

The Dirty Dozen: Warning Signs of Financial Trouble

Learn the 12 signs of financial trouble and know what to look for during the annual audit:

1. Budgets are unbalanced year after year
2. Unanticipated budget changes, such as notable increases in travel expenses or declines in grant funding
3. Significant changes in program funds, which may indicate interfund transfers between Head Start and other programs
4. Overdue or inaccurate financial reports
5. Sudden increases in borrowing or unexpected requests to extend the line of credit
6. Poor segregation of duties
7. Lack of supporting documentation for expenses, including non-federal sharedocumentation
8. Audit is not shared with the full governing body, and repeat findings are not corrected
9. Unexpected turnover in the chief financial officer (CFO) or external auditor positions
10. Poor communication among the governing body fiscal expert, CFO, executive director, Head Start director, and other key personnel
11. Governing body members have contracts with the organization
12. Information about administrative and indirect costs is difficult to access