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Guide for audits of Head Start program grants

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AUDIT GUIDE

HEAD START



DEPARTMENT OF
HEALTH, EDUCATION, AND WELFARE
Audit Agency

JANUARY 1977
REVISED

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GUIDE FOR AUDITS
OF
HEAD START PROGRAM GRANTS

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D.C. 20201

REVISED JANUARY 1977

This document is not a replacement to the Head Start-Follow Through Act, the regulations, or the official Office of Human Development policy statements. Any clarifications required should be discussed with the appropriate HEW Regional Audit Director. The requirements established herein are the responsibility of the Department of Health, Education, and Welfare.

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- C - Public Law 93-644, Title V: Head Start-Follow Through Act
- D - Head Start Program Regulations:
 - D.1 - Federal Register, Wednesday, May 5, 1976, Part II -- 45 CFR 1301, 1302 and 1305 (Notice of Proposed Rulemaking)
 - D.2 - Federal Register, Monday, June 30, 1975, Vol. 40, No. 126, Part II - 45 CFR 1304

ABBREVIATIONS

- HEW -- Department of Health, Education, and Welfare
- OHD -- Office of Human Development
- OCD -- Office of Child Development
- AICPA -- American Institute of Certified Public Accountants
- CFR -- Code of Federal Regulations
- FMC -- Federal Management Circular
- OEO -- Office of Economic Opportunity
- USDA -- United States Department of Agriculture
- CAAs -- Community Action Agencies
- LPAs -- Limited Purpose Agencies
- CAN -- Common Accounting Number
- NGA -- Notice of Grant Awarded
- NOA -- New Obligational Authority
- COB -- Carry-Over Balance
- TOA -- Total Obligational Authority

GUIDE FOR AUDITS
OF
HEAD START PROGRAM GRANTS

CHAPTER 1: INTRODUCTION

1.1 PURPOSE OF AUDIT GUIDE

This guide is designed to familiarize independent accountants and auditors with the significant provisions of the Head Start Program grants. This audit guide should be used to supplement the audit procedures necessary to perform an examination in accordance with "Standards for Audit of Governmental Organizations, Programs, Activities & Functions" issued by the Comptroller General of the United States in June 1972 (1974 reprint). Audit guidance is intended to provide general insight into the nature and scope of the audit contemplated. This guide is not intended to be a complete manual of procedures, nor is it intended to supplant the auditor's judgment of audit work required. Audit procedures contained herein may not cover all circumstances or conditions encountered in the audit of a particular grantee. The auditor must use professional judgment to tailor the procedures to meet conditions at the audit site so that the audit objectives may be achieved. Any necessary clarifications concerning the objectives set forth herein should be discussed with the appropriate HEW Regional Audit Director.

During the development of this guide, the HEW Audit Agency conferred with representatives of the American Institute of Certified Public Accountants (AICPA). The areas for audit coverage established in Chapter 3 are the responsibility, however, of the Department of Health, Education, and Welfare, (HEW). HEW recognizes that there may be specific instances where omission of an audit area may be necessary. Prior to completing the field audit, the independent auditor should discuss with the HEW Regional Audit Director the specific reasons for the deviation. The auditor's working papers should disclose explanations of such deviations and document the Regional Audit Director's approval.

The nature of work required under this guide primarily relates to financial and compliance elements of an audit. As defined in the Federal Management Circular FMC 73-2, the term "audit" as used in this guide means a systematic review or appraisal to determine and report on whether:

- . Financial operations are properly conducted;

- . Financial reports are presented fairly; and
- . Applicable laws and regulations have been complied with.

This audit guide supersedes the "Audit Guide-Head Start Program and Other Office of Child Development Programs," dated September 1973. Effective March 1, 1977, the revised audit guide shall be the prescribed guide for Head Start audits.

1.2 PROGRAM BACKGROUND

The Head Start Program was established by the Office of Economic Opportunity (OEO) under general authority of Section 222 (a) (1) of the Economic Opportunity Act of 1964, as amended. The Community Services Act of 1974 (P.L. 93-644) extended the authority for appropriation of program funds.

Head Start is a comprehensive early childhood development program for economically disadvantaged preschool children and their families. On July 1, 1969, the program was transferred to HEW where it is administered by the Office of Child Development (OCD), Office of the Assistant Secretary for Human Development (OHD).

The overall goal established by OCD for Head Start is to develop greater social competence in economically disadvantaged children. Social competence is defined by OCD as a child's everyday effectiveness in dealing with his environment and later responsibilities in school and life. The broad objectives of the program are to improve the child's health; aid the child's motivational, social, and emotional development; improve and expand the child's ability for self-expression; and help both the enrollees and their families gain greater confidence, self-respect, and dignity.

To help accomplish these objectives and attain its goal, OCD has prescribed a variety of services and activities for the children enrolled and their families. These services include physical (including dental) and mental health, nutrition, education, social involvement, parent involvement, use of volunteers, and a career development program for teachers, nonprofessional aides, and other staff members. Authorizing legislation provides for the continuing evaluation of Head Start effectiveness, including the extent to which identifiable progress is being made toward program objectives.

Head Start grants are made to Community Action Agencies (CAAs), Limited Purpose Agencies (LPAs), and units of local governments. CAAs, also referred to as multi-purpose agencies, are public or private nonprofit entities which receive funds from HEW and other Federal agencies to develop and administer a variety of anti-poverty programs in a specified geographic area. LPAs, or single-purpose agencies, are also public or private nonprofit entities and are funded directly by HEW for the purpose of conducting one specific program such as Head Start. In some instances the entity receiving the grant does not operate the Head Start Program itself, but assigns this activity to one or more delegate agencies identified in the grant application. Each delegate agency generally has several locations (centers) where the children receive their training.

OHD approves support of grantee programs for multi-year periods, but awards funds based on an approved budget normally covering 12 months. Audits by independent public accountants are required for each budget period.

1.3 STANDARDS FOR AUDIT

Audits of Head Start Program grants will be performed in accordance with the "Standards for Audit of Governmental Organizations, Programs, Activities & Functions" (hereinafter referred to as "standards for governmental auditing") and supplements thereto issued by the Comptroller General of the United States. These audit standards are mandated by the Federal Management Circular 73-2 for audits of Federal operations and programs.

Where the auditor must extend auditing procedures beyond those required for the financial examination, professional judgment should be used in determining the type and amount of evidence to be obtained.

1.4 GENERAL AUDIT OBJECTIVES

The primary objectives identified for the auditor performing audits of Head Start Program grants are:

- . To express an opinion as to whether the grantee's Statement of Revenues, Expenses and Changes in Fund Balances and final Financial Status Report: (i) present fairly the revenues, expenses and changes in fund balances for the Head Start Program in conformity with the financial provisions of the grant; (ii) are prepared in accordance with the terms of the grant agreement and the prescribed HEW cost

principles (45-CFR 74); and (iii) are prepared on a consistent basis from one period to the next;

- . To determine that the grantee has implemented and utilized adequate financial and other administrative procedures and internal controls to effectively discharge management responsibilities and to adequately protect the Federal interest;
- . To determine whether total direct and indirect costs incurred and those costs claimed for Federal reimbursement under the grant are allowable and allocable to this federally sponsored project; and to recommend adjustments based upon these tests of the reliability of the final Financial Status Report.
- . To review grantee and delegate agency operations and report on noncompliance with the Head Start Program legislation, Federal regulations, grant provisions, and program instructions as identified in sections 3.2 and 3.3 of this guide; and to recommend improvements based upon this review.

1.5 MATTERS REQUIRING IMMEDIATE ACTION

Although the detection of material irregularities and program abuse is not the primary function of annual grant audits, the auditors must constantly be alert for situations or transactions that may indicate the existence of such problems. Where the auditor suspects that fraud exists, the matter should be brought to the attention of the appropriate HEW Regional Audit Director (see Appendix A) for consideration and forwarding to the appropriate Federal and/or State investigative unit. The auditor should do no further work involving this matter unless instructed by the HEW Regional Audit Director to resume work. Care must be taken to avoid any actions which could compromise the protection of an individual's rights and the integrity of any official inquiries.

