



# Office of Head Start Monitoring Protocol Fiscal Integrity Guides

**September 27, 2012**



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## Interview

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### Fiscal Officer—Interview

#### Agreements

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- ▶ 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

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- ▶ 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

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

#### Program Operations

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- ▶ 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?

#### Reporting

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- ▶ 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)?

#### Wage Comparability Study

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- ▶ 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?
- ▶ 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

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### Regional Office Correspondence & FIFO—Document Review

#### A-133 Audit

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- ▶ Were any Regional Office issues of concern identified in connection with the A-133 audit?

#### Indirect Costs

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- ▶ Does the grantee have a current negotiated Indirect Cost Rate Agreement?
- ▶ If the grantee does not have a current, approved negotiated Indirect Cost Rate Agreement, did the grantee attempt to claim indirect costs on its most recent Final Financial Status Report?
- ▶ Were any Regional Office concerns identified in connection with indirect costs for this grantee?

#### Non-Federal Share

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- ▶ Were any Regional Office concerns expressed in connection with the grantee's applicable non-Federal share requirement?
- ▶ Did the grantee receive a waiver of non-Federal share?
- ▶ If the grantee received a waiver of non-Federal Share, indicate the grantee's non-Federal share requirement.

#### Cost Allocation

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- ▶ Is the grantee required to allocate costs between funding sources?
- ▶ Were any Regional Office concerns expressed in connection with cost allocation by the grantee, including cost allocation concerns identified through the GABI?

#### Key Personnel

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- ▶ Were any Regional Office concerns expressed in connection with key personnel?

#### Facilities

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- ▶ Did the grantee receive funding during this grant period or any of the two previous grant periods for the purchase, construction or major renovation of a facility?
- ▶ Does the grantee own any of the facilities used for Head Start purposes?
- ▶ If the grantee has received funding during this grant period for the purchase, construction or major renovation of a facility, please enter the number (of facilities), total dollar amount of Federal interest, nature of the project and address of the facility for each funded purpose.
- ▶ Were any concerns expressed by the Regional Office in connection with the grantee's construction, purchase or major renovation of any facility?



## Other Fiscal Concerns

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- ▶ Were there other fiscal concerns expressed by the Regional Office?

## EHS or ARRA Expansion

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- ▶ Were there concerns with the implementation of the grantee's EHS or ARRA Expansion award (if applicable)?

## Cost Allocation—Document Review

### Allocation Methodology

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- ▶ If the grantee has a written cost allocation plan, does the method for allocating non-personnel costs reasonably reflect the relative degrees of benefit received by programs that share in the costs?
- ▶ Review the cost allocation plan's treatment of two cost categories (other than occupancy) of significant cost to HS/EHS and answer the following questions:
  - How did the grantee's cost allocation plan propose to allocate this type of shared cost?
  - Was the cost allocated in conformance with the grantee's plan? (Answer this question if this type of shared cost was included in non-personnel transaction testing.)
  - Based on your review, did the allocation methodology (as applied) result in a distribution of costs in reasonable proportion to the benefits received by Head Start?

## Financial Reports/Accounting Records—Document Review

### SF-425, SF-269, SF-272

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- ▶ Is the final, paper-based SF-425 (or SF-269) submitted to the Regional Office reconciled to the audited financial statements and to the General Ledger? Are reasonable explanations furnished for reconciling items?
- ▶ Did disbursements for the latest award reported on the most recent SF-425/272 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?
- ▶ For the most recently completed award period, does the final, paper-based SF-425 (or SF-269), revenue/expense report, or other financial record reflect a claim for indirect costs?
- ▶ If the final, paper-based SF-425 (or SF-269), 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 (or SF-269) 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.
- ▶ Review the supporting schedule for non-Federal share reported on the most recent final, paper-based SF-425 (or SF-269) submitted to the Regional Office. Is the total amount on the grantee's supporting schedule at least as much as the amount reported on the SF-425 or SF-269? Please describe the evidence you observed in arriving at your conclusion.

### USDA/CACFP Documentation

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- ▶ 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 (or SF-269) 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

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- ▶ 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 or individual W-2 statement 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)?

## General Ledger—Document Review

### Bank Reconciliations

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- ▶ 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

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- ▶ 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?

### General Ledger

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- ▶ 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)?
- ▶ Do the grantee's financial records differentiate between indirect cost charges and direct cost charges? Please describe the evidence you observed in arriving at your conclusion.
- ▶ Do financial records support that one-time funds were expended for purposes listed in the Notice of Award (NOA)?

### One-Time Funds

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- ▶ 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?

## Grant Documentation—Document Review

### Delegate Agency Agreements

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- ▶ Do delegate agency agreements provide the grantee with effective control over program funds, property, and other assets?

