

Contributors: Joseph Sheppard and ACF Region IV Staff

## **INTRODUCTION**

**This paper presents information to Head Start grantees who may become PreK providers under applicable Tennessee state programs. The information presented is based on federal regulations. Agencies applying for or receiving state PreK funds are also advised to abide by any policies and procedures of the state PreK administering agency in Tennessee.**

Since the early 1990's, and more recently in response to the need for full-year, full-day, child care services for low income children and their families, Region IV Head Start grantees have been faced with administering **and accounting for** child care programs funded by a wide array of federal, state and local revenue streams. Each of these revenue sources frequently has different eligibility criteria and reporting requirements. The agency providing the much needed "wrap around (WRAP)," "extended day," "blended", "braided", "VPK" or PreK services should do so in a way that shields the children and families from the hassles of differing program requirements. About one third or more of the Head Start agencies in Region IV are providing some kind of extended child care services using multiple funding sources.

ACF has a responsibility to provide Head Start and Early Head Start grantees with additional guidance in the financial reporting and cost allocation procedures necessary to meet federal requirements. A significant number of Head Start grantees are operating state-funded PreK programs and, of course, many are operating Early Head Start programs. Approximately 40 states have some form of state appropriated PreK services. In addition, many grantees use Child Care Development Fund (CCDF) funding, administered by ACF through states, to provide some portion of the comprehensive day-long services.

This paper is a discussion of the various ways to address the cost allocation issue when agencies fund comprehensive entire day child care services through a variety of funding sources. This information is accompanied by additional charts and explanations. This paper is primarily a general information-sharing effort and should not be used to justify any individual circumstances or costs encountered by grantees while providing services. Each individual agency is responsible for documenting and explaining its own method of calculating and distributing shared child care costs.

## **FEDERAL COST ALLOCATION REQUIREMENTS**

### **Regulations**

Figure 1 shows the general outline of financial procedures that grantees must have in place to ensure a sound financial management system and identifies at least 12 primarily external areas where grantees must establish procedures to ensure expenditures are properly documented and reported. The 12 areas are as follows: applications, grant awards, cash requests, bank deposits, expense documentation, expenditure reports, reconciliation of bank accounts, PMS quarterly reports, supplemental applications and awards, annual SF269 expenditure reports, annual audits and their resolution by ACF. In addition an agency is responsible for developing and consistently implementing internal controls and policies to assist in accurate and timely accounting of federal funds received for child care. Cost allocation methods are part of the internal procedures an agency is required to establish and implement.