1.6 QUALITY ASSESSMENT PROGRAM FOR AUDIT REPORTS

The HEW Audit Agency has implemented procedures for evaluating audits on governmental engagements. As a part of the Audit Agency's evaluation of completed reports on such engagements, the supporting audit working papers shall be made available upon request by the cognizant HEW Regional Audit Director (see Appendix A). Audit working papers will be reviewed at a location mutually agreeable with the independent audit firm and will be returned upon completion

of the evaluation. Whenever evaluations of the audit report and working papers disclose significant inadequacies, the audit firm will be contacted for corrective action. Where major inadequacies are not corrected and the HEW Regional Audit Director determines that the audit report and working papers are substandard, all documentation will be processed to the Audit Agency Headquarters for further evaluation and action, as appropriate. In those instances where the audit was performed by a CPA, the matter will be submitted to the AICPA for consideration by the Professional Ethics and State Legislation Division. Audit working papers for Head Start Program grants must be retained for three years after completion of the assignment and submission of the final audit report.

CHAPTER 2: PRELIMINARY PROCEDURES

2.1 AUDIT ENGAGEMENT

Where a letter of engagement between the grantee and the independent public accountant is prepared, the scope of audit should be described. Unless specific audit limitations are contained in the letter of engagement, the scope of the audit and the resulting report must meet the minimum requirements of this audit guide. Omissions of audit areas provided under this guide must be cleared with the HEW Regional Audit Director as prescribed on page one of this guide.

If an independent accountant or auditor accepts an engagement incorporating this audit guide and the requirements provided herein are not followed, this fact and the reasons therefor must be disclosed in the final audit report.

2.2 PREPARATION FOR AUDIT

Authority for audit of the Head Start Program grants, as contained in Section 520(b), Title V of the Community Services Act of 1974 (this title is also cited as the Head Start-Follow Through Act -- see Appendix C), provides in part: "The Secretary...or any of (his) duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipients that are pertinent to the financial assistance received under this part." Further, Section 1301.3-3(a) of proposed program regulations provides: "An annual audit of the Head Start program covering the prior budget period of each Head Start agency and its delegate agencies, if any, shall be made by an independent auditor...."

To audit a Head Start Program grant, the auditor must become familiar with the conditions and requirements related to the individual grant. The auditor should:

- . Obtain and review grant documents. Generally, these will include:
 - The grantee's application or grant proposal including the approved budget for the grant budget period under audit;
 - An executed copy of the grant agreement, Notice of Grant Awarded (NGA), and amendments thereto for

each grant budget period included in the scope of audit; and

- Copies of the Head Start Program instructions, regulations, and other applicable Federal regulations.
- . Identify any special grant conditions requiring specific audit attention; and
- . Review correspondence contained in the project file, if available, for indications of problem areas.

In an effort to strengthen the auditing process relative to the Head Start Program grant, OHD has requested that their grantees funded by the central office have the independent audit firm contact OHD, Washington, D.C. (Phone 202-245-2900) before beginning the audit. Firms auditing grantees funded by the regional offices should contact the appropriate OHD regional office. (See Appendix B) The purpose of this call is to expedite verification of (i) the Federal and non-Federal funding levels for the grant budget period to be audited, and (ii) the duration of the grant budget period (starting date and ending date). Upon request, the information provided will be confirmed in writing.

2.3 INITIAL FIELD AUDIT PROCEDURES

In initiating site audit work, the auditor should:

- . Obtain background data on the nature of the organization's overall operations and key staff. Documents such as the grantee's charter, by-laws, and incorporation documents may prove helpful;
- . Develop an understanding of the grantee's accounting, personnel, procurement, and property management systems as they relate to the Head Start Program grant expenditures. The auditor should obtain and review the grantee's policies and procedures governing these systems. These systems should be surveyed to identify any significant weaknesses, particularly as they apply to the Head Start Program grant;
- . Reconcile the reported expenditures as identified in the final Financial Status Report with amounts shown on the grantee's official accounting records; and

- . Obtain copies of the most recent audit report issued on this program by HEW, other Federal agencies, or independent auditors. Procedures under this guide (see section 3.21) require a follow-up of the most recent audit findings to determine whether the grantee took corrective action.

2.4 REFERENCE MATERIALS

The publications listed below should be used for verification and reference purposes in auditing the Head Start Program grants.

- . Public Law 93-644, dated January 4, 1975: "Headstart Economic Opportunity, and Community Partnership Act of 1974," Title V, Headstart and Follow Through, Sections 501-525. (Pertinent parts are included in Appendix C of this guide.)
- . 45 CFR 1301: PROGRAM AND GRANTS ADMINISTRATION FOR HEAD START, TECHNICAL ASSISTANCE AND TRAINING, AND RESEARCH, DEMONSTRATION, AND PILOT PROJECTS (Proposed Regulations, published in the Federal Register May 5, 1975; or final Regulations when issued or as amended) (See Appendix D.1 of this guide.)
- . 45 CFR 1304: HEAD START PROGRAM PERFORMANCE STANDARDS (Published in Federal Register, Volume 40, No. 126-- Monday, June 30, 1975) (See Appendix D.2 of this guide.)
- . 45 CFR 74: ADMINISTRATION OF GRANTS (Published in the Federal Register, Volume 38, No. 181 -- Wednesday September 19, 1973) or as amended
- . HEW/OHD GRANTS ADMINISTRATION MANUAL JANUARY 1977

OTHER HELPFUL REFERENCES

- . Brochure on Audit Standards: "Standards for Audit of Governmental Organizations, Programs, Activities & Functions" by the Comptroller General of the United States, 1972 (1974 reprint); and GAO Supplements
- . AICPA Professional Standards, Volume 1
- . Federal Management Circular FMC 73-2; Audit of Federal Operations and Programs by Executive Branch Agencies

CHAPTER 3: REQUIREMENTS FOR PERFORMING AND REPORTING AUDITS

3.1 GENERAL

The audit shall cover all Head Start grant funded operations including delegate agencies for the grant budget period unless a different audit period has been specifically approved in the auditor's letter of engagement and agreed to by the cognizant granting office. The auditor will be expected to perform sufficient tests to express an opinion (unqualified, qualified, adverse, or disclaimer of an opinion) on the grantee's Statement of Revenues, Expenses and Changes in Fund Balance and final expenditure report (Form HEW 601T) required at the end of the grant budget period.

In auditing Head Start Program grants, the auditor will be expected to either reflect acceptance of program costs claimed on the final expenditure report or recommend adjustment where there is no valid basis for accepting such costs. The auditor will discuss in the audit report in sufficient detail each significant condition (audit finding) which does not meet the legislative or regulatory requirements of the Head Start Program and/or terms and conditions of the grant. The auditor will indicate the cause and effect of each condition reported and include specific recommendations for corrective action and for improvement in operations. The independent auditors' working papers should be prepared in a manner to meet criteria set forth in the AICPA's Statement of Auditing Standards, Paragraph 338.05.

Cost adjustments recommended by the auditor do not necessarily mean that these costs will be disallowed. The final determination as to the allowability of costs will be made by OHD officials and/or the Assistant Regional Director for Human Development, as appropriate.

This chapter presents requirements for performing and reporting on audits of Head Start Programs. Audit objectives, reference materials, and general audit procedures are set forth for each area of audit coverage required. In some instances suggested audit steps are also provided. Although use of suggested audit steps is not mandatory, the general audit procedures must be completed to meet minimum audit requirements.

3.2 FINANCIAL AUDIT

3.21 INTERNAL CONTROLS

General Considerations

An effective system of internal controls comprises all coordinated methods and measures adopted by the grantee to safeguard its assets, check the accuracy and reliability of accounting data, promote operational efficiency and encourage adherence to prescribed management policies and procedures.

Generally accepted auditing standards for field work require that:

"There is to be a proper study and evaluation of the existing internal control as a basis for reliance thereon and for the determination of the resultant extent of the tests to which auditing procedures are to be restricted."

The study of the system of internal control is normally considered to have two phases. The AICPA Statement on Auditing Standards describes these phases as:

- . Review of the System., which is primarily the process of obtaining information about the organization and the procedures prescribed and is intended to serve as the basis for tests of compliance and for evaluation of the system.
- . Tests of Compliance., which are made to provide reasonable assurance that the accounting control procedures are being applied as prescribed.

Objectives

To determine what internal controls are present; to make a preliminary evaluation as to the adequacy of these controls; and to determine the degree of reliance that can be placed on internal controls, subject to tests of transactions to verify the effectiveness of these controls.