### Grant Application

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- ▶ Review the grant application for the current award period, the organizational chart and relevant Regional Office correspondence. Is there documentation of approval from the Regional Grants Management Officer (or designee) of key personnel (including approval for key personnel who are different than those on the grant application)?



## Notice of Award (NOA)

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- ▶ This question is asked to determine whether testing of one-time funds is to be performed. In either of the two most recently completed budget periods, did the grantee receive supplemental funds (excluding training and technical assistance) or one-time funds where the individual Notice of Awards (NOAs) exceeded \$100,000 or 3 percent of the base award amount (whichever is greater)?

## Prior Approval

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- ▶ This question is asked to determine whether testing of prior approval on equipment purchases is to be performed. For the two most recently completed award periods, did the grantee's expenditures on equipment (with a unit cost of \$25,000 or more) exceed either \$100,000 or 1 percent of the base award amount (whichever is greater)?
- ▶ For a sample of equipment (with a unit cost of \$25,000 or more, purchased during the two most recently completed award periods), was approval of the Grants Management Officer (GMO) or designee obtained before purchase?

## Records for Real Property

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- ▶ What is the number of grantee-owned facilities charged to Head Start or claimed as non-Federal share?

## Insurance Policies—Document Review

### Certificates of Insurance

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- ▶ 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 equal to replacement cost?
- ▶ If the grantee cannot provide current certificates of insurance showing coverage equal to replacement cost, is the coverage on the Head Start vehicle 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

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### Equipment Transaction

#### Equipment Description

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- ▶ 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?

#### Equipment Sold or Disposed

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- ▶ Can the grantee document that it requested disposition instructions from the Regional Office?
- ▶ Did the grantee comply with any disposition instructions received from the Regional Office and reimburse HHS for its share in the net proceeds (unless directed otherwise by the Regional Office)?

### Facilities Transaction

#### Facility Description

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- ▶ 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

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- ▶ 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**

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- ▶ 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**

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

### **Allowability of Charges**

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- ▶ Were non-Head Start funds used in the acquisition, construction or permanent improvement of the facility?
- ▶ Provide the following information regarding annual depreciation on the building based on the grantee's financial records and/or audited financial statements:
  1. Original cost of the building (including capital improvements but excluding land)
  2. Costs paid from other than Federal Head Start funds
  3. Percentage of costs paid from other than Federal Head Start funds
  4. Percentage of the building occupied by Head Start
  5. Annual depreciation (or use allowance) per financial records and/or audited financial statements
  6. Portion of depreciation (or use allowance) attributed to grantee's cost in the facility
  7. Land amortization (applies only to grantee-owned land occupied by a facility paid for with Federal funds; amortization is limited to land value divided by useful life of the building)
  8. Total depreciation (or use allowance) and land amortization
  9. Total annual charge to Head Start (both Federal share and non-Federal share), including "rent," depreciation, use allowance, and mortgage payments

### **Insurance on Facilities with a Federal Interest**

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- ▶ 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

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- ▶ 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.
- ▶ 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?
- ▶ 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."

### Lease Conformance

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- ▶ 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

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- ▶ Was the cost allowable under the applicable cost principles? Please describe the evidence you observed in arriving at your conclusion.
- ▶ Did the documents supporting the journal entry contain enough information to support the allowability of the cost? Please describe the evidence you observed in arriving at your conclusion.



- ▶ Does the cost appear to be necessary and reasonable (not in excess of the amount that would have been paid by a prudent person; of a type generally recognized as ordinary and necessary; properly procured, etc.)? 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?

### General Ledger

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

## Leased Facilities Transaction

### Leased Facility Description

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- ▶ Is there a less-than-arms-length relationship between the lessor and the lessee (e.g., the grantee agency “leasing to the Head Start program”, or a property-holding company related to the grantee) or is the lessor listed as a related party on the IRS Form 990 (non-profit only)?
- ▶ This question is asked to determine whether the lease is considered a capital lease—equivalent to purchase and requiring prior approval under Part 1309.

Does the lease agreement meet any of the following criteria:

- Provide for transfer of the facility to the grantee at the end of the lease term;
  - Provide the grantee with the option to purchase the facility for less than fair-market value;
  - Specify that the duration of the lease is equal to 75 percent or more of the estimated economic life of the facility? (Unless specific information is readily available, assume the economic life of the facility is 40 years.)
- ▶ This question is asked to determine whether the property was subject to a major renovation, which requires prior approval under Part 1309.

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

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- ▶ What is the cost of the building (including any improvements and excluding the cost of land)?



- ▶ What is the annual depreciation on 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)?
- ▶ What is the annual charge to the Head Start award [and/or non-Federal share claimed] for the facility?
- ▶ Did the grantee limit the charge (including claims for non-Federal share) to depreciation or use allowance?

