



Ben Shelly  
President

Rex Lee Jim  
Vice President

NNHSPC 214-01-2014

**RESOLUTION OF THE  
NAVAJO HEAD START POLICY COUNCIL**

**NAVAJO HEAD START POLICY COUNCIL SUPPORTS AND APPROVES THE IMPLEMENTATION OF THE NAVAJO HEAD START ANNUAL REVISION OF POLICY & PROCEDURES (INCLUDING FORMS, PROFESSIONAL DEVELOPMENT, FLOW CHART & TRACKING) AND SERVICE DELIVERY PLANS 2013-2014 IN THE AREA OF FINANCE FOR THE SCHOOL YEAR 2013-2014.**

**WHEREAS:**

1. The Navajo Nation Board of Education (hereinafter the "Board" is the education agent in the Executive Branch for the purposes of overseeing the operation of all schools serving the Navajo Nation, including the Navajo Head Start program. 10 N.N.C. §106[A]; 10 N.N.C. §51. The Board carries out its duties and responsibilities through the Department of Diné Education. 10 N.N.C. §106[G][3]; and
2. Pursuant to 45 CFR 1304-50. Program Governance and Appendix A. The Navajo Nation Head Start Policy Council is duly elected and constituted Head Start Policy Council and an authorized entity of the Navajo Nation government; and
3. Pursuant to 45CFR 1304.51(a)(1)(iii) Management Systems and procedures-Program planning must include: the development of written plans(s) for implementing service in each of the program areas covered by this part (e.g. Early Childhood Development and Health Services, Family and Community Partnership, and program Design and Management);
4. Pursuant to 45 CFR 1304.51 (a)(2) All written plans for implementing services, and the progress in meeting them, must be reviewed by the grantee staff and reviewed and approved by the Policy Council or Policy Committee at least annually, and must be revised and updated as needed; and
5. Pursuant to 45 CFR 92.20(b)(3) Internal control Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.
6. Pursuant to 45 CFR 92.22 Limitation on use of funds Grant funds may be used only for: The allowable costs of the grantees, subgrantees and cost-type contractors, including allowable costs in the form of payments to fixed-price contractors; and Reasonable fees or profit to cost-type contractors but not any fee or profit (or other increment above allowable costs) to the grantee or subgrantee.
7. Pursuant to 45 CFR 92.24(b)(6) Records Costs and third party in-kind contributions counting towards satisfying a cost sharing or matching requirement must be verifiable from the records of grantees and subgrantee or cost-type contractors. These records must show how the value placed on third party in-kind contributions was derived. To the extent feasible, volunteer services will be supported by the same methods that the organization uses to support the allocability of regular personnel costs.
8. Pursuant to 45 CFR 92.30(d)(1) Valuation of third party donated supplies and loaned equipment or space
9. Pursuant to 45 CFR 92.32(d) Management requirements Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements.
10. Pursuant to 45 CFR 92.36(d) (4) (ii) Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate.
11. Pursuant to 1301.32(1) General provisions. Allowable costs for developing and administering a Head Start program may not exceed 15 percent of the total approved costs of the program, unless the responsible HHS official grants a waiver approving a higher percentage for a specific period of time not to exceed twelve months. The limit of 15 percent for development and administrative costs is a maximum. In cases where the costs for development and administration are at or below 15 percent, but

are judged by the responsible HHS official to be excessive, the grantee must eliminate excessive development and administrative costs.

12. Pursuant to 1304.50(g) (2) Governing body responsibilities. Grantee and delegate agencies must ensure that appropriate internal controls are established and implemented to safeguard Federal funds in accordance with 45 CFR 1301.13.
13. Pursuant to 1304.51(h) (2) Reporting systems. Grantee and delegate agencies must establish and maintain efficient and effective reporting systems that: Generate official reports for Federal, State, and local authorities, as required by applicable law.
14. The purpose of Navajo Head Start is to promote the school readiness of low-income children by enhancing their cognitive, social and emotional development: **(a)** in a learning environment that supports children's growth in language, literacy, mathematics, science, social and emotional functioning, creative arts, physical skills, and approaches to learning; and **(b)** through the provision to low-income children and their families of health, educational nutritional social, and other services based on family needs assessment; and
15. Navajo Head Start provides children with experiences that encourage and stimulate intellectual and social growth opportunities, promote Navajo Language and culture, and provides access to necessary medical, dental, and nutritional services under the Head Start and Early Head Start programs; and
16. The Navajo Nation Head Start Policy Council has the best interest of the Navajo Head Start to continue in providing quality services to children and families.

**NOW, THEREFORE BE IT, RESOLVED:**

Supports and approves the implementation of the Navajo Head Start Annual Revision of Policy & Procedures (including forms, professional development, flow chart & tracking) and Service Delivery Plans 2013-2014 in the area of Finance.

**CERTIFICATION**

I hereby certify that the foregoing resolution was duly considered by the Navajo Head Start Policy Council at a duly called meeting in **Window Rock, AZ** at the DoDE Education Building which a quorum was present and that it was passed by vote of 11 in favor, 0 opposed, and 2 abstained, this 23<sup>rd</sup> day of **January 2014**.

**NNHSPC 214-01-2014**

Motion by: Ellen Cooley

Second by: Brady Clark

  
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**Olin Kieyoomia, President**  
**DODE/Navajo Head Start Policy Council**



Ben Shelly  
President

**DEPARTMENT OF DINÉ EDUCATION  
THE NAVAJO NATION**

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Rex Lee Jim  
Vice-President

**NNBEJA-NHS-006-2014**

**RESOLUTION OF THE  
NAVAJO NATION BOARD OF EDUCATION**

**Approving the Implementation of the Navajo Head Start annual revision of policy & procedures (including forms, professional development, flow charts, and tracking) and Service Delivery plans 2013-2014 in the area of Fiscal Services.**

**WHEREAS:**

1. The Health, Education, and Human Services Committee is the oversight committee for the Department of Diné Education and Navajo Nation Board of Education [2 N.N.C. § 401 (C)(1); 10 N.N.C. § 1(B)]; and
2. The Navajo Nation Board of Education (hereinafter the “Board”) is the education agent in the Executive Branch for the purposes of overseeing the operation of all schools serving the Navajo Nation. [10 N.N.C. § 106 (A)] The Board carries out its duties and responsibilities through the Department of Diné Education (hereinafter the “Department”) [10 N.N.C. §106 (G)(3)]; and
3. The Department of Diné Education (hereinafter the “Department”) is the administrative agency within the Navajo Nation with responsibility and authority for implementing and enforcing the educational laws of the Navajo Nation. 2 N.N.C. §1801(B); 10 N.N.C. §107(A). The Department is under the immediate direction of the Navajo Nation Superintendent of Schools, subject to the overall direction of the Navajo Nation Board of Education. 10 N.N.C. §107(B); and
4. The Navajo Head Start (“NHS”) Program, which is located within the Department of Diné Education as approved by the Department’s Plan of Operation, Resolution No. GSCMY-19-07. The NHS also is funded by a grant from the Office of Head Start, Administration of Children and Families (ACF), under the terms of the Head Start Act, 42 U.S.C. §9801 *et seq.*, and applicable regulations; and,
5. The Navajo Nation is named the grantee and is responsible for ensuring compliance with the Head Start Act and performance standards in delivering the services to Navajo children and their families. The 2013-2014 Navajo Head Start Policy and Procedures and Service Delivery Plans is revised annually for implementation of Head Start/Early Head Start services
6. The Board acknowledges the Navajo Head Start Resolution #214-01-2014 passed on January 23, 2014, Approving the Navajo Head Start to implement the policy and procedures

**BOARD OF EDUCATION**

*Jimmie C. Begay, President · Dolly C. Begay, Vice President · Dr. Bernadette Todacheene, Secretary*  
*Members: Katherine D. Arviso · Rose J. Yazzie · Gloria Johns · Bennie Begay · Patrick D. Lynch*  
*Timothy Benally, M.Ed, Acting Navajo Nation Superintendent of Schools*

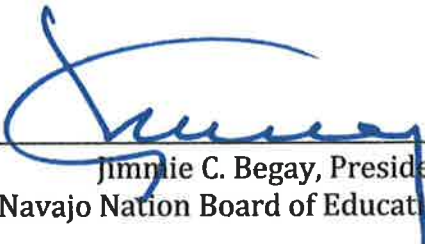
and service delivery plans, as it relates to services within the program; and Recommending Approval through the Navajo Nation Board of Education, and the Health, Education, and Human Services Committee of the Navajo Nation Council.

**NOW THEREFORE BE IT RESOLVED THAT:**

1. The Navajo Nation Board of Education hereby approves the Navajo Head Start Policy and Procedures and Service Delivery Plans as the Navajo Nation's official position.
2. The Navajo Nation Board of Education further recommends that the Navajo Nation Superintendent of Schools or his designee(s) and other designated members of the Navajo Nation Council to advocate on behalf of the Navajo Nation consistent with the services stated in this resolution.
3. The Navajo Nation Board of Education hereby directs and empowers the Superintendent of Schools to take any actions deemed as necessary and proper to carry out the purposes of this resolution.

**CERTIFICATION**

I hereby certify that the foregoing resolution was duly considered by the Board of Education of the Navajo Nation at a duly called meeting at Window Rock, Arizona (Navajo Nation) at which a quorum was present, motion by Rose J. Yazzie and seconded by Gloria Johns and that the same was passed by a vote of 5 in favor; 0 opposed; 0 abstained, this 29<sup>th</sup> day of January 2014.

  
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Jimmie C. Begay, President  
Navajo Nation Board of Education

**NAVAJO HEAD START  
FISCAL SERVICE PLAN  
Fiscal Year 2013 - 2014**

NAVAJO HEAD START: FISCAL MANAGEMENT					
Goal #1: Maintain efficient and effective financial reporting.					
Standards	Objective	Plan or Action: Specific Task	Responsibility	Reference	Time Frame
Reporting Procedures 1304.51 (h) (i)	To maintain effective reporting system.	Generate periodic financial report on a monthly basis to the Office of Head Start	NN Contract Acctg Sr. Accounting NN Accounting Manager	SF-425	45 days after each quarter
	To maintain effective reporting system.	Generate quarterly federal cash transaction report to Department of Health and Human Services Payment Management Office.	NN Contract Acctg Sr. Accounting NN Accounting Manager	SF-272	45 days after each quarter
	To maintain effective reporting of Daily Meal Count	Compile daily meal count reports at the Head Start centers, submit report to the Regional office on a monthly basis.	Paraprofessionals, HS Teachers, FSL, Ed. Specs.	Meal counts reports	Daily EOM
	To maintain efficient USDA reimbursement claims.	Compile all the daily meal counts from all the Head Start Centers and submit the report on-line to the state funding source.	Health & Nutrition Specialist	Meal Count Reports & Reim. Claim	The 10th of each month
	To maintain efficient reporting of the Non-Federal Share.	Head Start Centers compile all in-kind reports and submits the reports on a weekly basis to the Regional HS offices, acting regional ASO's logs in-kind, acting ASO's submits the In-kind reports to the Education Specs on a monthly basis. The Education Specialists check for completeness and submits report to Central Finance.	Central Finance, Acting ASO's FSL, Ed Specs	In-report Report	Weekly The 5th business day of the follow-
		FSL's will check for accuracy and compile the service area reports into one regional report and acting ASO's will review and sign the report. The acting ASO's will submit the In-kind report to Central Finance.	Principal Accountant Program Manager	In-report Report	The 12th business day of the following month.
		Central Finance staff will ensure that all the regional In-kind reports are submitted and signed by the acting ASO's. Central Finance staff will compile the reports and complete a overall summary report and submit to the Assistant Superintendent.	Princ. Accountant	In-report Report	The 13th business day of the following month.