References

- . AICPA Statement on Auditing Standards: Section 320
-- The Auditor's Study and Evaluation of Internal Control

- . AICPA Statement on Auditing Standards: Section 640
-- Reports on Internal Control
- . AICPA Statement on Auditing Standards: Section 641
-- Reports on Internal Control Based on Criteria
Established by Governmental Agencies
- . AICPA Statement on Auditing Standards: Reports on
Audited Financial Statements
- . AICPA Statement on Auditing Standards: The Effects
of EDP on the Auditor's Study and Evaluation of
Internal Control

General Audit Procedures

- . The auditor should review the system of internal controls applicable to the Head Start Program and determine whether the grantee has written policies and procedures and that they provide for appropriate separation of responsibilities and control over:
 - Receiving and disbursing funds;
 - Recording and reporting grant expenditures;
 - Accumulating and periodic reporting all costs; and
 - Operating and reporting program activities.
- . Lack of written procedures or lack of adequate controls should be noted and recommendations for improvements should be included in the audit report. Comments on internal controls should be prepared in accordance with Sections 640 and 641 of the Statement on Auditing Standards.
- . The auditor should consider the results of the review of the system of internal controls in determining the extent of testing needed to evaluate the effectiveness of the established procedures. The auditor should comment on any internal control problems and recommend needed improvements.
- . The auditor should review the grantee's most recent audit report and note any findings reported; ascertain whether corrective action was taken by the grantee; and comment on actions needed to strengthen the grantee's system for acting on audit findings.

Current findings should indicate whether similar deficiencies were previously reported.

3.22 ACCOUNTING SYSTEM

Objective

To determine whether the grantee's accounting for the grant award payment is supported by an adequate accounting system that can accurately, completely, and timely disclose the financial results of grant performance in accordance with Federal reporting requirements.

References

- . Public Law 93-644, Title V, Section 520(a)
- . 45 CFR 1301.3-3: Annual audit of Head Start programs
- . 45 CFR 74: Subpart H, Section 74.61(a) -- Standards for Grantee and Subgrantee Financial Management Systems

General Audit Procedures

- . Based on the results of the review of internal controls and tests of the accounting records, determine whether the grantee's accounting system includes the procedures necessary to:
 - Identify receipts and expenditures of all Head Start Program funds separately from other grants and contracts; and
 - Accumulate and record expenditures by grant budget period and by cost categories provided in the approved grant budget.
 - Identify expenditures by activity account, e.g., No. 23, full-year/full-day; No. 26, handicapped; etc. as provided in the approved budget.
- . Comment on any problems in the accounting system as related to the Head Start Program and recommend needed improvements.

3.23 PROGRAM FUNDING

General Considerations

Basically, two advance payment methods are used to make Federal funds available to Head Start Program grantees. The first method involves payment through use of the U.S. Treasury letters-of-credit issued by HEW to grantees doing business in excess of \$250,000 annually with Department organizations. Under this method, HEW establishes a line of credit through the Federal Reserve System against which the grantee organization can draw grant funds as an advanced payment. The second method involves payments to the grantee by Treasury checks. These advances are based on annually forecasted cash needs. Under either method, the advanced payment to the grantee may include funds for various HEW grants awarded the grantee agency. Separate checking accounts may not exist for each of the various grants awarded the grantee. However, separate general ledger control accounts should be maintained for all resources applicable to individual grants. The auditor may confirm the level of disbursements made under the award with the responsible OHD grant award office.

Objectives

To determine that advanced payments were accounted for properly and were requested by the grantee as closely as possible to the time program disbursements were made; and to determine whether accounting for grant-related interest income, if any, was appropriate.

References

- . 45 CFR 1301.4-3: Payments
- . 45 CFR 74: Subpart B, Section 74.11 -- Checks-paid Basis Letter of Credit
- . 45 CFR 74: Subpart F, Section 74.42 -- Interest Income
- . 45 CFR 74: Subpart H, Section 74.61(e) -- Standards
- . 45 CFR 74: Subpart I, Section 74.75 -- Request for Reimbursement
- . 45 CFR 74: Subpart K, Section 74.92 -- Payment Methods for Nonconstruction Grants

General Audit Procedures

- . Examine the Notice of Grant Awarded and any amendments; the grantee's request for Federal funds

(cash demand or letter-of-credit); and the final Financial Status Report for each grant budget period under audit and comment on problem areas, if any, as related to the following:

- Compare the amount of Federal funds received for each draw with the amount of Federal funds expended and determine whether excess funds were on hand during each period. Funds on hand should not exceed the minimum amount required to finance current disbursements. Where the grantee is on the cash demand system, the amount of cash on hand should not exceed one month's needs. Where the grantee is on the letter-of-credit system, the amount of cash on hand should be as close to daily needs as administratively feasible. The Treasury Department considers any balance in excess of weekly disbursement needs (5 working days) to be excessive. The method employed by the Treasury to determine daily cash needs is to divide semi-annual disbursements by 130 working days. In general, the larger the annual amount of advances needed by a grantee, the more frequently individual cash advances should be made to meet current disbursement needs.
- Reconcile the amount of Federal funds authorized for the Head Start grant budget period under audit with the amount of Federal funds received, and determine whether excess funds were received. If such funds exist and were not reported on the final Financial Status Report, determine the status of these funds.
- Determine whether excess funds retained on hand at any time, if applicable, were used for unauthorized purposes. All grantees other than a State must return all interest earned on grant funds to the Federal Government. An examination of unauthorized investments made with excess Federal funds may require an extension of the normal audit of cash. Where appropriate, inquire into such investments and report on the grantee's accounting for interest income.
- . Determine that the total Federal cash carry-over balance at beginning of the grant budget period including required prior-period financial adjustments plus Federal funds advanced this grant budget year agree with the accounting records. (See instructions

for grantee's preparation of Report of Cash Transactions -- 45 CFR 74.74). Also determine whether the amount reported in the accounting records agrees with the amount reported by grantee at the end of the reporting period in line "j" of the Report of Cash Transactions. Any differences between reported and actual balances should be reported and an explanation of differences should be presented in the audit report.

3.24 MATCHING

General Consideration

Section 513(b) of the Head Start-Follow Through Act provides:

"Financial assistance extended under this part for a Headstart program shall not exceed 80 per centum of the approved costs of the assisted program or activities, except that the Secretary may approve assistance in excess of such action if required in furtherance of the purposes of this part. Non-Federal contributions may be in cash or in kind, fairly evaluated, including but not limited to plant, equipment, or services. The Secretary shall not require non-Federal contributions in excess of 20 per centum of the approved costs of programs of activiteis assisted under this part."

Objectives

To determine that the grantee has contributed to the total project costs as provided on the Notice of Grant Awarded (unless officially amended); and to determine whether the amount reported on the final Financial Status Report is consistent with the matching agreement.

References

- . Public Law 93-644: Title V, Section 513(b)
- . Notice of Grant Awarded and Amendments, if any
- . 45 CFR 1301.4-1: Matching Requirements
- . 45 CFR 1301.4-2: Criteria for increase in Federal share
- . 45 CFR 74.50: Subpart G -- Matching and Cost Sharing

General Audit Procedures

- . Review the grantee's accounts to determine:
 - The source of the grantee's non-Federal share of project costs, if required; and that other Federal grant funds were not used for the non-Federal contribution;
 - That there is documentation for the amount of the non-Federal contribution reported on the final Financial Status Report;
 - That project costs claimed are not being claimed for matching purposes under other Federal grants;
 - Whether the grantee's share of project costs included in-kind contributions and, if so, review the method(s) management used in costing out its in-kind contribution. The in-kind data should be reflected as a part of Exhibit A required under Section 3.72 of this guide; and
 - That the net amount of matching after any adjustments (cash contributed by the grantee plus value of in-kind contributions accepted) represents the grantee's required share as identified by the terms and conditions of the grant award. If the grantee's share is short of the required amount, present pertinent details in the form of a narrative audit finding.
(Computation should be based on multiplying percentage of grantees participation -- Block 17 of the Notice of Grant Award -- times the incurred costs.)
- . Report any adjustments needed and comment on any problems noted.

3.25 GRANT-RELATED INCOME

Objectives

- . To establish that grant-related income was used to further purposes of the program, and to report any corrective actions or financial adjustments needed.

Reference

- . 45 CFR 74.40: Subpart F -- Grant-Related Income

General Audit Procedures - ROYALTIES AND OTHER INCOME

Audit of interest income is covered under section 3.23, Program Funding, of this guide. Additional areas to consider are royalties and other income.

- . Ascertain the nature and extent of materials published and produced for which royalties were or will be received and determine whether:
 - Royalties earned were used to further program purposes in accordance with terms and conditions of the grant or, if not specified, in accordance with 45 CFR 74, Section 74.44.
- . Review the provisions of 45 CFR 74, Section 74.45 for the approved disposition of grant-related income. Examine the grantee's records and accounts to determine whether:
 - The grantee maintained records of receipt and disposition of other grant-related income; and
 - Accountability was satisfied by disposition in accordance with the provisions cited above.