### **Documentation and Approval of Leased Facilities**

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- ▶ For less-than-arms-length 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?

### **Notice of Federal Interest**

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- ▶ For capital leases, leased property subject to major renovation using Head Start funds, or less-than-arms-length arrangements where charges exceed depreciation or use allowance, is the lease filed in the official records of the jurisdiction in which the facility is located?
- ▶ For capital leases, leased property subject to major renovation using Head Start funds, or less-than-arms-length arrangements where charges exceed depreciation or use allowance, 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))?

### **Major Renovations to Leased Property**

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- ▶ For major renovation to property not owned by the grantee, 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**

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- ▶ 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

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- ▶ 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?

## Non-Federal Share Transaction

### Allowable, Reasonable, Allocable

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- ▶ Does the claimed non-Federal share appear to be reasonable and necessary for the operation of the Head Start program, and was it used to achieve program objectives, thus benefiting the program? Please describe the evidence you observed in arriving at your conclusion.
- ▶ Is documentation maintained to establish that the value claimed is reasonable for the type of service and the community in which the service is provided? Please describe the valuation approach used by the grantee and the evidence you observed in arriving at your conclusion.
- ▶ Does the claimed non-Federal share appear to be allowable under the cost principles? Please describe the evidence you observed in arriving at your conclusion.

### Cash Match

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- ▶ Has the grantee established that the non-Federal share donation has not been counted toward a match for another Federal award? Please describe the evidence you observed in arriving at your conclusion.
- ▶ For cash matches, 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 to be used for cost-sharing or matching? 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 Equipment

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- ▶ For donated equipment, is the amount of the claimed non-Federal share consistent with the fair-market value of equipment of the same age and condition at the time of donation? Please describe the evidence you observed in arriving at your conclusion.

### Donated Goods

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- ▶ For donated goods, does the amount of the claimed non-Federal share exceed fair-market value?



## Donated Time/Services

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- ▶ 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.
- ▶ For donated services, 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 recipient's 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.
- ▶ If applicable to the type of donated service, are claims supported by records identifying number of children served and the service provided?
- ▶ Are donated services or volunteer time documented by the same methods (to the extent feasible) used to support time worked by grantee or delegate employees?
- ▶ Did the grantee claim non-Federal share for any transportation provided by parents?

## Donated Space

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- ▶ 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.
- ▶ If the grantee claimed the use of parent in-home space as non-Federal share, describe the valuation methodology used for this non-Federal share transaction.

## General Ledger

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- ▶ Was the non-Federal share posted to the appropriate award period? Please describe the evidence you observed in arriving at your conclusion.
- ▶ Was the non-Federal share generated from other Federal programs? If so, from what programs? Please describe the evidence you observed in arriving at your conclusion.

## Non-Personnel Costs Transaction

### General Ledger

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- ▶ Did documentation of receipt or acceptance by the program exist before the invoice was processed for payment? 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.



- ▶ 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?

### **Allowable, Reasonable, Allocable**

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- ▶ 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**

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- ▶ 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**

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

### **General Payroll Transaction**

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- ▶ 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 by the authorized official 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





- ▶ Which of these best describes the allocation between Head Start/Early Head Start and unrelated programs and/or central administration?
  - The allocation between Head Start/Early Head Start and unrelated programs and/or central administration is based on actual activity.
  - The allocation between Head Start/Early Head Start and unrelated programs and/or central administration uses a base (e.g. total salary dollars in each program, total expenses in each program) that typically requires a Negotiated Indirect Cost Rate Agreement (NICRA) but either the grantee does not have a NICRA or this specific position is not covered by the NICRA.
  - The allocation between Head Start/Early Head Start and unrelated programs and/or central administration is based on budgeted dollars, ability to pay, or fixed percentages not supported by rationale.
  - The allocation between Head Start/Early Head Start and unrelated programs and/or central administration is supported by an activity base (e.g. number of transactions, number of supervised staff).
  - The grantee uses another allocation methodology not described above.

### Incentive Compensation

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- ▶ 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?

### Salaries Allocated Only Between Head Start and Early Head Start

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- ▶ 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 uses a base (e.g. total salary dollars in each program, total expenses in each program) that typically requires a Negotiated Indirect Cost Rate Agreement.
  - 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.
  - The grantee uses another type of allocation methodology not described above.

### **Salaries Allocated Only Between Head Start and Early Head Start Using Personnel Activity Reports**

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- ▶ 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?

