matches, was the cash counted as match when expended, and not when received? Please describe the evidence you observed in arriving at your conclusion.

Donated Space

- ▶ Does the claimed non-Federal share appear to be allowable and necessary for the operation of the Head Start program?
- ▶ Was the in-kind contribution posted to the appropriate award period?
- ▶ For donated space (other than space in family homes or occasional space rental), is the claimed value supported by a current appraisal performed by a licensed independent appraiser (e.g., certified real property appraiser or General Services Administration representative) and certified by a responsible official of the recipient? Please describe the evidence you observed in arriving at your conclusion.
- ▶ This question applies to space in a facility owned by the grantee, being purchased by the grantee under a capital lease, or under the grantee's control in a less-than-arms-length



relationship. Was the value of the donated space limited to the cost of ownership: depreciation or use allowance, maintenance, taxes, and insurance?

- ▶ Does the grantee administer other programs that require a match?
- ▶ How did the grantee establish the donation has not been counted toward a match for another Federal award? Please describe the evidence you observed in arriving at your conclusion.
- ▶ Was the claimed match from funds paid by the Federal Government under another award?
- ▶ Did authorizing legislation allow the funds to be used as a match? Please describe the evidence you observed in arriving at your conclusion.

Donated Time/Services

- ▶ Does the claimed non-Federal share appear to be allowable and necessary for the operation of the Head Start program?
- ▶ Was the in-kind contribution posted to the appropriate award period?
- ▶ How was value established and is it reasonable? Is the rate consistent with those rates paid for similar services in the recipient's organization (including fringe benefits) or the employee's regular rate of pay (for services provided by the employee of another organization), for services not found within the recipients organization, consistent with the rates paid for similar services in the local labor market (including fringe benefits)? Please describe the evidence you observed in arriving at your conclusion.
- ▶ For donated services, is the nature and duration of the activity, service date, location in which the service was performed, and volunteer signature included in the documentation? Please describe the evidence you observed in arriving at your conclusion.
- ▶ If applicable to the type of donated service, are claims supported by records identifying number of children served and the service provided?
- ▶ Did the volunteer receive payment or a stipend from another Federal program such as Foster Grandparents?
- ▶ Was the value reduced by the amount of stipend? Please describe the evidence you observed in arriving at your conclusion.
- ▶ Does the grantee administer other programs that require a match?
- ▶ How did the grantee establish the donation has not been counted toward a match for another Federal award? Please describe the evidence you observed in arriving at your conclusion.
- ▶ Was the claimed match from funds paid by the Federal Government under another award?
- ▶ Did authorizing legislation allow the funds to be used as a match? Please describe the evidence you observed in arriving at your conclusion.

Donated Goods

- ▶ Does the claimed non-Federal share appear to be allowable and necessary for the operation of the Head Start program?



- ▶ Was the in-kind contribution posted to the appropriate award period?
- ▶ How was value established and is it reasonable? Please describe the evidence you observed in arriving at your conclusion.
- ▶ Were donated items intended to be taken home for personal use of the child or parent (e.g. clothing, household items)? Please describe the evidence you observed in arriving at your conclusion.
- ▶ Does the grantee administer other programs that require a match?
- ▶ How did the grantee establish the donation has not been counted toward a match for another award? Please describe the evidence you observed in arriving at your conclusion.
- ▶ Was the claimed match from funds paid by the Federal Government under another award?
- ▶ Did authorizing legislation allow the funds to be used as a match? Please describe the evidence you observed in arriving at your conclusion.

Parent In-Kind

- ▶ Does the claimed non-Federal share appear to be allowable and necessary for the operation of the Head Start program?
- ▶ Was the in-kind contribution posted to the appropriate award period?
- ▶ Is the rate consistent with those rates paid for similar services in the recipient's organization (including fringe benefits) or, for services not found within the recipients organization, consistent with the rates paid for similar services in the local labor market (including fringe benefits)? Please describe the evidence you observed in arriving at your conclusion.
- ▶ Is the amount of time spent on performing the activities reasonable? Please describe the evidence you observed in arriving at your conclusion.
- ▶ Does the in-kind primarily benefit the parent or child as outlined in OHS—PC—A—077?
- ▶ This question applies to at-home activities. Are the parents' at home activities involved in doing things with the enrolled child that support the child's Head Start experience, that are articulated by the teacher (or home visitor) and that support the curriculum used by the program? Please describe the evidence you observed in arriving at your conclusion.
- ▶ This question applies to claims for the use of parent in-home space. Did the grantee use an outside source (e.g. market survey) to support the claimed value? Please describe the evidence you observed in arriving at your conclusion.
- ▶ Does this claim include parent transportation of children?