3.26 ALLOWABILITY OF COSTS

Objective

The audit objectives for review of project costs are:

- . To review financial operations and report any non-compliance with applicable grant provisions or with provisions of Head Start Program regulations and/or instructions; and based upon the review, provide recommendations for improvement; and
- . To determine whether costs reported as being incurred under this grant program are allowable and to report by OCD common accounting number (CAN) account (formerly program account number) any exceptions, including allowable costs which are considered to be significantly in excess of market rates for like products or services.

References

- . Notice of Grant Awarded (including changes and amendments)

- . 45 CFR 74: Administration of Grants (Subpart Q)
- . Grantee's approved grant proposal
- . Grantee's final Financial Status Report for the audit period

General Audit Procedures

In determining the allowability of costs claimed on the final Financial Status Report, the audit is divided into two areas: (i) Audit of Direct Costs, and (ii) Audit of Indirect Costs. The costs claimed should be identifiable with the CAN accounts reflected in block 20 and with the program descriptions in block 9 of the grantee's Notice of Grant Award. The review of direct costs should cover the following broad areas:

- . Payroll and Fringe Benefits
- . Consultant and Contract Services
- . Procurement of Equipment, Supplies and Materials
- . Travel
- . Other Direct Costs

3.261 AUDIT OF DIRECT COSTS

Payroll and Fringe Benefits

Objectives

To determine whether total labor and benefits costs charged to the grant are allocable; and employee pay rates and benefits are commensurate with prevailing rates for comparable type of work being performed in the area.

References

- . Public Law 93-644, Title V, Section 573
- . 45 CFR 1301.6-3: Comparability of Wages
- . 45 CFR 74: Appendix C (Cost Principles - State and Local Governments), Part I, Section E - Direct Costs
- . 45 CFR 74: Appendix C, Part II, Section B.10 - Compensation for Personal Services

- . 45 CFR 74: Appendix F (Cost Principles - Nonprofit Institutions), Section C - Direct Costs; and
- . 45 CFR 74: Appendix F, Section G.6 - Compensation for personal services

General Audit Procedures

Payroll costs charged to the Head Start Program will be tested to determine that (i) salary rates comply with 45 CFR 74, Appendix F, Section G.6 for personnel working under the grant project; (ii) time charges were supported; and (iii) fringe benefits claimed actually represent costs to the grantee.

When a grantee has computed a fringe benefit rate, the auditor should identify the basis used in computing the rate and determine that those elements making up the fringe benefit pool have not been included as a part of the direct labor charges. Special consideration should be given to restrict the grantee from recognizing profit in the fringe benefit rate, i.e., estimates which exceed actuals.

Suggested audit steps for examining payroll costs charged to the Head Start grant are:

- . Trace amounts posted in the general ledger to the payroll register or other supporting document.
- . Select a representative number of payroll line items (use a statistical sample if appropriate) and determine that:
 - The salary or wage rate of each individual whose pay is tested agrees with the organization's approved rate for that individual;
 - The grantee's salary rates for professional personnel do not exceed that specified in the approved grant proposal or as otherwise approved in writing by OCD;
 - The grantee's pay scales for the nonprofessionals are comparable with those for similar jobs in the employment area;
 - Payroll deductions are in accord with applicable tax rates and other appropriate supporting documents such as W-4's, etc.;

- Proper payroll deductions were remitted to the appropriate Federal, State, and local entities timely;
- The hours paid for are based upon approved time sheets or other supporting documents;
- The payroll amounts were properly computed;
- Overtime pay, if any, was approved in writing by an authorized grantee official;
- Sick or vacation pay has been earned and is in accordance with the grantee's approved personnel policies;
- For grantees with multiple sources of funds, conduct tests, as necessary, to determine that employees time is charged to the correct direct project and/or indirect labor category; and
- By interview, determine that personnel costs charged to this grant are for work on this project.

Suggested audit steps for examining fringe benefit costs charged to this grant program are:

- . Examine employee fringe benefit costs charged to the Head Start grant and determine their nature;
- . Review the grantee's personnel policies and determine the types of fringe benefits authorized;
- . Determine whether the fringe benefit costs charged:
 - Are for the type of fringe benefits authorized; and
 - Are for items which are not duplicated in direct labor charges such as annual leave, sick leave, or holiday pay.

Consultant and Contract Services

Objectives

To determine whether appropriate controls were exercised to assure that the services were necessary and obtained at a reasonable price.

Reference

- . 45 CFR 1301.6-5: Use of Consultants
- . 45 CFR 74: Subpart P - Procurement Standards
- . 45 CFR 74: Appendix C, Part II, Section C.7 - Professional Services
- . 45 CFR 74: Appendix F, Section G.31 - Professional Service Cost

General Audit Procedures

The auditor should selectively review consultant and contract services costs claimed under the contract to determine that the minimum standards for documentation were met.

HEW grants administration policy provides that grantees are expected to have their own policies with respect to use of consultants, that those policies will apply equally to the use of consultants paid for by grant funds, and that the policies will include as a minimum the standards for documentation described below. In the absence of such grantee policies, the following shall represent the minimum standards for documentation supporting the use of consultants:

- . Evidence that the services of the consultant are needed and the need cannot be met by direct salaries provided under the grant;
- . Evidence that a selection process was used to secure the most qualified individual available, considering the nature and extent of the services to be required; and
- . Where a consultant is selected who was not the low bidder, there should be documentation on file justifying the selection.

Suggested audit steps for examining consultant and contracted services costs charged to the Head Start grant are:

- . Trace amounts posted to the general ledger for consulting services and contracts for services to the supporting documentation.

- . Select all significant consultant service agreements and significant grantee contracts for services, and a representative sample of the others for examination. For each agreement and/or contract examined, determine:
 - If prior written approval was obtained from the office issuing the grant when the rate for services of any consultant under the grant or the rate under a service contract with the grantee exceeded the rate specified in the approved grant proposal;
 - That the fees paid were based on proposals from one or more reputable consultant or provider of contract services:
 - If the award was made to other than the lowest bidder; document and report, if significant, the basis upon which the award was made; and
 - That individual consultants were not compensated as employees during the periods that consulting services were rendered;
 - That there is evidence the contracted services were:
 - Actually provided;
 - Actually used; and
 - Received timely to benefit the grant program.

Procurement of Equipment, Supplies, and Materials

Objectives

To determine whether such items were (i) purchased under the grant award; (ii) used on the sponsored project; and (iii) obtained on a competitive basis.

References

- . 45 CFR 1301. 6-13: Procurements
- . 45 CFR 74: Subpart P, Procurement Standards
- . 45 CFR 74: Appendix C, Part II, Section B.18 -- Materials and Supplies; Section B.27 --

Transportation Costs; and Section C.3 -- Capital Expenditures

- . 45 CFR 74: Appendix F, Section G.7 -- Capital Expenditures; Section G.22 -- Materials Costs; and Section G.45 -- Transportation Costs

General Audit Procedures

- . For selected items, the auditor should determine that:
 - Procurement was made in accordance with the grantee's normal procedures and that appropriate supporting documentation was maintained;
 - These items were acquired using appropriate use of competitive purchasing procedures; the costs charged were reasonable and reflect actual price after cash discounts or other credits;
 - Appropriate approvals were obtained for the purchase of capital equipment; and
 - Costs related to purchase of capital equipment properly represent direct rather than indirect charges.
- . If items purchased were not utilized under the Head Start program, report on the materiality of such transactions and on the status of equipment not utilized.

Travel

Objectives

To determine (i) that the grantee has established and applied acceptable travel policies, and (ii) that costs for travel are allowable and allocable to the grant program.

References

- . 45 CFR 1301.6-2: Personnel policies and procedures
- . 45 CFR 74: Appendix C, Part II, Section B-28 - Travel
- . 45 CFR 74: Appendix F, Section G.46 -- Travel Costs

. Grantee's Policies and Procedures for Travel

General Audit Procedures

The auditor should obtain and review the grantee's travel policies to ascertain that they are consistent with the applicable Federal regulations cited above. In addition, the auditor should test travel charges to determine that:

- . Travel costs are consistently charged to the grant in conformance with the grantee's travel policies;
- . Travel costs claimed were applicable to the grant program; and
- . Travel costs were reasonable and consistent with the approved budget and that first-class transportation was not utilized except where permitted by the Federal regulations cited above. If the grantee organization has no formal travel policy, the reasonableness of travel costs claimed may be measured against the current per diem or mileage rates approved under the Standardized Government Travel Regulations.

