



Management Matters: Fiscal Introduction

Working As a Team for Better Fiscal Outcomes

Text Version

Welcome

Welcome to the Management Matters introductory session on effective fiscal management in Head Start and Early Head Start programs. It sets the stage for future fiscal Management Matters presentations.

During this session, you'll find out why teamwork between program and fiscal leaders is essential for effective fiscal management. You also will learn practical steps for building and strengthening that partnership. We'll provide a tool that you can use to scan your program's fiscal operations, as well as a fun game that can help program leaders develop a common language. The tools and ideas in this session will help you to complete other sessions in this fiscal Management Matters series. They also will help you take on complex fiscal issues in your program, such as non-federal share match and cost allocation.

Key Practices

In our work with Head Start programs, we've observed that the strongest programs embrace these three key practices:

- Program and fiscal staff work closely together to plan and make decisions.
- They understand the purpose, or "why," behind each other's regulations and don't just focus on the "what" and "how" of compliance.
- They use precise language when working together and with others to assure a complete understanding of issues.

Who's Responsible

Let's start with a quick question. Based on your own experience, indicate who is responsible for budgeting, procurement, and financial reporting for your program.

Who's responsible?

- Fiscal director
- Program director
- Both

Take a minute to think about this.

Maybe you considered budgeting to be the responsibility of the fiscal manager. However, good fiscal management requires teamwork. Head Start programs work best when the director and the fiscal leader work together on budgeting, procurement, and financial reporting. Although each person has different responsibilities, they can help each other meet their program's goals by coordinating and communicating. For example:

- A budget expresses your program's goals, objectives, actions plan, and service delivery with numbers. In this way, budgeting is an extension of your program's planning process. Program managers and fiscal leaders can make important contributions to the budgeting process if they work together.
- While the fiscal director oversees procurement, the program director is involved in approving purchases. It's helpful for both of you to understand the other's role.
- When the program and fiscal directors review and reconcile internal and external financial reports together, they can develop a shared understanding of how service delivery is represented fiscally.

Rethinking Relationships

We know that program directors and fiscal directors have their own specific responsibilities, and that everyone has a busy schedule. Sometimes that means that the program and fiscal directors and their respective staff work in isolation from each other, in "silos." When this happens, the program may suffer.

- Consider the process for the annual submission of your grant application. If the program narrative and budget are prepared separately, your application could seem disjointed or poorly thought out. Remember that planning and budgeting are collaborative events!
- Suppose a Head Start-child care program redirects some Head Start staff to provide extended day child care services, but they fail to inform the fiscal office of these changes. The staff's time is then not allocated to the appropriate child care funding sources; hence, the Head Start grant covers costs not associated to the benefits received and the child care grant has unspent funding at the end of the year.
- Another common symptom of working in silos is staff members from different departments using regulation- and jargon-laden language and 'being unable to understand each other. They may attend trainings separately and view each other as obstacles to achieving their particular department objectives. The program director may begin to view the fiscal director as Dr. N-O No, and the fiscal director may start to see the program director as a naïve do-gooder who doesn't appreciate the importance of fiscal oversight systems and procedures.

Now, let's look at steps that you can take to prevent some of these issues. 'We'll begin by talking more about breaking down silos.

Out of the Silos

When fiscal and program directors work together outside of their silos, they plan and budget together. For example, 'they may develop new program goals and review or revise existing ones during the

program's annual planning process. We know that programs are far more effective in achieving their goals when the fiscal implications are discussed and the necessary resources are included in the budget.

Program and fiscal directors also can partner to jointly plan and support your annual audit and to develop procurement and property management systems. To do this well, staff must work together to promote understanding through precise language, support each other's learning, and respect each other as important resources. You may find you share the same goal—to efficiently and effectively manage resources to support strong outcomes for children and their families.

Extend Your Learning: Fiscal Scan

Some organizations conduct a fiscal scan to help them achieve a broader understanding of the fiscal environment in their organization. In the resources section of this session, we've provided a fiscal scan tool that the program and fiscal directors can use to build understanding of roles, responsibilities, and opportunities to influence and improve Head Start fiscal management. The scan includes a series of questions to consider in five categories that allow you to reflect and seek answers. The five categories are: organizational structure, communication systems, staff fiscal capabilities, fiscal issues, and fiscal deadlines. It will help you to understand the context of the organization and the program, and to begin to build a partnership between the program and fiscal sides. Download the [fiscal scan tool](#) [PDF, 140KB].

I Get Your Drift: Fiscal Terms

As we mentioned earlier, it is easier for fiscal and program staff to work together when they understand each other's language and regulations. We have a fun activity called "**I Get Your Drift: I Speak Program, I Speak Fiscal**," that demonstrates the importance of understanding program and fiscal terms. We'll show you the game here, and then tell you how you can download a version to use in your program.

For each of the four fiscal terms, read how the fiscal director describes it and then see how the program director relates to that term.

Fiscal Terms Defined by the Fiscal Director, and the Program Director's Comments

Davis-Bacon Act

The **Davis-Bacon Act** is a law that requires payment of prevailing wages to employees of contractors and sub-contractors working on government construction projects costing \$2,000 or more, including projects for Head Start facilities.

Program Director: "Oh, now I see why you asked our facilities manager to request payroll records from the painting contractor. From now on, when we have contracts for facilities projects that exceed \$2,000, I'll make sure we include the requirement for contractors to share their payroll records with us."

GAAP

Generally Accepted Accounting Principles (GAAP) is the standard framework of guidelines for financial accounting. Companies and organizations are expected to follow GAAP rules when reporting data in their financial statements.