### **Salaries Allocated Only Between Head Start and Early Head Start and a Related Program, Such as Child-Care or State Pre-K, Using an Activity Base**

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- ▶ 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?
  - Cost allocation does not apply because all children in the related program(s) receive the full range of Head Start services AND all children in the related program(s) are income-eligible for Head Start services AND the expected revenue from the other program(s) is reflected as non-Federal share on the FAA AND the total enrollment reflected on the FAA includes all children served by all funding sources.
  - 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 use another allocation methodology not described above.

### **Allocation and Supporting Data**

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- ▶ Is the allocation supported by current data?
- ▶ 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.



### Salaries Charged Only to Head Start or Early Head Start

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- ▶ 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.

### Other Allocation Methodology

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- ▶ 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

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- ▶ 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

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

### Contract Selection

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- ▶ Did the grantee accept a bid or offer from a bidder or offeror who was an employee, officer, or agent of the grantee (or immediate family member, partner, employer, or someone about to employ an employee, officer, or agent), or were any individuals included who had a financial interest in the bidder or offeror selected?
- ▶ If yes, does the grantee have a written policy that prohibits employees engaged in the award and administration of contracts or other financial awards from soliciting or accepting personal gratuities, favors, or anything of significant monetary value from contractors or potential contractors?
- ▶ 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)?
- ▶ 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?



- ▶ 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.

### **Transactions Above the Simplified Acquisition Threshold**

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- ▶ Did the grantee enter into multiple procurement transactions with the same vendor related to the same product, service, or project, resulting in the grantee failing to follow 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.
- ▶ Does each contract require contractors and subcontractors to allow the grantee, awarding agency, U.S. Comptroller General, or any of their duly authorized representatives access to any books, documents, papers, and records of the contractor that are directly pertinent to a specific program for the purpose of making audits, examinations, excerpts, and transcriptions? Please describe the evidence you used in arriving at your conclusion.
- ▶ Do contracts in excess of \$150,000 include contractual provisions or conditions that allow for administrative, contractual, or legal remedies in instances in which a contractor violates or breaches the contract terms and provide for such remedial actions as may be appropriate and include suitable provisions for termination by the recipient, including the manner by which termination shall be effected and the basis for settlement (92.36(i)(1 and 2), 74.48(a and b))?

### **Transactions Below the Simplified Acquisition Threshold**

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- ▶ Does the construction, renovation, or repair contracts for a Head Start facility in excess of \$2,000 include Davis-Bacon Act language requiring that all laborers and mechanics employed by contractors or subcontractors be paid wages not less than those prevailing on similar construction in the locality, as determined by the Secretary of Labor?

### **Written Procedures**

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- ▶ Were the grantee's written procurement procedures followed (use of purchase orders, approvals, documentation of cost quotations, etc.)?



## Observation

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### Fiscal Integrity Observation

#### Regional Office Correspondence (Cost Allocation)

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- ▶ Conduct a follow-up (document review, interview, etc.) if concerns were identified by the Regional Office related to cost allocation. Record your answer in detail and provide details on any documents that were provided in response to your question.

#### Regional Office Correspondence (FIFO)

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- ▶ Conduct a follow-up (document review, interview, etc.) if concerns were identified by the Regional Office related to non-Federal share. Record your answer in detail, and provide details on any documents that were provided in response to your question.
- ▶ Conduct a follow-up (document review, interview, etc.) if concerns were identified by the Regional Office related to indirect costs. Record your answer in detail, and provide details on any documents that were provided in response to your question.

#### Key Personnel

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- ▶ Conduct a follow-up (document review, interview, etc.) if concerns were identified by the Regional Office related to key personnel. Record your answer in detail and provide details on any documents that were provided in response to your question.

#### Facilities

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- ▶ Conduct a follow-up (document review, interview, etc.) if concerns were identified by the Regional Office related to the grantee's construction, purchase or major renovation of any facility. Record your answer in detail and provide details on any documents that were provided in response to your question.

#### Other Fiscal Concerns

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- ▶ Conduct a follow-up (document review, interview, etc.) if concerns were identified by the Regional Office related to other fiscal concerns. Record your answer in detail and provide details on any documents that were provided in response to your question.

#### EHS or ARRA Expansion

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- ▶ Conduct a follow-up (document review, interview, etc.) if concerns were identified by the Regional Office related to the grantee's EHS or ARRA Expansion funds. Record your answer in detail and provide details on any documents that were provided in response to your question.



## Summary

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### Fiscal Integrity Summary

#### Management Systems Key Indicator #6—Strengths and Summary Analysis

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- ▶ Describe your overall impressions of the grantee's performance in regard to Fiscal Integrity. Determine whether the program has effective fiscal systems in place to support the delivery of quality services to children and families and is in compliance with the Head Start Program Performance Standards and regulations. Describe any patterns you found, areas of strength, and areas in need of improvement. Remember to consult with other Reviewers (e.g., SYS Reviewer) about their findings, as appropriate.