Suggested audit steps for reviewing travel costs charged to the Head Start Program grant are:

- . Determine whether the grantee has formal travel policies;
- . On a selective basis, trace travel costs from the the general ledger to supporting books of original entry;
- . Examine travel costs charged to the grant as follows:
 - Determine whether the travel costs claimed are consistent with the grantee's travel policies;
 - Select a representative sample of travel expenses and ascertain:
 - That all travel expenses are supported by travel authorization documents, properly approved by an appropriate grantee official;
 - That all travel vouchers are approved by an authorized grantee official;

- That car mileage reimbursements are based on odometer readings and are approved by authorized person(s);
 - That trip reports, interviews, etc, indicate whether travel costs charged were grant related, and that travel was necessary for the performance of the grant; and
 - That reimbursements for travel were limited to travel authorized under the organization's approved travel policy, but not in excess of the limitations set by any special provisions of the grant, if applicable.
- . Determine whether the travel costs charged are allowable. In making this determination, consider the terms of the grant and the cost principles incorporated therein.

Other Direct Costs

Objective

To determine whether other direct costs are allowable and applicable to the grant program.

References

- . 45 CFR 74: Appendix C, Part II - Standards for Selected Items of Costs
- . 45 CFR 74: Appendix F, Section G -- General Standards for Selected Items of Cost

General Audit Procedures

In general, audit tests should be made to determine that:

- . The types of expenditures involved were contemplated in the originally approved budget and the expenditures were adequately documented;
- . The expenditures were reasonable. With respect to reasonableness of rental of space, consideration should be given to the physical aspects of the facility, duration of the grant, renovation costs, and rentals for similar facilities in the area;

- . Where other direct costs are common in nature, these costs should be allocated to the benefiting projects through an indirect expense pool or by other equitable means; and
- . Such other direct costs are allowable under the applicable cost principles.

Suggested audit steps for the review of other direct costs charged to the Head Start grant are:

- . On a selected basis, trace other costs from the general ledger to supporting documentation;
- . Ascertain whether the types of expenditures involved were contemplated in the original budget or as subsequently amended;
- . Ascertain whether the other direct costs are allocable to the grant program; and whether these costs are common in nature and should be allocated to the benefiting projects through an indirect expense pool or by other equitable means; and
- . Determine whether these other direct costs charged are allowable. In making this determination consider the terms of the grant and the cost principles incorporated therein.

3.262 AUDIT OF INDIRECT COSTS

Objective

To determine the allowability and acceptability of the cost base(s) to which the federally approved provisional or final (if available) indirect cost rate(s) is applied in support of any indirect costs claimed under this grant project.

References

- . 45 CFR 74: Appendix C, Section F -- Indirect Costs
- . 45 CFR 74: Appendix F, Section D -- Indirect Costs, and Section E -- Determination and Application of Indirect Cost Rate of Rates

General Audit Procedures

The auditor is expected to place appropriate emphasis on those areas having the most impact on indirect costs and/or

areas where the grantee has previously experienced problems. If no indirect cost is allowed, the auditor should disregard the succeeding procedures. Where it is allowed, the auditor should:

- . Examine indirect costs charged to this grant and determine that:
 - Costs are not charged to both the indirect cost pool and direct project costs -- compute and report duplicated amounts; and
 - The rate (where an indirect cost rate has been negotiated by a Government agency) applied by the grantee is in agreement with the negotiated rate and applied against the base identified in the negotiation agreement.
- . Determine whether indirect costs charged are allowable. In making this determination, consider the terms of the grant and the cost principles incorporated therein.
- . Report on deficiencies noted and provide constructive recommendations for improved accounting for indirect costs.

3.3 COMPLIANCE AUDIT

General Considerations

The Comptroller General's "standards for governmental auditing" provide for a review of compliance with pertinent legal and regulatory requirements. The standards on reporting require a statement in the audit report regarding major instances of noncompliance.

If the noncompliance materially affects the fairness of the grantee's final expenditure report, consideration must be given to qualifying the auditor's opinion or not expressing one on the report. Guidelines on disclaimers and qualifications of opinions developed by the AICPA should be consulted if this question arises.

To make compliance findings meaningful, the audit should contain (i) a clear reference to the law and/or regulation involved, (ii) the auditor's comments on an agency's lack of compliance with that law and/or regulation, (iii) an explanation of the cause and effect of the grantee's failure

to comply if noncompliance is found, and (iv) the auditor's recommendations for corrective action.

3.31 PROPERTY MANAGEMENT

Objective

To determine whether the grantee maintains a property management system for the Head Start Program adequate to meet the guidelines provided in the HEW regulations, Subpart O.

Reference

- . 45 CFR 74.130, Subpart O -- Property

General Audit Procedures

In evaluating the grantee's property management system for this program, the auditor should become familiar with the provisions of the regulations referenced above. Review the system and comment on those areas in need of improvement. Audit emphasis should be placed on the following:

- . Determine whether the grantee maintains property records to account for equipment purchased under the grant;
- . Evaluate the adequacy of the property records maintained and consider whether they contain information necessary to identify the equipment, to determine the acquisition date and cost, to identify the location and use of the property, and to disclose ultimate disposition if made;
- . Ascertain whether the grantee takes a physical inventory of grant equipment and reconciles the results with property records at least once every two years. Is a determination made to verify the existence, current utilization and continued need for the property?
- . Determine whether differences between the property record balances and the physical inventory balances are investigated and reconciled;
- . From the property records, physically test a sample of equipment items purchased and/or sold under the grant; and

- . Determine whether the grantee has established procedures for disposing of equipment no longer necessary to the grant project and has provided for the proper treatment of the Federal share when the property is traded or sold. (45 CFR 74, Sections 74.138 and 74.141).

3.32 APPROVALS FOR BUDGET REVISIONS

Objective

To identify and report on instances where grant budget revisions exceeding the Federal flexibility guidelines were made by the grantee without obtaining prior approval from the grantor.

Reference

- . 45 CFR 74.100, Subpart L -- Budget Revisions
- . 45 CFR 74, Subpart Q -- Cost Principles

General Audit Procedures

OHD policy provides that the approval of a grant budget by the granting office constitutes prior approval for the expenditures of funds for specific items included in that budget. Grantees may make revisions between and among budget categories to meet unanticipated requirements, provided that grant funds will be used for purposes consistent with Federal regulations or policies governing the program. OHD policy incorporates the budget revision requirements of Subpart L of 45 CFR 74, except that in accordance with the option provided in 74.102(d), OHD has elected to waive the limitations in 74.102(b)(3) and (b)(4). Budget revisions for which grantees must request prior approval are listed in the audit procedures below.

- . Determine whether the grantee requested prior approvals for budget revisions from the grantor office whenever:
 - The revision resulted from changes in the scope or the objective of the grant-supported program;
 - Any budget line-item revision would indicate a need for additional Federal funding;

- The revisions involved the transfer of amounts budgeted for indirect costs to absorb increases in direct costs;
- The revisions involved any purpose disapproved or restricted as a condition of grant award;
- Except for State and local governments, revisions caused expenditures in any budget period to exceed 125 percent of the amount originally budgeted for equipment;
- Funds were transferred to cover the cost of alterations and renovations of facilities to accommodate grant supported activities when funds were not provided in this category in the original budget or were increased beyond the amount approved in the initial budget;
- Funds were used for contracts or agreements involving the transfer of project activities;
- Funds were used to produce any motion picture film for viewing by the general public; or
- The revisions would cause the expenditure of funds for any item or purpose not planned or budgeted for in the approved budget or which required prior approval under the applicable cost principles contained in the appendixes to 45 CFR 74, Subpart Q.

. State in your report reasons for any of the above budget deviations or revisions that did not have prior approval from the grantor office.

3.33 PERSONNEL MANAGEMENT

Objective

To ascertain whether the grantee has adopted personnel policies and procedures as required by program regulations for Head Start employees.

Reference

- . 45 CFR 1301.6-2: Personnel policies and procedures (Proposed Regulations)
- . 45 CFR 1301.6-3: Comparability of Wages

- . 45 CFR 1301.6.6: Conflict of Interest
- . 45 CFR 1301.6-7: Nepotism

General Audit Procedures

- . Determine that the grantee has established written personnel policies and procedures covering its employees and that delegate agencies also have written policies.
- . Ascertain whether these policies and procedures have been subject to approval by the Head Start Policy Council or Committee.
- . Review the policies and procedures to determine whether the following required items are covered:
 - staff qualifications
 - recruitment and selection
 - classification of positions
 - salary ranges and increases (including the basis of determining the amounts)
 - employee benefits (including leave, holidays, overtime, and fringe benefits)
 - expenses incidental to official duties (including travel and per diem)
 - staff training, career development, and performance evaluation
 - employee-management relations (including employee grievance procedures in the event of termination and other adverse actions)
 - employee conduct (including outside employment and acceptance of gifts and gratuities)
 - conflict of interest
 - nepotism
- . Determine whether the personnel policies and procedures have been issued to or made available to all Head Start grantee and delegate agency employees.