NAVAJO HEAD START  
 FISCAL SERVICE PLAN  
 Fiscal Year 2013 - 2014

NAVAJO HEAD START: FISCAL MANAGEMENT					
Goal #1: Maintain efficient and effective financial reporting.					
Standards	Objective	Plan or Action: Specific Task	Responsibility	Reference	Time Frame
Reporting Procedures 1304.51 (h) (i)	To maintain efficient reporting of the Non-Federal Share.	The Assistant Superintendent will review, sign and date the In-kind compilation report. The approved report will be forward to OOC Contract Accounting and NN OMB.	Fiscal Manager Princ. Accountant	In-report Report	The 25th day of the following month
	To maintain efficient reporting of financial status.	Provide fiscal reports to the governing bodies and Head Start staff.	Princ. Accountant Sr. Accountant	Finance Reports	Monthly

NAVAJO HEAD START  
 FISCAL SERVICE PLAN  
 Fiscal Year 2013 - 2014

NAVAJO HEAD START: FISCAL MANAGEMENT					
Goal #2: Ensure that all expenses are allowable.					
Standards	Objective	Plan or Action: Specific Task	Responsibility	Reference	Time Frame
Allowable Cost 92.22	To ensure that all expenditures are allowable under applicable federal requirements	Navajo Head Start will reference and enforce the Cost Principles as outlined in OMB Circular A-87, Cost Principles for state, local and Indian Tribe Governments.	Program Managers Sr. Accountants Princ. Accountant Sr. Contract Analyst Sr. Property Clerk Assistant Superintendent	OMB Circular	Daily

NAVAJO HEAD START  
FISCAL SERVICE PLAN  
Fiscal Year 2013 - 2014

NAVAJO HEAD START: FISCAL MANAGEMENT					
Goal # 3: Ensure that Head Start complies with all the procurement policies and procedures.					
Standards	Objective	Plan or Action: Specific Task	Responsibility	Reference	Time Frame
45 CFR 92.36 (D)(4)(ii)	To allow open competitions	Solicitation of bids from three or more vendors, utilizing the Navajo Business Preference Source Listing.	Sr. Property Clerk Fleet Coordinator Sr. Contract Analyst Princ. Accounting	Bid package Bid Tabs Source List	Daily
	To perform Cost/price analysis	Compare prices obtain from the three vendors.	All Head Start staff	Code of Conduct	Upon hiring or reinstatement
1304.52 (H)(2)	To comply with Code of Conduct	All Head Start employees shall read and sign the Code of Conduct	Sr. Contract Analyst Princ. Accounting Sr. Accountant Acting Tech	Bid Package PR/RDP/SSO ICR/PO Trng Request forms, TAs	Daily
	To retain procurement files	Set up a folder for each vendor and retain all procurement documents.	NN Purchasing Dept Sr. Contract Analyst Princ. Accounting Fiscal Manager Sr. Accountant Acting Tech	Procurement Policies & Procedures	Daily
	To comply with procurement procedures.	Ensure compliance with Navajo Nation procurement policies and procedures through annual procurement trainings/ orientations.	Contract Acctg Sr. Contract Analyst Princ. Accounting Fiscal Manager Sr. Accountant Acting Tech	Signature authorization form. Budgets FMIS reports Chart of Acctis	Daily or upon request for procurement of goods & services.
	To perform propriety review	Check for availability of funds, allowability, allocability and reasonable test, proper approval signature, double check for accuracy of calculations and make sure that the right object code and business unit number is being utilized. Ensure that all required documents are attached.			



NAVAJO HEAD START  
 FISCAL SERVICE PLAN  
 Fiscal Year 2013 - 2014

NAVAJO HEAD START: FISCAL MANAGEMENT					
Goal #4	Program monitoring for effectiveness and progress to meet the program's goals and objectives.				
Standards	Objective	Plan or Action: Specific Task	Responsibility	Reference	Time Frame
1304.51 (i)(1)	On-going monitoring to ensure compliance to the Head Start policies and procedures  Annual single audit	Perform and participate in the Self Assessment by monitoring the Head Start centers, and administration.  Perform audits in accordance to Circular A-133 Single Audit Act	Education Program Specialist Principal Accountant Fiscal Manager  Auditors (KPMG) Prin. Accountant Fiscal Manager	Monitoring Form, Audit form,  Single Audit Act	Annually  Annually
1304.51 (i)(2)	On-site monitoring	Perform on site monitoring to ensure that the Head Start central and centers are in compliance with Head Start Financial Management Policies and Procedures.	Princ. Accountant HS Center staff Fiscal Manager	Fiscal files, reports and forms	Annually Twice a year

NAVAJO HEAD START  
 FISCAL SERVICE PLAN  
 Fiscal Year 2013 - 2014

NAVAJO HEAD START: FISCAL MANAGEMENT					
Goal # 5: Ensure that Head Start complies with the record keeping policies and procedures.					
Standards	Objective	Plan or Action: Specific Task	Responsibility	Reference	Time Frame
1304.51 (g)	To establish and maintain efficient and effective record keeping	The financial records shall be set up on an annual basis and maintain up to three years in accordance to the Performance Standards.	Fiscal Manager Princ. Accountant Sr. Accountant Sr. Property Clerk Acting Tech	Fiscal files, Performance Standards	Annually

NAVAJO HEAD START  
 FISCAL SERVICE PLAN  
 Fiscal Year 2013 - 2014

NAVAJO HEAD START: FISCAL MANAGEMENT					
Goal # 6: Ensure that Head Start complies with the budgeting policies and procedures.					
Standards	Objective	Plan or Action: Specific Task	Responsibility	Reference	Time Frame
CFR 92.30 (D)(1)	To prepare and submit the program budgets	Head Start to prepare the annual grant application budget and submit the grant application budget instruments by the established due dates.	Fiscal Manager Princ. Accountant Sr. Accountant	Information Memorandum GABI, OMB budget manual grant applic Community assessments overall budgets HSPPC reso- lutions	Due 90 days before grant year-end
		Present grant application packet to SAS Process	Fiscal Manager	424/424A app. Pkg.	Due 90 days before grant year-end
		Present grant application packet to Navajo Head Start Parent Policy and NN DODE Board of Education	Fiscal Manager	424/424A app. Pkg.	Due 90 days before grant year-end
		Submit grant application to DHHS.	Fiscal Manager	GABI	Due 90 days before grant year-end
		Prepare and submit the CACFP grant application to the state of Arizona and New Mexico on-line.	Fiscal Manager Health & Nutrition Specialist	State, USDA grant CACFP application	October 1st
		Prepare and submit the Navajo Nation general fund and tribal matching fund budgets to OMB.	Fiscal Manager	OMB budget applications	June 2014

NAVAJO HEAD START  
 FISCAL SERVICE PLAN  
 Fiscal Year 2013 - 2014

NAVAJO HEAD START: FISCAL MANAGEMENT					
Goal # 7: Ensure that Head Start complies with the prior approval on the program options.					
Standards	Objective	Plan or Action: Specific Task	Responsibility	Reference	Time Frame
CFR 74.25 and 92.30	To obtain the approval from the funding source prior to changes	Submit a request for approval of changes in program options to DHHS.  Provide training to staff on prior approvals.	Fiscal Manager NHS Parent Policy NN DODE Board of Education  Fiscal Manager	Letter of Approval Resolution  CFR 74/92	As needed  As needed

NAVAJO HEAD START  
 FISCAL SERVICE PLAN  
 Fiscal Year 2013 - 2014

NAVAJO HEAD START: FISCAL MANAGEMENT					
Goal # 8: Ensure a financial management system capable of providing Head Start program financial reports that are accurate, current, and complete and that supports the activities of the HSEHS program in a timely manner.					
Standards	Objective	Plan or Action: Specific Task	Responsibility	Reference	Time Frame
1307.3 (a)	Ensure financial reports are accurate, current, timely, and complete.	<p>Deficiency identified in monitoring review.</p> <p>1. NHS will ensure a system for the following is in place, i.e. consistently implemented and documented:</p> <ul style="list-style-type: none"> <li>a. All invoices and billings are sent to the Central Office for processing, then filing.</li> <li>b. All payments are reviewed to ensure cost are allowable, allocable, and reasonable.</li> <li>c. Rental market survey is provided, and the survey is updated.</li> <li>d. Monthly meetings between NHS and the Office of the Controller are planned; adequate standards to ensure financial processing, storage of records, coordination of reporting and compliance with Head Start standards are established.</li> <li>e. Head Start presence in Contract Administration, Accounts Payable, and Payroll Sections of OOC is expanded.</li> <li>f. Develop a budget for 2014 that is reflective of the restructure.</li> </ul>	Fiscal Manager Prin Accountant Sr Accountant	Notice of Deficiency from last NHS review	Fall 2013

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## **SECTION ONE**

### **SAFEGUARDING ASSETS 92.20(B) (3)**

#### **POLICY**

1. It is the policy of Navajo Head Start (NHS) to ensure all expenditures are allowable under applicable federal requirements by reviewing such expenditures PRIOR to processing payments.
2. It is the policy of NHS to monitor and fairly allocate costs attributable to common or joint use of facilities or services among the various programs that utilize such space or services in accordance with 45 CFR 1301.32.

#### **APPLICABLE FEDERAL HEAD START STANDARDS- 45 CFR 92.20 (b) (3)**

The financial management systems of other grantees and sub-grantees must have an effective standard of internal control and accountability which must be maintained for all grant and sub-grant cash, real and personal property, and other assets. Grantees and sub-grantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

This is a broad requirement and is addressed by the policies and procedures for Allowable Costs (45 92.22), Equipment (45 CFR 92.32), and Procurement (45 CFR 92.36).

