

ACF Administration for Children and Families	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
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**INFORMATION MEMORANDUM**

**TO:** All Head Start and Early Head Start Grantees and Delegate Agencies

**SUBJECT:** New Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

**INFORMATION:**

The Office of Management and Budget (OMB) has issued new [uniform administrative requirements, cost principles, and audit requirements](#) effective Dec. 26, 2014, which are applicable to all Head Start and Early Head Start agencies and sub-recipients, including delegate agencies. The Office of Head Start (OHS) is providing general guidance to assist grantees in planning for implementation of the new requirements.

**Non-Federal Entities:**

The new uniform administrative requirements, cost principles, and audit requirements (collectively the new fiscal regulations) replace use of the terms "grantee," "grant funded organization," "delegate agency," and "sub-recipient" with uniform use of the inclusive term "non-federal entity" (NFE). This Memorandum will use the terms "non-federal entity receiving Head Start funds" or "NFE" to refer to all covered entities.

**Effective Date:**

The new fiscal regulations are effective for awards (or award increments) made on or after Dec. 26, 2014. Adoption of the regulations prior to Dec. 26, 2014 is not allowed. After Dec. 26, 2014, NFEs may establish a single program-level effective date for application of the regulations to existing Head Start awards for ease of implementation and administration. The program-level effective date must be reflected in the grantee's fiscal policies and within effective dates for application of the new regulations to affected awards.

**Audit Threshold:**

The regulation has increased the single audit threshold from \$500,000 to \$750,000. NFEs receiving at least \$750,000 in federal funding from all sources (including Head Start, Early Head Start, and Early Head Start-Child Care Partnership awards) are subject to the single audit requirement for fiscal years beginning on or after Dec. 26, 2014.

**Supersession and Impact on the Head Start Act and Performance Standards:**

The new regulations, when effective, supersede all current audit circulars and cost principle guidance currently codified under Title 2, Code of Federal Regulations (2 CFR 215, 2 CFR 220, 2 CFR 225 and 2 CFR 230). Grants management regulations at 45 CFR Part 74 and 45 CFR Part 92 are also superseded. NFEs should implement the new regulations as written, but anticipate codifying regulations from the Department of Health and Human Services (HHS) to be found at a new 45 CFR Part 75. An issuance date is not known at this time. Fiscal

compliance requirements of the Head Start Act and the Head Start Performance Standards also remain in effect and are not superseded by the new regulations.

**Planning for Implementation:**

The new regulations are substantially similar to previous audit, cost principle, and administrative regulations. However, the new regulations are a mix of existing language from previous regulations and new provisions appearing for the first time. Every covered NFE should compare its existing fiscal policies and procedures to the new regulation to prepare for any revisions needed to ensure compliance when the new regulations become effective.

**Highlighted Areas:**

Familiarity with all of the new regulations is important for effective fiscal management. In particular, the following areas have new language that will impact many non-federal entities receiving Head Start funds:

- a. Sub-recipient agreements and monitoring
- b. Identification of facilities and administrative (F&A) costs
- c. Cost allocation for direct costs
- d. Indirect costs and negotiated indirect cost rates
- e. Procurement activities
- f. Real property and equipment management

**Cost Principles:**

General factors affecting allowability of costs in the new regulations are the same as previous regulations. However, some information addressing individual items of cost within the cost principles is new, and some additional items have been added. NFEs may wish to pay particular attention to the following individual items of cost:

- a. Compensation – Fringe benefits
- b. Compensation – Personal services
- c. Contributions and donations
- d. Depreciation
- e. Fundraising and investment management costs
- f. Proposal costs

**Additional Updates:**

OHS will work closely with the Administration for Children and Families (ACF) Division of Grants Policy to provide additional updates to help NFEs effectively implement the new regulations. Fiscal managers who are not currently subscribed to the [Early Childhood Learning and Knowledge Center \(ECLKC\)](#) website are encouraged to register for updates.

Save the date on Feb. 10, 2015 for a webinar addressing the new regulations. Questions can be submitted in advance to be addressed during the webinar at [fiscalwebinar@hsicc.org](mailto:fiscalwebinar@hsicc.org).

Please direct any questions to your OHS Regional Office.

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