- . Examine the grantee's policies and procedures concerning bases for establishing salary ranges and increases to determine whether Federal requirements are met. Comparability of wages is required by 45 CFR 1301.6-3.
- . Determine whether the grantee's policy on conflict of interest meets the requirements of 45 CFR 1301.6-6.
- . Ascertain whether the requirement of 45 CFR 1301.6-7 are met by the grantee's policy concerning nepotism.
- . Review a randomly selected sample of employees' personnel files to determine whether the written personnel policies appear to be implemented. The review should include comparison of salary levels, employee benefits, and reimbursement of official expenses to prescribed policies and procedures. The auditor's review of payroll, fringe benefits, and travel as part of the financial audit section should provide some evidence of actual practices.
- . Comment on any deficiencies disclosed by the audit in the grantee's personnel policies, procedures, or practices.

3.34 FACILITY STANDARDS

Objective

To determine whether the grantee has evidence of compliance with the facility standards required for each of its Head Start centers.

Reference

- . 45 CFR 1304.2-3: Education services plan content: Facilities
- . 45 CFR 1304.3-10(f): Food services operations

General Audit Procedures

- . From the grantee obtain State or local licensing certifications and/or similar documents to ascertain that the grantee has evidence of compliance with the requirements of 45 CFR 1304.2-3. This regulation states in part: "Evidence that the center meets or exceeds State or local licensing requirements for similar kinds of facilities for fire, health, and

safety shall be accepted as prima facie compliance with the fire, health and safety requirements of this section."

- . To determine that the grantee has complied with the requirements for food service operations set forth in 45 CFR 1304.3-10(f), review the grantee's licensing and/or self-inspection reports and ascertain that the food service operations have been approved.
- . To obtain an indication of actual, current conditions in the grantee's Head Start center, walk through the centers to observe any obvious noncompliance with the regulations cited above. When many centers are operated by one grantee, the auditor should limit the walk-throughs to selected centers. Centers without proper licenses should be given priority.
- . Comment on deficiencies noted in compliance with facility standards. The absence of required licenses should be reported as well as the existence of any noncompliance noted in the walk-throughs.

Except for the "walk-through" inspection mentioned above, completion of the audit procedures in this section of the audit guide should be limited to a review of available records. When the required records are not available or do not appear to be sufficient to permit the reviewer to ascertain whether or not the grantee is in compliance with the performance standards, the auditor should comment on the availability of records in the audit report but need not go beyond a walk-through. However, if the walk-through discloses any obvious or serious violation, it should be immediately brought to the attention of the grantee and the appropriate OCD office.

3.35 HEALTH RECORDS

Objective

To determine whether the grantee maintains a health records system which meets the provisions of the performance standards.

Reference

- . 45 CFR 1304.3-5: Medical and dental records

General Audit Procedures

- . Randomly select a sample of records for children participating in the grantee's program and determine whether:
 - individual health records are kept; and
 - health records contain the child's medical history, screening results, medical and dental examination data, evaluation of this material, and up-to-date information about treatment and follow-up (Sections 1304.3-3 and 1304.3-4 describe the required types of medical and dental material in more detail)
- . Ascertain whether there is evidence that the grantee:
 - forwards, with parent consent, the health records to either the school or health delivery system or both when the child leaves the program;
 - gives parents a summary of the records which includes information on immunization and follow-up treatment;
 - assures that parents are told the nature of the data to be collected, the uses to which the data will be put, and that the uses will be restricted to the stated objectives.
- . Report on any aspects of the grantee's health records system which the review indicates do not meet the performance standards referred to in this section (3.35) of the audit guide.

3.36 POLICY GROUPS

Objective

To ascertain whether the grantee has established the Head Start policy groups required by the performance standards.

Reference

- . 45 CFR 1304.5-2: Parent Involvement Plan Content: Parent Participation

General Audit Procedures

- . Determine whether the grantee has set up the Head Start policy groups required by Appendix B, Section

B, paragraph 1-1a, of 45 CFR 1304.5-2. Normally the following groups are required.

- Head Start Center Committee (for each center);
 - Head Start Policy Committee (for each delegate agency); and
 - Head Start Policy Council (for the grantee--note that the regulations provide that when a grantee has delegated the entire program to one delegate agency, it is not necessary to have a Policy Council in addition to the delegate agency's Policy Committee).
- . If the grantee has not established the proper groups, comment on the current status and planned action for meeting the requirement.

3.37 ELIGIBILITY

Objective

Ascertain whether the grantee has a system for screening applicants to determine their eligibility.

Reference

- . 45 CFR 1305.3 through 45 CFR 1305.9 (Proposed Regulations)

General Audit Procedures

- . Review the grantee's system for determining eligibility. The grantee's system should provide for a review of all applicants to insure conformance with Head Start eligibility requirements. The auditor should determine that:
 - Eligibility is determined immediately preceding enrollment of the child (1305.6);
 - Head Start enrollees, including handicapped children, are between three years of age and the age of compulsory school attendance (1305.3);
 - At least 90 percent of the enrollees, including handicapped children, are from low-income families (1305.4);

- When applications for admission to a Head Start Program are received for more children from low income families than the Head Start program can accommodate, the children from the lowest income families are given preference (1305.4);
 - Enrollees from families which are Public Assistance recipients are considered as eligible even though the family income exceeds the income guidelines for that size family (1305.4);
 - When other than low-income enrollees are admitted, they meet the criteria developed locally for that Head Start program (1305.4);
 - Handicapped children who are otherwise eligible are enrolled in the program (1305.5);
 - At the time of the commencement of an enrollment year when enrollment from other than low-income families exceeds 10 percent, no more children from this category shall be admitted until the enrollment of other than low-income enrollees again drops below 10 percent (1305.7);
 - The applicable income guidelines are used consistently with reference to the size of the family and the family income (1305.8); and
 - Available documentation indicates that fees are collected only on a voluntary basis and that any fees collected are accounted for according to Federal requirements (1305.9).
- . Comment on any aspects of the grantee's system for determining eligibility that do not meet the above Federal requirements.

3.4 EXIT CONFERENCE

Upon completion of the field work, the auditor must hold a closing or exit conference with senior officials of the grante organization. Any audit findings and recommendations, in either the financial or compliance areas, should be fully discussed.

The exit conference gives the auditor an opportunity to obtain comments on the accuracy and completeness of the facts presented and the conclusions reached. This conference also serves to provide the grantee officials with

advance information as a basis for initiating corrective action without waiting for the final audit report. Whenever possible, the concurrence or the reasons for nonconcurrence by the grantee should be obtained and incorporated in the report. Information on any corrective measures taken or promised to be taken by the grantee should also be included in the appropriate sections of the report under a caption "Grantee's Comments."

The audit working papers should contain the name of the auditor(s) who conducted the exit conference; the names and positions of grantee officials with whom the exit conference was held; details of the discussions; and a summarization of the reactions, conclusions, and recommendations of the grantee officials.

3.5 REPORTING REQUIREMENTS

The final audit report will be issued to the grantee organization's Board of Directors or, if a public agency, to the Director of the agency having jurisdiction over and responsibility for the organization administering the Head Start Program grant. The required format for this report is shown in Section 3.7 of this guide.

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), HEW Audit Agency reports issued to the Department's grantees and contractors are made available, if requested, to members of the press and general public, to the extent information contained therein is not subject to exemptions in the Act, which the Department chooses to exercise. (See Section 5.71 of the Department's Public Information Regulation, dated August 1974, as revised.) Non-Federal audit reports processed through the Agency's audit control system are subject to these same principles.

3.6 REPORT DISTRIBUTION

Audit reports on the Head Start Program grants should be issued not later than 120 days after the end of the program budget year unless special circumstances warrant an extension of the issue date. If an extension of time is needed, the appropriate OCD Headquarters official or Assistant Regional Director for Human Development should be advised and provided with a revised target date for submission of the final audit report.