## **SECTION TWO**

### **ALLOWABLE COSTS 92.22**

#### **POLICY**

1. It is the policy of Navajo Head Start (NHS) to ensure all expenditures are allowable under applicable federal requirements by reviewing such expenditures PRIOR to processing payments.
2. It is the policy of NHS to monitor and fairly allocate costs attributable to common or joint use of facilities or services among the various programs that utilize such space or services in accordance with 45 CFR 1301.32.
3. Refer to the following Head Start website for further information regarding applicable cost principles:  
[http://eclkc.ohs.acf.hhs.gov/hslc/Program%20Design%20and%20Management/Fiscal/Principles/Cost%20Principles/fiscal\\_pps00024\\_061405.html](http://eclkc.ohs.acf.hhs.gov/hslc/Program%20Design%20and%20Management/Fiscal/Principles/Cost%20Principles/fiscal_pps00024_061405.html)

### **APPLICABLE FEDERAL HEAD START STANDARDS- 45 CFR 92.22**

#### **Allowable Costs**

- a) Limitation on use of funds – Grant funds may be used only for:
  - 1) The allowable costs of the grantees, sub-grantees, and cost-type contractors, including allowable costs in the form of payments to fixed price contractors; and
  - 2) Reasonable fees or profit to cost type contractors but not any fee or profit (or other increment above allowable costs) to the grantee or sub-grantee.
- b) Applicable cost principles - There is a set of Federal principles for determining allowable costs. Allowable costs will be determined in accordance with the cost principles applicable to the organization incurring the costs. Navajo Head Start is required to follow the cost principles as outlined in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments.

#### **Allowable Costs**

##### **OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments**

1. In accordance with OMB Circular A-87, costs MUST meet the following criteria in order to be considered allowable:
  - a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
  - b. Be allocable to Federal awards under the provisions of this Circular (A-87)
  - c. Be authorized or not prohibited under State or Local laws or regulations.
  - d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
  - e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
  - f. Be awarded consistent treatment. A cost may not be assigned to a Federal Award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
  - g. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles.



- h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.
- 1. Be the net of all applicable credits.
- j. Be adequately documented.

**Reasonable costs:** A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally funded. In determining reasonableness of a given cost, consideration shall be given to:

- a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award.
- b) The restraints or requirements imposed by such factors as: sound business practices; arm's length bargaining; Federal, State and other laws and regulations; and, terms and conditions of the Federal award.
- c) Market prices for comparable goods and services.
- d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large, and the Federal Government.
- e) Significant deviations from the established practices of the governmental unit which may unjustifiably increase the Federal award's cost.

## **ALLOWABLE COSTS**

### **Allocable costs:**

- a) A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.
- b) All activities which benefit from the governmental unit's indirect cost, including unallowable activities and services donated to the governmental unit by third parties, will receive an appropriate allocation of indirect costs.
- c) Any cost allocable to a particular Federal award or cost objective under the principles provided for in this Circular may not be charged to other Federal award to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the Federal awards, or for other reasons.
- d) Where an accumulation of indirect costs will ultimately result in charges to a Federal award, a cost allocation plan will be required as described in A-87 Attachments C, D, and E.

## **PROCEDURES**

### *Allowability Review*

1. The Senior Accountant or Accounting Technician will review funds for availability by reviewing the budget balance at level of detail 6 on the JD Edwards system
2. The Senior Accountant or Accounting Technician will refer to the Navajo Nation Budget Instruction and Policies Manual, charts of accounts, Navajo Nation Tribal format budgets and Job Status inquiry to ensure that expenses are properly coded.
3. The Senior Accountant or Accounting Technician will review expenditure requests for allowability in accordance with this policy.

4. Central Finance Accountants should document their review for allowability and consider completing the Allowable Cost Determination worksheet for costs that need further clarification.
5. Attach the Allowable Cost Determination worksheet as support for costs that need further clarification.
6. All documents will be reviewed by someone other than the preparer. This review will be documented with an appropriate sign-off.

## SECTION THREE

### MATCHING & COST SHARING 92.24(B) (6)

1. It is the policy of Navajo Head Stan (NHS) to match 20% of program costs, and ensure that this requirement is fully implemented and administered in accordance with the requirements of the authorizing statute, program regulations, 45 CFR Part 74 or 92.
2. It is the policy of Navajo Head Stan (NHS) that costs borne by matching or cost sharing, and in-kind contributions are subject to the rules governing allowability in 45 CFR 74.23 or 92.24, including allowability under the applicable cost principles and conformance with other terms and conditions of the award that govern the expenditure of Federal funds.
3. Refer to the following Head Stan website for further information regarding matching and cost sharing: [http://zeelkc.ohs.acf.hhs.gov/hslc/Program%20Design%20and%20Management/Fiscal/Reference%20Center/Publications%20and%20Multimedia!Publications/fiscal\\_pub00053\\_061605.html](http://zeelkc.ohs.acf.hhs.gov/hslc/Program%20Design%20and%20Management/Fiscal/Reference%20Center/Publications%20and%20Multimedia!Publications/fiscal_pub00053_061605.html)

### APPLICABLE FEDERAL HEAD START STANDARDS- 45 CFR 92.24(b)(6)

Costs and third party in-kind contributions counting toward satisfying a cost sharing or matching requirement must be verifiable from the records of grantee and sub-grantee or cost type contractors. These records must show how the value placed on third party in-kind contributions was derived. To the extent feasible, volunteer services will be supported by the same methods that the organization uses to support the allocability of regular personnel costs. The standards for costs are found in regulation 45 CFR 92.24 and 74.23 for local government organizations, including the following:

#### 1. Volunteer Services

a) Professional and technical personnel, consultants, and other individuals, such as Head Start parents may furnish volunteer services. Each hour of volunteered service may be counted if the service is an integral and necessary part of the program. To count the time of a volunteer as match, the volunteer must be providing a service to, and not receiving a service from, the program.

#### 2. Donated Supplies

a) The agency should value third-party donations of supplies at the current fair market value of the supplies as determined by the agency using sources such as the guide issued by the IRS. Generally, donations of supplies to be used as gifts, prizes and awards are not allowable. Value of such items can be counted as match only if the program would otherwise have had to purchase the items to implement the program objectives. The Head Start Program Performance Standards provide the guidance to acceptable program objectives.

#### 3. Donated Equipment

a) Equipment, donated for use in a Head Start program is defined as having a fair-market value greater than \$5,000 and a useful life longer than a year. Equipment donated for use in the program may be valued at the market value of the equipment at the time of the donation. Documentation for the receipt of the equipment must include the description of the equipment and should reference the proposed use in the program and the condition at time of receipt.

b) Fair-market value at the time of the donation can be counted as in-kind if prior approval is received from ACF. If approval is not received, only depreciation or use-allowance can be counted as match.

#### 4. Donated Land

a) The value of donated land and buildings shall not exceed its fair market value at the time of donation

to the grantee as established by an independent appraiser and certified by a responsible official of the grantee.

b) If approval is obtained, the value of the donated land may be counted as cost sharing or matching. If approval is not obtained, no amount can be counted for donated land. Approval will be granted only if it can be determined that it would be appropriate to rent the land as an allowable direct cost.

### **5. Donated Equipment**

a) Only depreciation or use allowances based on the property's market value at the time it was donated may be counted. It can be counted as match if not reimbursed as a direct or indirect cost.

b) Depreciation may be computed following any generally accepted method and is to be based on the acquisition cost of the building. The computation will exclude the cost of the land. Use allowance for buildings may be computed at an annual rate not to exceed two percent of acquisition cost.

## **PROCEDURES**

### *Donations*

1. To ensure internal control, cash match must follow the same cash controls as other revenue. For example, cash match should be maintained in the general ledger as a separate sub-account within the Head Start fund. This provides a means of tracking the cash match and related expenditures. Third party in-kind service or other donations are tracked at the site locations to the Regional Area and Central offices as described in the reporting procedures. This information is accumulated at the Central office and forwarded to the Office of the Controller (see reporting policies and procedures for further discussion)
2. Documentation for receipt of supplies and/or equipment should be maintained and should include a copy of a receipt issued to the donor. Information on the receipt should include a description of the item, an estimate of the current fair-market value of the item, the date received and signatures of the donor and the recipient.
3. The use of volunteer time as match must include the establishment of a wage scale based upon the grantee agency's internal scale or prevailing wages in the area. Time sheets must be used to document hours contributed to the program. These time sheets must follow the same standards of documentation as employee time and attendance records, and must include:
  - a. Volunteer's name.
  - b. The dates, including year, the volunteer provided services.
  - c. The duration of time of services the volunteer provided to the program
  - d. The volunteer's supervisor's signature.
  - e. The volunteer's signature.
  - f. The volunteer activity.
  - g. The rate applied to this activity.
  - h. Total valuation for the time period
  - i. Documentation should be maintained on a regular basis. Programs may choose to use a monthly time sheet for regular volunteers or daily time sheets for occasional volunteers.
4. If a volunteer's time is being paid under another Federal grant, it may not be used for match. However, if a volunteer is paid from a grant that is funded by State and/or local and Federal sources, (e.g. 60 percent State/local and 40 percent Federal), part of the volunteer's time may be used as match.
  - a. The value must be based upon the service provided by the individual
5. Consultants and other individuals may provide their services to a program at a reduced rate. The difference between this reduced rate and the amount normally charged by the individual may be used as in-kind. The grantee should have a written agreement with the individual, which will document the reduction, and documentation should be maintained of the services provided. This may be in the form of an invoice or other grantee developed form.

6. Time spent by governing bodies, including Tribal Council, Council oversight committees and the Policy Council may be used as in-kind for time spent in their decision-making capacity related specifically to the Head Start program. A reasonable valuation should be developed by the program and applied based upon documentation from the meeting minutes and sign-in sheets. In determining the valuation, the agency or program should bear in mind the nature of the contribution rendered by these individuals. Policy Council time would be considered to be programmatic; however, Tribal Council time could be considered an administrative match subject to the 15 percent limitation.
7. Time spent by employees can be used only in specific circumstances and only when the employee's time is given freely. Donated employee time can be used as in-kind only if the employee is not being compensated through salary, overtime or compensatory time, and if the service and time donated are not in the scope of the employee's paid employment. Consideration should be given to the Fair Labor Standards Act requirements as well as agency personnel policies.
8. Allowability of parent volunteer time is based upon whether the parent is giving a service to the grantee, or receiving a service from the grantee.
9. The cost of time spent transporting a child for medical services are allowable if the services are required by the Head Start Program Performance Standards. Transportation provided by parents at their option, for their convenience, is not an allowable in-kind contribution.
10. The time spent by parents on fundraising activities is unallowable as match because fundraising is specifically unallowable under the OMB Cost Principles. However, expenditure of the proceeds is allowable when expended for allowable program costs.