Non-Personnel Costs—Transaction

General Ledger

- ▶ How did the grantee ensure the services were performed or the goods received before the payment was processed? Please describe the evidence you observed in arriving at your conclusion.



- ▶ Was the cost supported by a contract or an invoice, if appropriate? Please describe the evidence you observed in arriving at your conclusion.
- ▶ This question applies only to construction or renovation contracts of \$2,000 or greater. Davis-Bacon Act: Has the grantee provided assurance that laborers and mechanics were paid prevailing wage rate (by comparison of the contractor's payroll to the U.S. Department of Labor wage determination)?
- ▶ Are approvals of the documents supporting this transaction consistent with the approval process described in the organization's fiscal policies and procedures? Is the approver someone other than the person making the order? Was a purchase order completed (if required by the organization's policies and procedures)? Please describe the evidence you observed in arriving at your conclusion.
- ▶ Was the cost posted to the appropriate award period?
- ▶ If payment was made by check, has the check cleared the bank? If not, does the grantee maintain documentation to demonstrate the payment was disbursed (check written, signed and issued to the vendor)? Please describe the evidence you observed in arriving at your conclusion.
- ▶ Did the grantee enter into multiple procurement transactions with the same vendor related to the same product, service, or project to avoid following its own written procurement procedures applicable to the total amount paid to the vendor? Please describe the evidence you observed in arriving at your conclusion.
- ▶ 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)?

Allowable, Reasonable, Allocable

- ▶ Does the grantee maintain documentation with adequate information to support a determination that the expense is allowable, reasonable, necessary, and allocable (i.e., supporting the need for the purchased product and its benefit to Head Start)? Please describe the evidence you observed in arriving at your conclusion.

Credit Card Transactions

- ▶ Is credit card use consistent with the organization's written policy? Please describe the evidence you observed in arriving at your conclusion.

Payroll—Transaction

General Ledger

- ▶ Was the work performed in the award period in which the related payroll cost was charged?

General Payroll Transaction

- ▶ Is the transaction part of a payroll approved by a responsible official of the organization?



- ▶ Is the transaction supported by time and attendance records (e.g., timecards, timesheets, summary records, or other supporting documentation verifying attendance) and signed or electronically approved by the employee or a supervisor having first-hand knowledge of the actual work performed by the employee?
- ▶ Which of the following best describes the allocation of this position?
 - The position is allocated at 100% to Head Start or 100% to Early Head Start.
 - The position is allocated only between Head Start and Early Head Start.
 - The position is allocated between Head Start/Early Head Start and a related program such as child care or state pre-K.
 - The allocation includes an unrelated program and/or central administration.

Reasonableness of Incentives

- ▶ Does this transaction include any incentive compensation payments or paid bonuses (with or without an agreement for payment)?
- ▶ Did the grantee document that the employee had: (a) achieved cost reduction, (b) met criteria for efficient performance, (c) submitted suggestions or d) achieved safety goals?
- ▶ Was incentive compensation paid according to existing incentive compensation agreements entered into between the organization and the employee in good faith before services were rendered or made according to an established plan consistently followed by the organization?
- ▶ Were the amounts awarded reasonable; i.e. the total compensation including the incentive was not excessive compared to the normal salary paid for similar work in the labor markets in which the organization competes for the kind of employees involved? Please describe the evidence you observed in arriving at your conclusion.

Salary Allocation

- ▶ Which of these best describes the allocation between Head Start/Early Head Start and related program(s), such as State Pre-K or Child Care?
 - The allocation is based on actual activity.
 - The allocation base (e.g. total salary dollars in each program, total expenses in each program) typically requires a Negotiated Indirect Cost Rate Agreement.
 - The allocation methodology use one or more activity bases, such as the number of children served, hours of operation or time study or similar analyses based on direct hours of identifiable services provided.
 - The grantee uses another allocation methodology not described above.
- ▶ Which of these best describes the allocation between Head Start and Early Head Start?
 - The allocation between Head Start and Early Head Start uses the same percentages as those used in the GABI accompanying the approved funding application.
 - The allocation is based on actual activity.