Section 1301.3-3(c) of the proposed Head Start program regulations requires that the auditor provide seven (7)

copies of the final audit report to the appropriate HEW Regional Audit Director (see Appendix A). For grants awarded by the HEW/OHD Regional Office, two (2) additional copies will be sent to the OHD Grants Management and Budget Office (see Appendix B for mailing address). For grants awarded by OHD Headquarters, two (2) additional copies will be mailed to:

Grants and Contracts Management Division
Office of Human Development
U.S. Department of Health, Education, and Welfare
South Portal Building - Room 341 F5
200 Independence Avenue, S.W.
Washington, D.C. 20201

The independent audit firm also will provide the grantee with a minimum of two (2) copies of the final audit report.

3.7 REPORT FORMAT

All audit reports should include a cover page, signed transmittal letter, table of contents, exhibits, and narrative sections as necessary. The cover page should show:

Name of Grantee
City and State
Title of Report
Grant Number
Period Covered by Audit
Date of Report

CONTENTS

The table of contents should set forth the major sections of the report with their respective page numbers. It is suggested that the table of contents be arranged into five parts as follows:

	<u>Page</u>
<u>Introduction</u>	
Background	
Scope of Audit	
<u>Highlights of Audit Results</u>	
Financial	

Internal Accounting and
Administrative Controls

Compliance

Financial

Auditor's Report on Financial Statements

Exhibits

Findings and Recommendations - Financial

Internal Accounting and Administrative
Controls and Compliance

Auditor's Conclusions on Internal
Accounting and Administrative
Controls and Compliance

Findings and Recommendations -
Internal Accounting and
Administrative Controls and
Compliance

Prior Audit Reports

PART I - INTRODUCTION

Background

This introductory section of the report is designed to provide a general description of the audited entity and program. The background section enables the reader to put into perspective the scope of audit and highlights of audit results sections. The background section should be kept as brief as possible.

Background information generally includes statements on the nature, authority, purpose, size, and organization of the audited entity and program. In addition, this section should include very brief information as to the other Federal and non-Federal programs administered by the grantee. The approximate annual funding levels relating to these programs should be stated.

An illustrative background section follows:

"INTRODUCTION

"Background

"The (grantee's name) operates a full year Head Start program. The Head Start program provides comprehensive early child development for disadvantaged preschool children and their families. For the grant budget year ended _____, the grantee received \$_____ in program funds. In addition, the grantee received during the fiscal year other Federal funds including \$_____ for U.S. Department of Agriculture food costs reimbursements, and \$_____ for grants from the Community Services Administration.

Scope of Audit

This section should clearly explain the scope and objectives of the audit. While the scope section must be tailored for each report, the following characteristics are generally present:

1. A specific statement concerning the conduct of the audit in accordance with Standards for Audits of Governmental Organizations, Programs, Activities & Functions issued by the U.S. Comptroller General in June 1972 (1974 reprint) and with this audit guide.
2. Clear and precise statements of the specific audit objectives, with sufficient information to enable the reader to ascertain the nature of the audit work completed.
3. Statements concerning the places at which the audit was conducted.
4. Qualifying or limiting remarks, if needed, to avoid unwarranted inferences concerning the scope and purpose of the audit and to call attention to deviations from the areas of audit coverage specified in Chapter 3 of this guide.

We recognize that some of the information included in the scope section will also be in the "Auditor's Report on Financial Statements." However, we have concluded that it is necessary to include the information in both places in order to clearly present the scope and purpose of the audit and to avoid unwarranted inferences.

An illustrative example of a scope section follows:

"Scope of Audit

"Our audit of the grantee's Head Start program under grant number _____ was performed in accordance with Standards for Audit of Governmental Organizations, Programs, Activities & Functions issued by the U.S. Comptroller General in June 1972 (1974 reprint) and the prescribed HEW Guide For Audits of Head Start Program Grants, dated January 1977. The audit covered the period _____ through _____ and field work was performed during the period from _____ to _____ at the grantee's administrative office.

"Our audit included:

- expressing an opinion on the Statement of Revenues, Expenses and Changes in Fund Balances and the final Financial Status Report for the grant budget year,
- ascertaining whether costs claimed for Federal funding under the grant as shown on the above financial statements are fairly presented in conformity with the terms of the grant agreement and with the HEW cost principles (45 CFR 74),
- assessing the grantee's internal accounting and administrative controls based on the procedures established in the HEW audit guide, and
- determining if the program was administered in compliance with applicable laws, regulations, and HEW instructions as identified in sections 3.2 and 3.3 of the HEW audit guide and the grant provisions."

PART II - HIGHLIGHTS OF AUDIT RESULTS

This section summarizes what the auditor found, what actions are recommended, and what the grantee's response was. The highlights section is particularly useful to those readers who desire a quick, clear synopsis of the audit results.

An illustrative highlights section follows:

"HIGHLIGHTS OF AUDIT RESULTS

"Financial

"Our audit of costs claimed by the (grantee's name) for the period _____ through _____ disclosed that grant funds were generally administered in a satisfactory manner. However, of the \$56,226 reported as program costs, we are recommending a financial adjustment (see Schedule 1) of \$3,253 which includes:

Error in computing per diem allowances	\$ 97
Duplicate food costs reimbursements by OCD and USDA	1,265
Inadequate documentation of services	1,554
Costs unrelated to project	<u>337</u>
	<u>\$3,253</u>

"Our findings and recommendations are discussed on page _____. The final determination as to the allowability of costs will be made by the grantor agency.

"The grantee agreed to improve its procedures for documenting services, but informed us that it considers the costs claimed allowable. Similarly, the grantee contends that the other costs recommended for adjustment are allowable exclusive, however, of the duplicate food costs reimbursements.

"Internal Accounting and Administrative Controls

"We found that although the grantee's system of internal accounting and administrative controls was generally satisfactory, a number of improvements should be made in the billing and accounting procedures for costs claimed. Specifically, all program credits should be posted to the program account. During our audit we identified \$1,265 as duplicated reimbursements by OCD and USDA for food costs. Our comments on the grantee's internal accounting and administrative controls are on page _____.

"The grantee agreed to strengthen supervisory review over the billing and accounting procedures and agreed to make an appropriate financial adjustment. The revised procedures were implemented by the end of our field work.

"Compliance

"Our review indicated that the grantee had generally administered its program in accordance with Federal requirements. Improvements should be made, however, in

keeping records on equipment acquired under the grant. Our comments on compliance appear on page ____.

"The grantee agreed to develop a better recordkeeping system for property."

PART III - FINANCIAL

Auditor's Report on Financial Statements

An illustrative example of an unqualified auditor's report section follows:

"We have examined the Statement of Revenues, Expenses and Changes in Fund Balances of the (grantee's name) under Grant No. ____ for the period (date) to (date) (See Exhibit A). Our examination was made in accordance with the Standards for Audits of Governmental Organizations, Programs, Activities & Functions, issued by the U.S. Comptroller General in June 1972 (1974 reprint), applicable to the financial and compliance elements of an audit. Accordingly, we conducted such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances including the audit requirements set forth in the Guide For Audits of Head Start Program Grants issued by the Department of Health, Education, and Welfare, dated January 1977.

"In our opinion, the Statement referred to above presents fairly the revenues, expenses and changes in fund balances of (grantee's name) Head Start program under Grant No. ____ for the period _____ to _____ in conformity with the terms of the grant agreement and the prescribed HEW cost principles (45 CFR 74) applied on a basis consistent with that of the preceding year.

"Our examination was made primarily for the purpose of formulating an opinion on the Statement of Revenues, Expenses and Changes in Fund Balances. Although not considered necessary for fair presentation of revenues, expenses and changes in fund balances, the annual Financial Status Report (Exhibit B) for the period _____ to _____ is presented for supplementary analysis purposes. The information contained in Exhibit B was subjected to the same auditing procedures applied in our examination of the Statement of Revenues, Expenses and Changes in Fund Balances and is,

in our opinion, fairly stated in relation to Exhibit A taken as a whole."

Note: When conditions are such that a qualified, adverse or disclaimer of opinion is warranted; the auditor's report should include a statement of all reasons which necessitated the qualified, adverse or disclaimer of an opinion. (See Statement on Auditing Standards -- Reports on Audited Financial Statements.)

Sample language for qualifying an opinion because of cost adjustments follows:

"We have identified \$3,253 in costs recommended to be disallowed. The Schedule of Recommended Costs to be Disallowed (Schedule 1) lists these costs. The final determination as to whether these costs are allowable or unallowable will be made by the Department of Health, Education and Welfare.

"In our opinion, subject to any effects of the ultimate resolution of recommended adjustments, the financial statements referred to above present fairly . . ."