#### *Management*

1. Central office staff is responsible for reviewing proposed program regulations and/or program announcements to determine compliance with policy.
2. Central office staff, as participants in the review of applications and the negotiation of grant budgets, must ensure that matching or cost sharing is not introduced at that point in the process as a means of reducing the potential Federal funding for individual awards.
3. Central office staff is responsible for reviewing costs and contributions that applicants propose to meet a matching or cost sharing requirement, and for obtaining any necessary documentation from the applicant to ensure that the costs/contributions are appropriate and available to the applicant. These proposed costs/ in-kind contributions must receive the same level of review and scrutiny as costs to be borne by Federal funds.
4. Central office (e.g. grants management) staff is responsible for preparing NGAs that conform to the requirements of sections 74.23 and 92.24.
5. Central office (e.g. grants management) staff is responsible for performing the types of post-award administration activities to ensure compliance with a matching or cost sharing requirement, including:
  - a) Monitoring the Financial Status Report (SF-425), Federal Cash Transactions Report (SF-272) and other documentation, as appropriate, to determine whether matching or cost sharing is being provided and the rate of expenditure is appropriate.
  - b) Adjusting award amounts, as necessary, if grantees fail to meet matching or cost sharing requirements. Adjustments will be based on actual allowable costs chargeable to the HHS award and the value of allowable in-kind contributions, if any.

## **SECTION FOUR**

### **BUDGET REVISIONS 92.30(D)(1)**

#### **POLICY**

1. It is the policy of Navajo Head Start (NHS) to establish and maintain an effective system of internal controls to safeguard assets and produce accurate and complete fiscal information in order to comply with applicable Federal requirements.
2. It is the policy of NHS to prepare budgets that incorporate Federal Head Start recommended practices.
3. It is the policy of NHS to prepare budgets that are accurate, complete and submitted within the required deadlines.
4. It is the policy of NHS to establish and maintain a formal structure of shared governance through which parents participate in policy making and other program decisions. In accordance with this policy, NHS has established a budget committee consisting of the following members:
  - a. 3 - Central Office Personnel
    - i. Program Director
    - ii. Fiscal Manager
    - iii. Principal Accountant
  - b. 5 - Program Managers – 1 from each Agency
  - c. 1 - Senior Education Specialist
  - d. 2 - Policy Council Members
5. It is the policy of NHS to obtain prior approval for all program changes, including budget revisions in accordance with 45 CFR 92.30.
6. Please refer to the following website for further information regarding Head Start budgets:<http://eclkc.ohs.acf.hhs.gov/hslc/Program%20Design%20and%20Management/Fiscalfinancial/Management/Budgets>.

#### **BUDGET REVISIONS**

##### **APPLICABLE FEDERAL HEAD START STANDARDS**

###### **45 CFR 92.30 – Changes**

(a) *General*- Grantees and sub-grantees are permitted to re-budget within the approved direct cost budget to meet unanticipated requirements and may make limited program changes to the approved project. However, unless waived by the awarding agency, certain types of post-award changes in budgets and projects shall require the prior written approval of the awarding agency. (Note: approvals are not valid unless they are in writing, and signed by at least one of the following DHHS Officials: 1) responsible Grants Officer or designee; 2) the head of the DHHS Operating or Staff Division that awarded the grant; or 3) the head of the Regional Office of the DHHS Operating or Staff Division that awarded the grant).

###### **45 CFR 92.30(c) (1) - Budget Changes- Non-construction Projects**

Except as stated in other regulations or an award document, grantees and sub-grantees shall obtain the prior approval of the awarding agency whenever any of the following changes is anticipated under a non-construction award.

- i. Any revision which would result in the need for additional funding
- ii. Unless waived by the awarding agency, cumulative transfers among direct cost categories, or, if

applicable, among separately budgeted programs, projects, functions, or activities which exceed or are expected to exceed 10% of the current total approved budget, whenever the awarding agency's share exceeds \$100,000.

iii. Transfer of funds allotted for training allowances (i.e. from direct payments to trainees to other expense categories).

**45 CFR 92.30(c) (2) - Budget Changes- Construction Projects**

Grantees and sub-grantees shall obtain prior written approval for any budget revision which would result in the need for additional funds.

**45 CFR 92.30 (c) (3) – Budget Changes – Combined Construction and Non-Construction projects**

When a grant or sub-grant provides funding for both construction and non-construction activities, the grantee or sub-grantee must obtain prior written approval from the awarding agency before making any fund or budget transfer from non-construction to construction or vice versa.

**BUDGET REVISIONS**

**45 CFR 92.30(d) – Programmatic Changes**

Grantees or sub-grantees must obtain the prior approval of the awarding agency whenever any of the following actions is anticipated:

1. Any revision of the scope or objectives of the project (regardless of whether there is an associated budget revision requiring prior approval).
2. Need to extend the period of availability of funds.
3. Changes in key persons in cases where specified in an application or a grant award. In research projects, a change in the project director or principal investigator shall always require approval unless waived by the awarding agency.
4. Under non-construction projects, contracting out, sub-granting (if authorized by law) or otherwise obtaining the services of a third party to perform activities which are central to the purposes of the award. This approval requirement is in addition to the approval requirements of 92.36, but does not apply to the procurement of equipment, supplies, and general support services.
5. Providing medical care to individuals under research grants.

#### **45 CFR 92.30(e) - Additional Prior Approval Requirements**

The awarding agency may not require prior approval for any budget revision which is not described in 45 CFR 92.30(c).

#### **45 CFR 92.30(f) - Requesting Prior Approval**

1. A request for prior approval of any budget revision will be in the same budget form as the grantee used in its application and shall be accompanied by a narrative justification for the proposed revision.
2. A request for prior approval under the applicable Federal cost principles (see section 92.22) may be made by letter.
3. A request by a sub-grantee for prior approval will be addressed in writing to the grantee. The grantee will promptly review such request and shall approve or disapprove the request in writing. A grantee will not approve any budget or project revision which is inconsistent with the purpose or terms and conditions of the Federal grant to the grantee. If the revision, requested by the sub-grantee would result in a change to the grantee's approved project which requires Federal prior approval, the grantee will obtain the Federal agency's approval before approving the sub-grantee's request.

## **BUDGET REVISIONS**

### **BUDGETING CONCEPTS FOR HEAD START GRANTEEES**

1. The term "budget" is used in its dictionary meaning, e.g., "to plan in advance the expenditure" of time or money.
2. Proposed budgets submitted to the Federal funding office, must be based on the following:
  - a. An assessment of the community that includes the eligible population to be served.
  - b. A determination of the costs of providing the services needed in the community in terms of administrators, teachers, and other staff; space for administration, classrooms, and playgrounds; equipment and supplies, including transportation of children; and other costs such as food, medical services, insurance, etc.
  - c. The proposed budget is submitted to, and reviewed by, the Federal funding office in terms of two major factors: 1) the availability of funds; and 2) the allowability and reasonableness of the proposed costs. Once the grantee and Federal officials have agreed and negotiated any necessary changes to the budget, Federal funds are awarded prospectively and services are provided.



### *Cost per Child*

One of the perceived barriers to partnerships between Head Start and other child care programs is the concept of "cost per child." The perception is that, because the cost per child in Head Start is so much higher than in child care programs, a partnership is not possible. Therefore, it is important to put this concept in perspective. "Cost per child" in Head Start is an after-the-fact calculation, not a beginning point in the budget process. Only after the budget has been developed is the concept relevant or appropriate. Cost per child is merely a number calculated by dividing a budget by the number of children served.

Head Start grantees are funded to meet the reasonable costs of providing needed quality services to children and families within the bounds of Federal funds appropriated for the program. Head Start budgets are not premised on a "cost per child."

An analysis of the proposed budget must consider all of the major costs of providing services as they actually exist for the grantee, and should ensure that costs are reasonable compared to other entities in the relevant geographic area.

### **PROCEDURES**

1. The budgeting process begins at the site location and Regional level, where personnel working together perform the following:

- a. Obtain the following information from the prior year:
  - i. Original and final budgets
  - ii. Actual expenditures for providing all services (direct and administrative)
  - iii. Population served (actual number of enrollees)
- b. Compare the final budget to the actual expenditures and identify any accounts that experienced significant over-expenditures or under-expenditures.
- c. Compare the original budget to the final budget and identify the cost categories with significant budget transfer activity.
- d. Segregate general ledger accounts into the three cost allocation categories – (administrative, program and dual benefit costs). For more information on cost allocation categories please refer to NHS Administrative Cost Policy.
- e. Calculate the prior year actual average cost per child, by expenditure line item and group the accounts into the following classification:
  - i. Development and administrative costs
  - ii. Program costs
  - iii. Dual benefit costs

Refer to the NHS Administrative Costs Policy for examples of cost allocation categories.

- f. Segregate prior year costs into fixed and variable costs and calculate an "expected average cost per child" by cost category.
- g. Determine current year factors that could affect fixed and variable cost accounts. Factors to consider include planned renovations, equipment needs, price increases for supplies, non-recurring expenses, etc. Calculate an "expected
- h. Prepare budget for fixed cost accounts based on last year's actual and current year factors identified in step g above.
- i. Determine the eligible population expected to be served in the current year.

- j. Prepare budget for variable cost accounts by multiplying the number of eligible participants by the expected average cost per child calculated in step f above to create an initial budget for each variable cost expenditure line item
  - k. The Principal Accountant will determine the 15% administrative cost from the Funding Plan as determined by the total grant from the Department of Health & Human Services. The remaining budget will be allocated to direct costs as for the Central Office, each Agency Office, Head Start (HS) Disabilities, HS Parent Cost, HS Training and Technical Assistance (HS T&TA), and Early Head Start. Each account is identified with an associated business unit.
  - l. The Principal Accountant will prepare specific budgets for Central Administration, Central Direct, HS Disabilities, HS T&TA, and Early Head Start from the allocated budget.
  - m. The Senior Accountant will forward the completed budget and supporting documentation to central Principal Accountant for review to ensure it is accurate and complete. The Principal Accountant will document their review by initialing or signing the forms and forward to the CFO for final approval.
  - n. The CFO will perform the final review and approval of all budgets to ensure they are complete and accurate. Once complete, the sign off on the related documents are forwarded to the NHS Budget Committee
2. NHS Budget Committee will accumulate all "draft" budgets and perform the following:
- a. Review all information for completeness and accuracy.
  - b. Review all assumptions made in creating the draft budget.
  - c. Review prior year budget transfers to ensure the current year budget accurately reflects anticipated activity in an attempt to limit the amount of budget transfer activity.
  - d. Ensure the administrative budgeted amounts are appropriately calculated and do not exceed the 15% administrative cost limit.
3. Prepare and approve final budget for submission to awarding agency.
4. Upon receipt of the approved budget and award letter, the Agency Senior Accountant and Accounting Technician will prepare the budget for administrative costs and direct costs from the allocated budget in the tribal excel format (See Form 5).
5. Forward the approved budget to the Navajo Nation Office of Management and Budget (OMB) for input into the JDEdwards accounting system.