Program Director: "You mentioned recently that claiming the \$1,500 cash donation to our program as non-federal share match in this grant year would be allowed only if we spent the funds. Now I see why you said we needed to conform with GAAP."

Form 990

Form 990 is an annual reporting return that most federally tax-exempt organizations must file with the Internal Revenue Service (IRS). It is available to the public and provides information on the organization's mission, programs, policies, compensation, and finances.

Program Director: "Since the public has access to this information, it sounds like it could be used as an effective marketing tool for attracting interest in our mission! I should review this form before it's filed to make sure it markets our program well."

SF-425

Standard Form (SF) 425 is the federal financial form that is used to report Head Start and Early Head Start expenditures to the regional Head Start office three times a year — mid-year, end of year, and a final report.

Program Director: "That must be why you cautioned me to wait until we filed our final SF-425 before I requested a carryover of unspent funds. I assumed that the end-of-year report would be adequate, but now I see that a final report is required."

I Get Your Drift: Program Terms

Now for each of the four program terms, read how it's defined by the program director and see how the fiscal director relates to it.

Program Terms Defined by the Program Director, and the Fiscal Director's Comments

Program Options

Program options are the various choices outlined in the Head Start Program Performance Standards (HSPPS) that a Head Start or Early Head Start program may offer for service delivery: center-based, home-based, combination, or family child care.

Fiscal Director: "I took a look at the section of the HSPPS that outlines the requirements for the four different options. I didn't realize that each option has requirements for things like classroom group size, staff-to-child ratios, and length of service hours and days in the year. Now I know why we employ so many teaching staff!"

CDA

The **Child Development Associate (CDA)** is a three-year credential awarded by the Council for Professional Recognition, which is a national association that supports professional development in early education and care. A CDA is the minimum required credential for all Head Start teaching assistants.

Fiscal Director: "I saw you recommended that we include \$4,250 in next year's budget to renew the CDAs for 10 of our assistant teachers, at \$425 each. I didn't understand why we would pay to renew their credentials, but now that I know it's a requirement, I see why it's important."

ECLKC

The **Early Childhood Learning and Knowledge Center**, or the ECLKC, is the Office of Head Start's official website. It offers relevant, timely information and resources to Head Start programs and the early learning community.

Fiscal Director: "I attended a regional conference recently where several fiscal directors were talking about some great resources they found on the ECLKC. I wondered what that acronym stood for. You'll have to show me how to access the website."

CLASS

The **Classroom Assessment Scoring System (CLASS™)** is an observation tool used to assess quality in preschool classrooms. It looks at interactions with children and teachers in three domains of classroom quality: emotional support, classroom organization, and instructional support. The tool is used by federal Head Start reviewers to determine whether the program has met an acceptable score for each of the three domains.

Fiscal Director: "I've heard a lot of talk about CLASS™, and I know you've conducted a lot of CLASS™ training with staff. Now I understand what it actually is; that it's a school readiness data source to show classroom quality."

Extend Your Learning: I Get Your Drift

We hope you enjoyed this activity. You can download the game to use with your program and fiscal staff. The activity can help them learn from each other about their jobs, their languages, and the terms they regularly use. We've provided a set of cards and directions on ways that you can use the fiscal and program cards with your staff. Download the ["I Get Your Drift: I Speak Program, I Speak Fiscal" game](#) [PDF, 236KB].

Change Your View

The "I Speak Program, I Speak Fiscal" game illustrates the importance of building a common vocabulary among your entire team. Let's turn to another key principle that improves fiscal management: understanding the rationale behind regulations. 'Programs with strong management systems and practices take a broad view of regulations and policies. In addition to focusing on the "what" and "how," they also look at the "why" behind the regulation. Organizational practices related to non-federal share provide a clear example of the benefits of the "broad view."

The founders of Head Start envisioned the program as a partnership between the federal government and local communities. To ensure that communities contribute to the partnership, Congress requires that grantees raise 20 percent of the program's operating costs in their communities; the government provides the remaining 80 percent. Programs with a broad view look for ways to honor Congress's intent through contributions from partners in their communities. While they carefully follow regulations related to types and sources of match, they use their budget development process to identify community resources that address all of their short and long-term needs. They ask questions like, "Is there space in the community that we can use for free or at reduced cost?" or "Can I share staff with another early childhood program?"

Programs with a narrower view tend to focus on the need to calculate and raise 20 percent of their operating budget without considering the intent of the requirement. They often look to the time-consuming process of calculating the value of parent and volunteer activities instead of looking for ways to capitalize on the resources in the broader community. By viewing non-federal share as a mere numbers game, organizations narrow the options for both non-federal share and the community support it represents.

Change Your View

When taking the broad view, programs emphasize "why," as well as "what" and "how." Once program staff understand the reasoning behind a regulation, they can learn to comply and even to innovate. With a broad view, staff understand that a budget isn't just a bunch of numbers, but represents a program's priorities and goals. They view non-federal share match as demonstrating their community's commitment to their Head Start program. Rather than viewing non-federal share as something to do at the end of the budgeting process, they make a plan for non-federal share match throughout their budgeting process and report regularly on where they are in meeting their goal.

Summary

In summary, successful Head Start and Early Head Start program directors break down silos between program and fiscal staff. They use precise language, focus on the big picture, plan together with others, and make joint decisions. As you apply these operating principles to your work, you are setting a strong foundation for program and fiscal oversight. You also are taking a big step toward improved outcomes for the children, families, and communities you serve.