- The allocation is based on budgeted dollars, ability to pay, historical time studies, or fixed percentages not supported by rationale.
- The allocation is supported by an activity base (e.g. hours of service, number of children, etc.).
- The grantee uses another allocation methodology not described above.
- ▶ How has the grantee documented actual activity?
 - The grantee is an educational institution and uses a method recognizing the principle of after-the-fact confirmation.
 - The grantee is a government entity and uses periodic certification demonstrating (at least semi-annually) that the employee worked solely on the Head Start/Early Head Start award during the period covered by the certification.
 - The grantee is a nonprofit or government entity and uses personnel activity reports.
- ▶ Were the personnel activity reports prepared at least monthly, and did they coincide with one or more pay periods?
- ▶ Did the activity report account for the total activity for which the employee was compensated?
- ▶ Was the personnel activity report signed by the individual employee or, for non-profit agencies only, by a responsible supervisory official having first-hand knowledge of the activities performed by the employee?
- ▶ Is the allocation supported by current data?
- ▶ Based on a review of available information (e.g., job description, organization chart, classroom rosters, list of programs served by the agency), is the salary properly allocated? Please describe the evidence supporting your conclusion.
- ▶ Is the allocation base an appropriate measure of the benefit received by each program? Please describe the evidence you observed in arriving at your conclusion.
- ▶ If the grantee uses another allocation methodology, please describe the allocation methodology used. Does the methodology allocate costs in proportion to the benefits received by each program? Please describe the evidence observed in arriving at your conclusion.

Reasonableness of Wages

- ▶ Does the organization have similar work in other activities (outside of Federal awards)?
- ▶ Is the employee pay rate for Head Start work supported by a wage comparability study that establishes comparable compensation for similar work in the labor markets in which the organization competes?
- ▶ Is compensation consistent with the established policies of the educational institution?
- ▶ Is compensation consistent with that paid for similar work in other activities?



Procurement—Transaction

Competition

- ▶ How did the grantee provide for open and free competition?

Contract Selection

- ▶ Were the grantee's written procurement procedures followed (use of purchase orders, approvals, documentation of cost quotations, etc.)?
- ▶ Did there appear to be a conflict of interest? Please describe the evidence you observed in arriving at your conclusion.
- ▶ Was an analysis made of lease and purchase alternatives where appropriate?
- ▶ If the procurement is a construction or facility improvement contract or subcontract in excess of \$100,000, does each contract require a performance bond and a payment bond on the part of the contractor for 100 percent of the contract price? Describe the evidence you used in arriving at your conclusion.



Summary

About the Fiscal Integrity Summary : To complete the summary, reviewers look across the data collected within the Fiscal Integrity content area for evidence of key elements of the systems needed to operate Head Start. For example, for Fiscal Integrity, the fiscal reviewer will be looking at how the Key Element, Program Planning, affects the fiscal integrity of the program. How the program engages stake holders in the process of planning for the fiscal operations would be discussed in this summary. Below are the prompts for each Key Element that reviewers will consider as they summarize the data for this area of the protocol.

Fiscal Integrity Summary

Management Systems Key Indicator #6—Strengths and Summaries

▶ Program Planning-

Key elements of planning include:

- Developing goals, objectives, and plans based on an analysis of program data and the results of the program's Community and Self-Assessments
- Engaging stakeholders (governing bodies, policy groups, parents, and staff) in planning
- Using program data to design and implement changes to improve program services on an ongoing basis

▶ Ongoing Monitoring

Key elements of ongoing monitoring include:

- Use of effective tools and procedures to ensure the program is in compliance and meets its goals and objectives
- Clearly defining staff roles and responsibilities in program oversight
- Conducting frequent, ongoing monitoring activities
- Collecting and using data for planning activities and to ensure future compliance
- Ensuring ongoing monitoring of delegate agencies takes place

▶ Human Resources

Key elements of Human Resources include:

- Maintaining an organizational structure that supports the program's goals and objectives
- Assigning all major program functions and responsibilities to staff
- Supervising and supporting staff



► Communication

Key elements of Communication include:

- Sharing accurate and timely information with staff to support outcomes for children and families
- Sharing accurate and timely information with parents, policy groups, and the general community

► Record-Keeping and Reporting

Key elements of Record-Keeping include:

- Keeping records up to date
- Consistently collecting and recording data
- Generating reports to inform planning, communication, and ongoing monitoring
- Making information accessible to appropriate parties
- Maintaining confidentiality