#### *BUDGET TRANSFER MONITORING PROCEDURES*

- 1. The Central Office will monitor, accumulate, and approve all budget transfer requests before they are processed to ensure compliance with Federal regulations.
- 2. Budget transfer requests to/from administrative accounts to/from direct program accounts will not be approved or processed if they exceed the 15% requirement.
- 3. Prior to approving the budget transfer request, the Central Office will review the request and perform the following:
  - a. Ensure the transfer request contains sufficient justification
  - b. Review the applicable general ledger accounts to ensure the transfer does not involve transferring to/from administrative accounts to/from direct program accounts.

- c. Review the requested transfer and determine whether the amount of the transfer request requires DHHS prior approval.
  - d. Review the aggregate budget transfers previously processed for the applicable accounts (if any) in order to determine whether the requested transfer amount when added to previously transferred amounts requires DHHS prior approval.
4. If it is determined that DHHS prior approval is required, prepare the request in accordance with the following federal requirements:
    - a. A request for prior approval of any budget revision will be in the same budget format the grantee used in its application and shall be accompanied by a narrative justification for the proposed revision.
      - b. A request for prior approval under the applicable Federal cost principles (see section 92.22) may be made by letter.
    - c. A request by a sub-grantee for prior approval will be addressed in writing to the grantee. The grantee will promptly review such request and shall approve or disapprove the request in writing. A grantee will not approve any budget or project revision which is inconsistent with the purpose or terms and conditions of the Federal grant to the grantee. If the revision, requested by the sub-grantee, would result in a change to the grantee's approved project which requires Federal prior approval, the grantee will obtain the Federal agency's approval before approving the sub-grantee's request.
  5. If it is determined that DHHS prior approval is NOT required, or once DHHS approval has been obtained, perform the following:
    - a. Forward the budget transfer request to the Program Director for final approval.
    - b. Forward completed, reviewed and approved budget transfer to Navajo Nation OMB for processing.

## **SECTION FIVE**

### **MANAGING EQUIPMENT 92.32(0) (1)**

#### **POLICY**

1. It is the policy of Navajo Head Start (NHS) to establish and maintain an effective system of internal controls to safeguard assets.
2. It is the policy of the NHS to ensure that equipment records are complete and accurate. Property records will include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, the cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including date of disposal and sale price of the property.
3. It is the policy of the NHS establish and maintain written equipment policies and procedures based on Federal standards for managing equipment to ensure compliance with 45 CFR 92.32, including:
  - a. Keeping current, accurate and complete equipment records
  - b. Conducting physical inventory counts once every two years
  - c. Maintaining equipment in good operating condition
4. Please refer to the following website for further information regarding Head Start equipment standards:  
<http://eclkc.ohs.acf.hhs.gov/hslr/Program%20Design%20and%20Management/Fiscal/Property%20Standards/Equipment>

## **SECTION FIVE (CONT.)**

### **MANAGING EQUIPMENT**

#### **APPLICABLE FEDERAL EQUIPMENT STANDARDS- 45 CFR 92.32**

The Federal requirements for equipment management applicable to NHS are:

- OMB Circular A-87 (Cost Principles for State, Local and Indian Tribal Governments)
- Head Start Act (Public Law 105-285)
- Head Start program regulations (45 CFR Part 1301)
- The Departmental Uniform Administrative Requirements for Grants and Agreements to State and Local Governments, including Indian Tribal Governments (45 CFR Part 92). The NIIS is required to follow paragraphs (c) through (e) of Section 45 CFR 92.32 Equipment as follows:

NHS is required to follow paragraphs (c) through (e) of Section 45 CFR 92.32 Equipment as follows:

#### (c) Use

- (1) Equipment shall be used by the grantee or subgrantee in the program or project for which it was acquired as long as needed, whether or not the project or program continue to be supported by Federal funds. When no longer needed for the original program or project, the equipment may be used in other activities currently or previously supported by a Federal agency.
- (2) The grantee or subgrantee shall also make equipment available for use on other projects or programs currently or previously supported by the Federal Government, providing such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use shall be given to other programs or projects supported by the awarding agency. User fees should be considered if appropriate.
- (3) Notwithstanding the encouragement in Sec. 92.25(a) to earn program income, the grantee or subgrantee must not use equipment acquired with grant funds to provide services for a fee to compete unfairly with private companies that provide equivalent services, unless specifically permitted or contemplated by Federal statute.
- (4) When acquiring replacement equipment, the grantee or subgrantee may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property, subject to the approval of the awarding agency.

## SECTION FIVE (CONT.)

### MANAGING EQUIPMENT

- (d) Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum meet the following requirements:
- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
  - (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
  - (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
  - (4) Adequate maintenance procedures must be developed to keep the property in good condition.
  - (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.
- (e) Disposition. When original or replacement equipment acquired under a grant or subgrant is no longer needed for the original project or program or for other activities currently or previously supported by a Federal agency, disposition of the equipment will be made as follows:
- (1) Items of equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold or otherwise disposed of with no further obligation to the awarding agency.
  - (2) Items of equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment.
  - (3) In cases where a grantee or subgrantee fails to take appropriate disposition actions, the awarding agency may direct the grantee or subgrantee to take excess and disposition actions.

## SECTION FIVE (CONT.)

### MANAGING EQUIPMENT

- (f) Federal equipment. In the event a grantee or subgrantee is provided federally-owned equipment:
- (1) Title will remain vested in the Federal Government.
  - (2) Grantees or subgrantees will manage the equipment in accordance with Federal agency rules and procedures, and submit an annual inventory listing.
  - (3) When the equipment is no longer needed, the grantee or subgrantee will request disposition instructions from the Federal agency.
- (g) Right to transfer title. The Federal awarding agency may reserve the right to transfer title to the Federal Government or a third part named by the awarding agency when such a third party is otherwise eligible under existing statutes. Such transfers shall be subject to the following standards:
- (1) The property shall be identified in the grant or otherwise made known to the grantee in writing.
  - (2) The Federal awarding agency shall issue disposition instruction within 120 calendar days after the end of the Federal support of the project for which it was acquired. If the Federal awarding agency fails to issue disposition instructions within the 120 calendar-day period the grantee shall follow Sec. 92.32(e).
  - (3) When title to equipment is transferred, the grantee shall be paid an amount calculated by applying the percentage of participation in the purchase to the current fair market value of the property.

### PROCEDURES

#### *Recording New Assets*

1. Before an asset can be placed in service, it must be assigned a Navajo Nation Property tag.
2. The Property Supervisor will complete the Head Start Property Management New Asset Form (New Asset Form) to record all assets which were purchased at least in part with Federal grant money, including:
  - a. A description of the equipment
  - b. Identifying number, such as a serial number
  - c. Source of funding, including the award number
  - d. Title holder
  - e. Acquisition date
  - f. Percentage of Federal funds used in the purchase
  - g. Location and condition of the equipment
  - h. Unit acquisition cost – e.g. the cost basis
  - i. Purchase order and/or check number used to purchase asset
  - j. Purpose
3. The Property Supervisor will forward the completed New Asset Forms and supporting documentation to the Agency Senior Accountant, who will complete the accounting portion of the New Asset Forms. This includes determining the Asset Type, Depreciation Schedule, Beginning Depreciation Date, and Salvage Value.

Asset Types

Depreciation Schedules

No. of Months

Appliances	7 yrs only if over \$5000	84
Building	40 yrs, modular 20 yrs	480/240
Computer	3 yrs only if over \$5000	36
Furniture	7 yrs only if over \$5000	84
Office equipment	7 yrs only if over \$5000	84
Playground	7 yrs	84
School Bus	4 yrs	48
Tribal Vehicle	4 yrs	48

4. The Senior Accountant will review the forms and supporting documentation to ensure they are complete and accurate. This individual shall document the review by initialing or signing the forms as being reviewed, and forward to the NHS CFO for final approval.
5. The CFO will review and approve all New Asset Forms to ensure they are complete, accurate, and have been reviewed by the Agency Senior Accountant. This individual shall document final approval by initialing or signing the forms as approved.
6. Forward completed, reviewed and approved New Asset Forms to the Property Supervisor who will enter the new asset information into MIP System and print out updated Head Start Master Inventory list.
7. The Senior Agency Accountant will then reconcile the completed New Asset Forms to the Head Start Master Inventory list to ensure the accuracy and completeness of the data entry process.

*Physical Inventory*

1. NHS will conduct physical inventories once every two years, beginning in April 2008. In conjunction with the physical inventory, each Agency will perform the following:
  - a. Conduct a physical inventory of all program equipment
  - b. Note the condition and location of the equipment
  - c. Compare the results of the physical inventory to the NHS Master Equipment List
  - d. Investigate and document the resolution of any discrepancies between the physical count and the Master Equipment List
  - e. Forward updated information to the Central Office Principal Accountant to update the NHS Master Equipment List.

**MANAGING EQUIPMENT**

2. NHS Central Office will be responsible for accumulating the results of the physical inventories from each Region and updating the NHS Master Equipment List.
3. The Central Office Principal Accountant will accumulate the results of the physical inventories, update the NHS Master Equipment List and forward it to the NHS CFO for final review and approval.
4. The NHS CFO will review and approve the updated NHS Master Equipment List verifying that it is complete and accurate.

*Asset Disposals*

1. Dispositions of federal equipment will be made as follows:
  - a. Items of equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold or otherwise disposed of with no further obligation to the awarding agency.
  - b. Items of equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold and the awarding agency shall have a right to an amount calculated by multiplying the current market



value or proceeds from sale by the awarding agency's share of the equipment.

- c. Request disposal instructions from the awarding agency for all dispositions of federally-owned property.
- d. Complete the disposal section of the New Asset Form in accordance with the disposal guidelines described in a and b above, and forward to the Central Office Principal Accountant.
- e. The Central Office Principal Accountant will review the New Asset Forms to ensure they are complete and accurate. This review will be indicated by initialing or signing the disposal section of the New Asset Forms.
- f. Forward the completed forms to the Property Supervisor to update the NHS Master Equipment List.
- g. Forward reviewed forms and updated NHS Master Equipment List to the CFO for final approval.
- h. Remit proceeds from the disposal to the awarding agency if applicable.

## **SECTION SIX**

### **PROCUREMENT 92.36(D)(4)(11)**

#### **POLICY**

1. It is the policy of the NNHS to establish and maintain an effective system of internal controls to safeguard assets and ensure expenditures are for allowable costs and are processed in a timely manner.
2. It is the policy of the NHS to establish and maintain written procurement policies and procedures based on Federal standards for purchasing services, supplies and other expendable property, equipment, and real property in accordance with 45 CFR 92.36.
3. Refer to the following for further information regarding procurement standards:  
<http://eclkc.ohs.acf.hhs.gov/hslc/Program%20esign%20and%20Management/Fiscali/Procurement%20Standards>

#### **APPLICABLE FEDERAL HEAD START STANDARDS- 45 CFR 92.36**

Head Start grantees are required to establish their own written procedures based on Federal standards for purchasing services, supplies and other expendable property, equipment, and real property. The standards for procurement are found in regulation 45 CFR 92.36 for local government organizations, including the following:

1. Competition
  - a. All procurement transactions, regardless of amount, must be conducted in a manner that provides, to the maximum extent practical, open and free competition.
2. Soliciting Competitive Bid Prices from Vendors
  - a. Solicitations for bids should clearly state all the requirements the vendor must fulfill in order for the bid or offer to be evaluated by the grantee agency.

#### **PROCUREMENT**

##### **3. Selecting the Vendor**

- a. The procurement should be given to the vendor whose bid or offer is responsive to the solicitation, and is the most advantageous to the grantee agency (considering price, quality, and other applicable factors). Any and all bids or offer may be rejected when it is in the grantee agency's interest to do so. This means that Head Start grantees do not have to accept the lowest bid received because other factors, such as quality of the product or service record of the vendor, also may be considered by the grantee in making the decision.

##### **4. Cost/price analysis**

- a. Some form of cost or price analysis must be made, and documented in the procurement files, in

connection with every procurement action using Federal grant funds.

- b. **Price analysis** involves a comparison of marketplace prices. There are various ways to conduct a price analysis. These include comparing offered prices with those listed in commercial catalogs, or with those recently submitted for similar services. It can be done, for example, by comparing the price quotes submitted by vendors, or by contacting other vendors to obtain their market price, or simply by comparing published market prices (such as from a classroom supply catalog, for example).
- c. **Cost analysis** involves an examination of all the elements used in calculating a contract's total estimated cost. For example, when fixed-price contracts are based on cost estimates, grantee agencies should perform a cost analysis to determine the reasonableness of the prices. Cost analysis is the review and evaluation of each element of cost to determine whether it is reasonable, allocable to that grant program, and an allowable cost for that grant program. Every cost element listed in the vendor's offer must be examined. Through a cost analysis, determinations are made on which costs are reasonable, allowable under the grant regulations and grantee agency rules, and properly allocated to the work to be performed under the proposed contract. A cost analysis is also required when contract modifications introduce new conditions that were not examined under the previous analysis, or where more current information is needed.

#### **5. Contractual disputes**

- a. The grantee agency, and not the Federal awarding agency, is the responsible authority regarding the settlement and satisfaction of all contractual and administrative issues arising out of procurements entered into in support of an award or other agreement. This includes disputes, claims, protests of award, and/or source evaluation or other matters of a contractual nature.
- b. Grantee agencies must maintain a system for contract administration, including vendor contracts, construction contracts, leases, and program or administrative service contracts. The system should include procedures regarding settlement and satisfaction of all contractual disputes.

#### **6. Codes of Conduct**

- a. Grantee agencies must maintain written standards of conduct governing the performance of employees who are involved in the award or administration of procurement contracts, including vendor contracts, lease contracts, construction contracts, and program services and administrative services contracts. Generally this includes, at a minimum, the procurement officer, or whoever in the agency is in charge of the purchasing or leasing, contract administration officer, and all grantee agency officials who can sign or authorize procurement contracts (such as the Program Director or Program Manager).
- b. The written code of conduct must state that no grantee agency employee, officer, or agent shall participate in the selection, award, or administration of a procurement contract supported by Federal funds if a real or apparent conflict of interest would be involved. Based on the regulations, such conflict would arise when the employee, officer, agent, or any member of his or her immediate family, his or her partner, or an organization which employs, or is about to employ, any of the parties indicated, or has a financial or other interest in the firm selected for an award.
- c. The grantee agency's written code of conduct also must state that officers, employees, and agents of the grantee agency shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, or parties to sub-agreements. However, grantee agencies may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value.
- d. The Head Start program regulations, in 45 CFR 1304.52(h)(2), require that all employees engaged in the

award and administration of contracts or other financial awards must sign written statements that they will not solicit or accept personal gratuities, favors, or anything of significant monetary value from contractors or potential contractors.

- e. The code of conduct must provide that appropriate penalties (meaning disciplinary actions) be applied for violations of such standards by officers, employees, or agents of the grantee agency. Such disciplinary actions generally range from suspension without pay to termination of employment or removal from office, depending on the position of the offender and the nature of the offense.

## **7. Procurement Records**

- a. Price or cost analysis is required and must be documented in the procurement files for every procurement transaction. For price analysis, this would mean retaining copies of all documentation of prices and vendors compared, identifying which vendor was chosen, and stating why that vendor was selected. For cost analysis, it would mean keeping written documentation of the determination of whether a cost was reasonable, allocable to that grant, and allowable for that grant.
- b. Procurement records for purchases in excess of the simplified acquisition threshold (41 U.S.C. 403(11))- currently set at \$100,000) must, at a minimum, include the following:
  - i. Basis for contractor selection.
  - ii. Justification for lack of competition when competitive bids or offers are not obtained.
  - iii. Basis for award cost or price.
- c. Grantee agencies are required to make available to ACF, on request, all procurement documents, such as requests for proposals or invitations for bids, and independent cost estimates when any of the following apply:
  - i. The grantee agency's procurement procedures or operations fail to comply with the Federal procurement standards.
  - ii. The procurement is expected to exceed the simplified acquisition threshold (currently \$100,000), and is to be awarded to the vendor without competition, or only one bid or offer is received in response to a solicitation.
  - iii. The procurement, which is expected to exceed the simplified acquisition threshold, specifies a "brand name" product.
  - iv. The proposed award over the simplified acquisition threshold is to be awarded to other than the apparent low bidder under a sealed bid procurement.
  - v. A proposed contract modification changes the scope of a contractor increases the contract amount by more than the amount of the simplified acquisition threshold.

## **8. Written Procedures**

- a. All grantee agencies must establish and follow written procurement procedures for making purchases with Federal funds (45 CFR 92.36). The written procurement procedures must provide, at a minimum that the grantee agency will:
  - i. Take steps to make economical purchases and avoid purchasing unnecessary or duplicative items.

## **SECTION SIX (CONT.)**

### **PROCUREMENT**

- ii. Analyze, prior to leasing or purchasing, whether leasing or purchasing an item is the most economical and practical alternative in the long run, for both the grantee agency and the Federal government. Leasing should be used in lieu of purchasing when it is the more economical and practical alternative. This requirement essentially directs grantee agencies to buy only what is needed and purchase items in the most economical way.
  
- b. All grantee agencies will provide solicitation advertisements for goods and services which contain all of the following:
  - i. A clear and accurate description of the technical requirements for the material, product, or service to be procured-without including features which unduly restrict competition.
  - ii. Requirements which the bidder or offeror must fulfill and all other factors that will be used in evaluating the bids or proposals.
  - iii. A description, whenever practical, of technical requirements in terms of the functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards.
  - iv. The specific features of "brand name or equal" descriptions the bidders are required to meet when such terms are included in the solicitation.
  - v. The acceptance, to the extent practical and economically feasible, of products or services with dimensions measured in the metric system

### **PROCEDURES**

1. Central Office and Agency personnel will ensure compliance with Navajo Nation Procurement Policies and Procedures.
  
2. Procurement transactions shall be administered by the Senior Contract Analyst, or other authorized employees as documented in writing by the Department Director.
  
3. Central Office and Agency Personnel will conduct annual procurement planning meetings to help ensure efficient and economical purchasing in accordance with applicable Federal requirements.
  
4. The Senior Contract Analyst will ensure that appropriate procurement method is used to purchase goods and services based on the dollar amount of the purchase, the complexity of the work involved, and the available vendors.
  
5. Navajo Head Start will not solicit goods or services from any individual or company that has been debarred. Accordingly, the contracting office will review [www.elps.gov](http://www.elps.gov) to verify debarment status, and print and attach the documentation to the contract file.
  
6. The Fiscal Officer will monitor procurement activities to ensure policies and procedures have been implemented and are operating effectively.

## **SECTION SIX (CONT.)**

### **PROCUREMENT**

#### *Request for Proposals*

If the Program is procuring goods or services in excess of \$50,000, a formal request for proposal (RFP) must be prepared as follows:

1. The program prepares a RFP, which must be specific as to the nature of the services or commodities being procured. The RFP must contain specific criteria by which the professional qualifications of the vendor will be measured.
2. The RFP is forwarded to Purchasing Services.
3. Purchasing Services reviews the RFP and places advertisements in the Paper of Record for the Navajo Head Start.
4. Copies of the RFP are sent to all Certified Navajo Preference vendors listed as providing the service or commodity being procured and all other vendors who request a copy.
5. All vendors, including Certified Navajo Preference vendors, must respond by the due date in the RFP.
6. Proposals are opened by a review team established by the program in conjunction with Purchasing Services. Proposals from Certified Navajo Preference vendors are opened and evaluated prior to the opening and evaluation of proposals from non-certified vendors.
7. Review team evaluates the proposals and ranks them according to proposal responsiveness (e.g. are the services being offered the services that were requested) and the professional competence of the vendor.
8. Review team evaluates responding vendors to ensure they are not suspended or debarred.
9. Review team negotiates with the highest ranking vendor to establish final price. If the team is unable to negotiate an acceptable price with the highest ranked vendor, negotiations proceed with other vendors according to rank until a contract for the required services at an acceptable cost to the program is negotiated
10. The contract is submitted for review through the Section 164 (SAS) process.
11. The contract is reviewed and approved by the appropriate oversight committee of the Navajo Head Start Council.
12. The contract is signed by the President, Chief Justice, or Speaker of the Navajo Nation Council.
13. The program can proceed to request services or commodities under the contract.

## **SECTION SIX (CONT.)**

### **PROCUREMENT**

#### *Sole Source Procurements*

Sole source procurements must be documented on the Sole Source Contract Justification Form and only conducted in the following circumstances per 45 CFR 92.36:

1. Procurement by noncompetitive proposal is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate. Procurement by noncompetitive proposals may be used only when the award of a contract is infeasible under small purchase procedures, sealed bids or competitive proposals, and when one of the following circumstances applies:
  - a. The item is available only from a single source;
  - b. The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
  - c. The awarding agency authorizes noncompetitive proposals; or
  - d. After solicitation of a number of sources, competition is determined inadequate.

#### *Requests for Expenditures*

Requests for expenditure must be approved through the proper channels before being sent to Accounts Payable for processing. The following represents the approval process for program expenditures:

- Requests below \$5,000 are approved by the respective Agency Program Managers.
  - Requests between \$5,000 and \$10,000 shall be approved by the Program Director.
  - Requests greater than \$10,000 shall be approved by the Program Director and the Superintendent of Education.
1. Center locations send requests up to \$5,000 to the Program Manager or Program Project Specialist who review for compliance in accordance with the Program's allowable cost policies and procedures prior to approval.
    - a. The review and approval function will not be delegated to individuals who have not received proper training. All delegation of signature authority shall be made in writing and properly approved prior to becoming effective.
    - b. If any of the requested items appear questionable in regards to allowability, the request should be submitted to Central Office, regardless of the dollar amount, for further review.
  2. All expenditure requests exceeding \$5,000 must be submitted to Central Office after the Program Manager or Program Project Specialist has reviewed and approved the request, evidenced by their initials.

## **SECTION SIX (CONT.)**

### **PROCUREMENT**

3. Other requests for expenditure may include contracts with consultants or vendors. It is imperative that such requests be reviewed for allowability based on the above guidelines **before** the procurement process begins.

#### *Funds Availability and Allowability Review*

1. The Senior Accountant or Accounting Technician will review funds for availability by reviewing the budget balance at level of detail 6 on the JDEdwards system
2. The Senior Accountant or Accounting Technician will refer to the Navajo Nation Budget Instruction and Policies Manual, charts of accounts, Navajo Nation Tribal format budgets and Job Status inquiry to ensure that expenses are properly coded.
3. The Senior Accountant or Accounting Technician will review expenditure requests for allowability. Please refer to the Allowable Costs policy for further clarification of allowable costs.
4. All documents will be reviewed by someone other than the preparer. This review will be documented with an appropriate sign-off.



## **SECTION SEVEN**

### **INDIRECT VS. DEVELOPMENTAL COSTS**

#### **1301.32(E) (1)**

#### **POLICY**

1. It is the policy of Navajo Head Start (NHS) to operate the Program in accordance with Federal regulations pertaining to the limitation on costs of development and administration of a Head Start program.
2. It is the policy of NHS to accurately identify, calculate, and categorize all costs between administrative and program costs in accordance with the applicable Federal requirements.
3. Refer to the following website for further information regarding administrative costs:  
<http://eclkc.ohs.acf.hhs.gov/hslc/Program%20Design%20and%20Management/Fiscals/Cost%20Allocation>

#### **APPLICABLE FEDERAL HEAD START STANDARDS SEC 1301.32 (a) General provisions**

- (1) Allowable costs for developing and administering a Head Start program may not exceed 15 percent of the total approved costs of the program, unless the responsible HHS official grants a waiver approving a higher percentage for a specific period of time not to exceed twelve months.
- (2) The limit of 15 percent for development and administrative costs is a maximum. In cases where the costs for development and administration are at or below 15 percent, but are judged by the responsible HHS official to be excessive, the grantee must eliminate excessive costs.

### **INDIRECT VS. DEVELOPMENTAL COSTS**

#### **(b) Development and administrative costs**

- (1) Cost classified as development and administrative costs are those costs related to the overall management of the program. These costs can be in both the personnel and non-personnel categories.
- (2) Grantees must charge the costs of organization-wide management functions as development and administrative costs. These functions include planning, coordination and direction; budgeting, accounting, and auditing; and management of purchasing, property, payroll and personnel.
- (3) Development and administrative costs include, but are not limited to, the salaries of the executive director, personnel officer, fiscal officer/bookkeeper, purchasing officer, payroll/insurance/property clerk, janitorial expenses, and costs associated with volunteers carrying out administrative functions.
- (4) Other development and administrative costs include expenses related to administrative staff functions such as the costs allocated to fringe benefits, travel, per diem, transportation, and training.
- (5) Development and administrative costs include expenses related to bookkeeping and payroll services, audits, and bonding; and, to the extent they support development and administrative functions and activities, the costs of

insurance, supplies, copy machines, postage, and utilities, and occupying, operating and maintaining space.

(c) Program costs

Such costs include but are not limited to:

- (1) Personnel and non-personnel costs directly related to the provision of program component services and component training and transportation for staff, parents and volunteers;
- (2) Cost of functions directly associated with the delivery of program component services through the direction, coordination or implementation of a specific component;
- (3) Costs of the salaries of program component coordinators and component staff, janitorial and transportation staff involved in program component efforts, and the costs associated with parent involvement and component volunteer services; and
- (4) Expenses related to program staff functions, such as the allocable costs of fringe benefits, travel, per diem and transportation, training, food, center/classroom supplies and equipment, parent activities funds, insurance, and the occupation, operation and maintenance of program component space, including utilities.

(d) Dual benefit costs

- (1) Some costs benefit the program components as well as development and administrative functions within the Head Start program. In such cases, grantees must identify and allocate appropriately the portion of the costs that are for development and administration.
- (2) Dual benefit costs include, but are not limited to, salaries, benefits and other costs (such as travel, per diem, and training costs) of staff members who perform both program and development and administrative functions. Grantees must determine and allocate appropriately the part of these costs dedicated to development and administration.
- (3) Space costs, and costs related to space, such as utilities, are frequently dual benefit costs. The grantee must determine and allocate appropriately the amount or percentage of space dedicated to development and administration.

(e) Relationship between development and administrative costs and indirect costs

- (1) Grantees must categorize costs in a Head Start program as development and administrative or program costs. These categorizations are separate from the decision to charge such costs directly or indirectly.
- (2) Grantees must charge all costs, whether program or development and administrative, either directly to the project, or as part of an indirect cost pool.

(f) Requirements for compliance

- (1) Head Start grantees must calculate the percentage of their total approved costs allocated to development and administration as a part of their budget submission for initial funding, refunding or for a request for supplemental assistance in connection with a Head Start program. These costs may be a part of the direct or the indirect cost pool.

(2) The Head Start grant applicant shall delineate all development and administrative costs in its application.

(3) Indirect costs which are categorized as program costs must be fully explained in the application.

(g) Waiver.

(1) The responsible HHS official may grant a waiver of the 15 percent limitation on development and administrative costs and approve a higher percentage for a specific period of time not to exceed twelve months. The conditions under which a waiver will be considered are listed below and encompass those situations under which development and administrative costs are being incurred, but the provision of actual services has not begun or has been suspended. A waiver may be granted when:

(i) A new Head Start grantee or delegate agency is being established or services are being expanded by an existing Head Start grantee or delegate agency, and the delivery of component services to children and families is delayed until all program development and planning is well underway or completed; or

(ii) Component services are disrupted in an existing Head Start program due to circumstances not under the control of the grantee.

(2) A Head Start grantee that estimates that the cost of development and administration will exceed 15 percent of total approved costs must submit a request for a waiver which explains the reasons for exceeding the limitation. This must be done as soon as the grantee determines that it cannot comply with the 15 percent limit, regardless of where the grantee is within the grant funding cycle.

(3) The request for the waiver must include the period of time for which the waiver is requested. It must also describe the action the grantee will take to reduce its development and administrative costs so that the grantee will be able to assure that these costs will not exceed 15 percent of the total approved costs of the program after the completion of the waiver period.

(4) If granted, the waiver and the period of time for which it will be granted will be indicated on the Financial Assistance Award.

(5) If a waiver requested as a part of a grant application for funding or refunding is not approved, no Financial Assistance Award will be awarded to the Head Start program until the grantee resubmits a revised budget that complies with the 15 percent limitation.

#### Examples of Administrative Costs:

- Costs related to the OVERALL management of the program.
- Costs associated with Planning, Direction and Budgeting
- Accounting & Auditing
- Management of Purchasing, Payroll and Property
- Salaries of Directors, Personnel Officer and Fiscal Officer
- Costs associated with the above mentioned personnel such as fringe benefits, travel, per diem, transportation, and training
- Insurance, administrative supplies, copy machines, postage, and administrative building utilities and space costs
- Salaries of Purchasing Officer and Payroll and Property clerks
- Salary of Janitor for administrative space

#### Examples of Program Costs:

- Costs related to PROGRAM services.
- Training of program staff
- Transportation for staff, parents and volunteers when conducting business or school activities
- Salaries of Program Coordinators and Staff
- Costs associated with parent involvement and component volunteer services.
- Space and Utility Costs
- Costs associated with program staff such as fringe benefits, travel, per diem,
- Classroom supplies and food
- Equipment
- Parent Activity Funds
- Insurance

#### Examples of Dual Benefit Costs:

- Costs associated with **BOTH** program components and development and administrative costs.
- Salaries and costs associated with staff that performs both program and administrative functions. These individuals must track their time so as to properly allocate costs.

#### **PROCEDURES**

1. On an annual basis prior to beginning the budgeting process, the Fiscal Manager and the Central Office Principal Accountant will review the NHS general ledger and chart of accounts, and assign each individual GL account to one of the three cost allocation categories (i.e. administrative, program, and dual benefit) based on the nature of the account and the federal guidelines outlined above.
2. Document the rationale used to determine the cost allocation categories for GL accounts.
3. Forward the completed GL chart of accounts, including all supporting documentation to the Program Director for review and approval.
4. Monitor administrative costs to ensure they do not exceed the 15 percent requirement.

## **SECTION EIGHT**

### **PROGRAM GOVERNANCE**

#### **POLICY**

1. It is the policy of Navajo Head Start (NHS) to establish and maintain a formal structure of shared governance through which parents participate in policy making and other program decisions.
2. It is the policy of NHS to establish and maintain an effective system of internal controls to safeguard assets, produce reliable accounting data, and promote operating efficiency in order to comply with federal standards regarding program governance, accounting system certification, in accordance with 45 CFR 1304.50(g)(2) and 45 CFR 1301.13.
3. It is the policy of NHS to review internal control policies and procedures on an annual basis to ensure they are: 1) current with respect to applicable federal requirements; 2) are appropriately designed; and 3) are implemented and operating effectively.
4. Refer to the following for further information regarding Head Start Program Governance standards:[http://eclkc.ohs.acf.hhs.gov/hslc/Program%20Design%20and%20Management!Program%20Design%20and%20Management!Program%20Governance/pdm\\_topic\\_intro\\_textprogramgovernance.html](http://eclkc.ohs.acf.hhs.gov/hslc/Program%20Design%20and%20Management!Program%20Design%20and%20Management!Program%20Governance/pdm_topic_intro_textprogramgovernance.html)

#### **APPLICABLE FEDERAL HEAD START STANDARDS**

45 CFR 1304.50(g)(2) Program Governance – Governing Body Responsibilities

Grantee and delegate agencies must ensure that appropriate internal controls are established and implemented to safeguard Federal funds in accordance with 45 CFR 1301.13.

#### **45 CFR 1301.13 – Accounting System Certification**

- (a) Upon request by the responsible NHS official, each Head Stan agency or its delegate agency shall submit an accounting system certification, prepared by an independent auditor, stating the accounting system or systems established by the Head Stan agency, or its delegate, has appropriate internal controls for safeguarding assets, checking the accuracy and reliability of accounting data, and promoting operating efficiency.
- (b) A Head Start agency shall not delegate any of its Head Stan program responsibilities to a delegate agency prior to receiving a certification that the delegate agency's accounting system meets the requirements specified in paragraph (a) of this section

#### **PROCEDURES**

1. At least twice a year, Central Office -will obtain and review the most recent applicable federal standards in order to identify any new requirements and/or best practice recommendations.
2. On an annual basis, Central Office -will obtain the most recent annual audit report for the Navajo Nation and

review the "Auditor's Report on Compliance and Internal Control over Compliance Applicable to Each Major Federal Award Program" and the "Auditor's Report on Compliance and Internal Control over Financial Reporting" and perform the following:

- a. Review the reports and summarize any information applicable to the Head Start program.
  - b. File the reports at the Central Office so they are available upon request in accordance with 45 CFR 1301.13.
3. Conduct a meeting with applicable central office and agency personnel to discuss the information obtained in steps 1 and 2 above. Key objectives of the meeting are as follows:
- a. Ensure that formal "minutes" of the meeting are prepared
  - b. Review all existing policies and procedures in order to incorporate necessary changes
  - c. Educate program personnel on changes to federal requirements and or best practices
  - d. Review all existing policies and procedures to ensure they are current with respect to federal requirements, best practices and operating activities of the program.
  - e. Prepare draft versions of policies and procedures that incorporate agreed upon changes to ensure NNOOECD policies and procedures are current and relevant.
4. Conduct a meeting with the Policy Council to review and discuss NHS policies and procedures. Key objectives of the meeting are as follows:
- a. Ensure that formal "minutes" of the meeting are prepared
  - b. Educate the Policy Council on changes to federal requirements and or best practices and how they affect the program
  - c. Promote and maintain a formal structure of shared governance by actively involving the Policy Council in the development, review and approval of policies and procedures. In accordance with 45 CFR 1304.50 (d), Policy Councils and Policy Committees must, *at a minimum*, approve or disapprove:
    - i. All funding applications and amendments;
    - ii. Shared decision-making procedures;
    - iii. Program planning procedures;
    - iv. Program philosophy;
    - v. Program plans, including long- and short-range program goals and objectives;
    - vi. Selection of delegate agencies and their service areas;
    - vii. Procedures concerning composition and member selection of Policy Council and/or Policy Committee;
    - viii. Criteria for defining recruitment, selection, and enrollment priorities;
    - ix. The annual self-assessment of grantee or delegate agency;
    - x. Planning and other activities resulting from audits and federal reviews of grantee and/or delegate agency;
    - xi. Program personnel policies and subsequent changes to those policies;
    - xii. Decisions to hire or terminate the Early Head Start and Head Start director(s) of the grantee or delegate agency;
    - xiii. Decisions to hire or terminate any person who works primarily for the Early Head Start or Head Start program of the grantee or delegate agency;
    - xiv. Reimbursements for reasonable expenses that enable low-income members to participate fully in Policy Council, Policy Committee, and Parent Committee group responsibilities; and
    - xv. Procedures for internal dispute resolution.
5. Update existing Policies and Procedures for any and all changes as a result of the procedures above and update the revision date accordingly.
6. Distribute reviewed and approved policies and procedures to applicable users.

## **SECTION NINE**

### **REPORTING PROCEDURES 1304.51(H) (2)**

#### **POLICY**

1. It is the policy of Navajo Head Start (NHS) to prepare required federal financial reports that are complete and accurate.
2. It is the policy of NHS to ensure that all required federal financial reports are reviewed and approved by someone other than the preparer and filed within the required deadlines
3. It is the policy of NHS that required federal financial reports are filed within the required deadlines.
4. Refer to the following Head Start -website for further information regarding financial reporting:  
[http://eclkc.ohs.acf.hhs.gov/hslc/Program%20Design%20and%20Management/Fiscal/Reports%20&%20Records/Financial%20Reporting/fiscal\\_ofl\\_00214\\_092605.html](http://eclkc.ohs.acf.hhs.gov/hslc/Program%20Design%20and%20Management/Fiscal/Reports%20&%20Records/Financial%20Reporting/fiscal_ofl_00214_092605.html)

#### **APPLICABLE FEDERAL HEAD START STANDARDS- 45 CFR 1304.51(h)(2)**

Grantee and delegate agencies must establish and maintain efficient and effective reporting systems at generate official reports for Federal, State, and local authorities, as required by applicable law.

#### **APPLICABLE REPORTS**

1. SF-425, Final Financial Status Reports - due 90 days after period end
2. SF-425, Semi-Annual Financial Status Reports – due semi-annually 30 days after period end
3. SF-272, Federal Cash Transactions Report - due 45 days after each quarter.

#### **FEDERAL FINANCIAL REPORTING REQUIREMENTS- Sec. 215.52 (Title 2 CFR)**

##### *SF-425 Financial Status Report*

1. Federal award recipients are required to use the SF-425 or SF-425A to report the status of funds for all non-construction projects or programs, with the following exceptions:
  - a. A Federal awarding agency may, however, have the option of not requiring the SF-425 or SF-425A when the SF-270, Request for Advance or Reimbursement, or SF-272, Report of Federal Cash Transactions, is determined to provide adequate information to meet its needs, except that a final SF-425 or SF-425A shall be required at the completion of the project when the SF-270 is used only for advances.
2. The Federal-awarding agency shall prescribe whether the report shall be on a cash or accrual basis. If the Federal awarding agency requires accrual information and the recipient's accounting records are not normally kept on the accrual basis, the recipient shall not be required to convert its accounting system, but shall develop such accrual information through best estimates based on an analysis of the documentation on hand.
3. The Federal-awarding agency shall determine the frequency of the Financial Status Report for each project or program, considering the size and complexity of the particular project or program. However, the report shall not be required more frequently than quarterly or less frequently than annually. A final

report shall be required at the completion of the agreement.

4. The Federal awarding agency shall require recipients to submit the SF-425 or SF-425A (original and no more than two copies) no later than 30 days after the end of each specified reporting period for quarterly and semi-annual reports, and 90 calendar days for annual and final reports. Extensions of reporting due dates may be approved by the Federal awarding agency upon request of the recipient.

#### *SF-272- Report of Federal Cash Transactions*

1. When funds are advanced to recipients the Federal-awarding agency shall require each recipient to submit the SF-272 and, when necessary, its continuation sheet, SF-272a. The Federal-awarding agency shall use this report to monitor cash advanced to recipients and to obtain disbursement information for each agreement with the recipients.
2. Federal awarding agencies may require forecasts of Federal cash requirements in the "Remarks" section of the report.
3. When practical and deemed necessary, Federal awarding agencies may require recipients to report in the "Remarks" section the amount of cash advances received in excess of three days. Recipients shall provide short narrative explanations of actions taken to reduce the excess balances.
4. Recipients shall be required to submit not more than the original and two copies of the SF-272 15 calendar days following the end of each quarter. The Federal awarding agencies may require a monthly report from those recipients receiving advances totaling \$1 million or more per year.
5. Federal awarding agencies may waive requirement for submission of the SF-272 for any one of the following reasons:
  - a. When monthly advances do not exceed \$25,000 per recipient, provided that such advances are monitored through other forms contained in this section;
  - b. If, in the Federal awarding agency's opinion, the recipient's accounting controls are adequate to minimize excessive Federal advances; or,
  - c. When the electronic payment mechanisms provide adequate data.

### **REPORTING PROCEDURES**

#### *Agency and Site Locations*

1. Volunteer logs and other in-kind tracking logs will be prepared by site location personnel on a weekly basis and forwarded to the Education Specialist.
2. Someone other than the preparer will review and approve the weekly logs to ensure they are accurate and complete.
3. The Education Specialist will review the weekly logs for accuracy and completeness and compile the information into a monthly in-kind log. The completed monthly in-kind logs will be submitted to the Agency Accountants by the 5<sup>th</sup> business day of the following month.
4. On the 6<sup>th</sup> business day of the following month, Agency personnel will complete the Agency In-Kind Report Tracking Form, including:
  - a. Noting the site location and date received
  - b. Recalculating the information for each site location
  - c. Verifying the mileage rate used is the current Navajo Head Start approved rate
  - d. Verifying the home visit rate is accurate and up to date.



5. Agency personnel will contact any and all sites that have either submitted incomplete logs or failed to submit logs to make arrangements to obtain the missing information by completing the Agency to site location late report memo. A copy of this memo will also be sent to the Program Director, Agency Program Manager, Senior Education Specialist, and the Agency Parent Council.
6. The Agency Senior Accountant will then review all site location information for completeness and accuracy and compile the information into a single "Agency In-Kind Compilation Report" and submit it to the Agency Program Manager for final review and approval.
7. Agency Program Manager will then verify the completeness and accuracy of the Agency In-Kind Compilation Report and the Agency In-Kind Report Tracking Form and indicate such review and approval by signing and dating the Agency In-Kind Report Tracking Form.
8. Agencies will then forward the completed and approved Agency In-Kind Compilation Report and Agency In-Kind Report Tracking Forms Report to the Central Office no later than the 12th business day of the following month.

*Central Office*

1. Upon receipt of the Agency In-Kind Compilation Reports and the Agency In-Kind Report Tracking Forms, the Principal Accountant will ensure all information has been submitted, reviewed and approved by the applicable Agency Program Manager. Central Office will then complete the Central Office In-Kind Report Tracking Form, including:
  - a. Noting the Agency location and date received
  - b. Recalculating the information for each Agency location
  - c. Compiling all Agency data into a single spreadsheet "Head Start In-Kind Compilation Report," sign and date.
  - d. Submitting the completed Central Office In-Kind Report Tracking Form to the Program Director or Assistant Program Director for final review and approval.
2. The Program Director or Assistant Program Director will then review, sign, and date the Central Office In-Kind Report Tracking Form, documenting their review and approval.
3. The Principal Accountant will forward the completed, reviewed and approved Head Start In-Kind Compilation Report to Contract Accounting no later than the 20th day of the month. Indicate the date of submission to Contract Accounting on the Central Office In-Kind Report Tracking Form.
4. The Principal Accountant will contact Contract Accounting on the 25th day of the month to determine whether the report has been submitted. Document the results of this procedure on step 3 of the Central Office In-Kind Report Tracking Form.
5. If the report has not been submitted by Contract Accounting by this time, request a meeting with Contract Accounting personnel to resolve the situation. Document results of this procedure on step four of the Central Office In-Kind Report Tracking Form.
6. The Principal Accountant will maintain a master log to track the reporting deadlines and submission dates of the various required financial reports. The Program Director will sign off on the log after each of the required reports is submitted.