Exhibits

The final audit report should include as exhibits and schedules:

- Exhibit A, Statement of Revenues, Expenses and Changes in Fund Balances,
- Exhibit B, a copy of the Financial Status Report audited, and
- Schedule 1, Schedule of Recommended Costs to be Disallowed.

Suggested formats for these exhibits and schedules are attached.

Findings and Recommendations - Financial

Any findings and recommendations in the financial area should be grouped by category and included in this section. Each finding should be explained in sufficient detail to enable the reader to understand both the cause and the effect of the deficiency. The explanation of each finding should:

1. Describe the deficiency noted;
2. State the cause of the deficiency (for example, lack of established controls or improper implementation of controls);
3. Describe the extent of the deficiency, including the size of the universe, sample size, error rate, and dollar amount of error, if any;
4. Describe, if possible, the effect of the deficiency on the operation and the financial statements; and
5. Include a recommendation that should correct the cause of the deficiency noted and when appropriate a recommendation for recovery of Federal funds. Any amounts recommended for recovery should be shown in the computation of recommended disallowances and be cross-referenced by caption to the appropriate finding and recommendation in this section. Note that recommendations by the auditor for recovery of Federal funds do not necessarily mean that the costs questioned will be disallowed. The final determination as to allowability of costs will be made at HEW.

PART IV - INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS
AND COMPLIANCE

Auditor's Conclusions on Internal Accounting and Administrative Controls and Compliance

The following is to be included as the auditor's conclusions on internal accounting and administrative controls and compliance:

"We have examined the financial statements (Exhibits A and B) for the period _____ through _____ for the grantee's Head Start program. Our opinion on these statements is on page _____. As a part of our examination, we reviewed and tested the grantee's system of internal accounting control to the extent we considered necessary to evaluate the system as required by Standards For Audits of Governmental Organizations, Programs, Activities & Functions issued by the U.S. Comptroller General in June 1972 (1974 reprint). Under these standards the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing, and extent of other auditing

procedures that are necessary for expressing an opinion on the financial statements.

"We have also made a study of those internal accounting control and administrative control procedures of the grantee that we considered relevant to the criteria established by the Department of Health, Education, and Welfare as set forth in sections 3.2 and 3.3 of its audit guide issued January 1977. Our study included tests of compliance with such procedures during the period from _____ through _____.

"The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. We understand that the objective of those administrative control procedures comprehended in the HEW criteria is to provide similar assurance as to compliance with its related requirements. The concept of reasonable assurance recognizes that the cost of a system of internal control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

"There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

"We understand that procedures in conformity with the criteria referred to in the second paragraph of this part of the report are considered by HEW to be adequate

for its purpose in accordance with the provisions of the Head Start-Follow Through Act and related regulations, and that procedures not in conformity therewith indicate some inadequacy for such purposes. Based on this understanding and on our study, we believe the grantee's procedures were adequate for HEW's purposes. (Note: The sentence should be continued as follows, if appropriate: "except for the conditions described on pages _____ through _____ of this report which we believe are not in conformity with the criteria referred to above.")

"This report is intended for use in connection with the grant to which it refers and should not be used for any other purposes."

Note: If the accountant's report on the audit of the financial statements is qualified, the auditor must consider whether or not the nature of the qualifications is such as to affect the conclusions on the internal accounting and administrative controls or any compliance information.

Findings and Recommendations - Internal Accounting and Administrative Controls and Compliance

This section will contain compliance and internal control findings and recommended corrective action to be taken. Each finding should be explained in sufficient detail to enable the reader to understand both the cause and effect of the discrepancy. The recommendation should be presented in a manner that will illustrate how this corrective action will improve program operations and when appropriate include a recommendation for recovery of Federal funds. Any amounts recommended for recovery should be shown in the computation of recommended disallowances and be cross-referenced by caption to the appropriate finding and recommendation in this section. Note that recommendations for recovery of Federal funds by the auditor do not necessarily mean that the costs questioned will be disallowed. The final determination as to the allowability of costs will be made by the grantor agency.

PART V - PRIOR AUDIT REPORTS

This part will include the status of actions on findings reported in prior year audits. Where adequate corrective action has not been taken and the finding is reported again in either of the findings and recommendations sections of

the current report, the auditor need only briefly describe the prior finding and show the page reference where it is included in this current report.

EXHIBIT A

(Grantee's Name)
 Head Start Grant No. _____
 Statement of Revenues, Expenses, and Changes in Fund Balance
 For the Period _____ Through _____

<u>REVENUES</u>	<u>Approved Budget 1/</u>	<u>Actual 2/</u>	<u>COB Balances Current Year</u>
<u>OCD Funds --</u>			
Amount Awarded this Budget Period 3/	\$41,063	\$41,063	
Reprogrammed Funds:			
Unobligated Balance(s) of Funds for Prior Period(s) 4/	2,089	2,089	
Sustained Questioned Costs Repaid by Grantee	-0-	-0-	
Total OCD Funds for Grant Budget Year 2/	\$43,152	\$43,152	
<u>Reimbursements --</u>			
USDA (Special Food Service Program) 6/		1,265	
<u>Program Income --</u>	-0-	-0-	
<u>Grantee's Contribution --</u>	<u>14,982</u>	<u>14,982</u>	
Grand Total	\$58,134	\$59,399	
<u>EXPENSES</u>			
<u>OCD's Share --</u>			
<u>Head Start Full-Year/Full-Day (CAN X-XXXXX 23) --</u>			
<u>Direct Costs --</u>			
Personnel	\$21,717	\$21,400	\$ 317
Fringe Benefits	2,172	2,140	32
Travel	600	600	-0-
Equipment	300	300	-0-
Consumable Supplies -- 7/			
Food: OCD	1,581	1,600	[19]
USDA	-0-	-0-	-0-
Other Supplies	500	525	[25]
Contractual	-0-	-0-	-0-
Other	10,726	9,362	1,364
Sub-Total	\$37,596	\$35,927	\$1,669
<u>Indirect Costs --</u>	-0-	-0-	-0-
Total	\$37,596	\$35,927	\$1,669
<u>Handicapped (CAN X-XXXXX 26) --</u>			
<u>Direct Costs --</u>			
Personnel	-0-	-0-	
Fringe Benefits	-0-	-0-	
Travel	\$ 315	\$ 325	\$ [10]
Equipment	-0-	-0-	
Consumable Supplies	-0-	-0-	
Contractual	1,100	1,100	
Other	4,141	3,900	241
Sub-Total	\$ 5,556	\$ 5,325	\$ 231
<u>Indirect Costs --</u>	-0-	-0-	-0-
Total	\$ 5,556	\$ 5,325	\$ 231
OCD Total	\$43,152	\$41,252	\$1,900
<u>Grantee's Share --</u>			
<u>Head Start Full-Year/Full-Day (CAN X-XXXXX 23) --</u>			
Grantee	\$ 7,554	\$ 7,600	
State	4,652	4,652	
Other Sources	-0-	-0-	
Total	\$12,206	\$12,252	
<u>Handicapped (CAN X-XXXXX 26) --</u>			
Grantee	\$ 1,672	\$ 1,650	
State	372	372	
Other Sources	732	700	
Total	\$ 2,776	\$ 2,722	
Grantee's Total	\$14,982	\$14,974	
Grand Total	\$58,134	\$56,226	
<u>Revenues Over (Under) Expenses --</u>		\$ 3,173	
<u>Fund Balance Adjustments --</u>			
Fund Balance(s) for Prior Periods Not Reprogrammed:			
Grant No. _____, 1973/1974, Head Start Full-Year/Full-Day \$1,100			
Grantee's Share of Expenses Over (plus) or Under (minus)			
Amount of Approved Budget Contribution: \$14,982			
-14,974	[8]		
Sustained Questioned Costs Not Repaid by Grantee:			
Grant No. _____, 1973/1974, Head Start Full-Year/Full-Day 492		1,584	
TOTAL FUND BALANCES AS ADJUSTED AT (Date--end of current Grant Budget Year)		\$ 4,757	

- Notes to Auditor:
- 1/ Total budget as approved in the grant or as subsequently revised and officially approved by an amendment to the grant award document.
 - 2/ See Schedule 1 for an itemization of recommended disallowances.
 - 3/ New Obligational Authority (NOA)--Recorded on line 15, C of NGA, as amended (unrelated to cash received)
 - 4/ Carry-Over Balance (COB)--Recorded on line 15, B of NGA, as amended.
 - 5/ Total Obligational Authority (TOA)--Recorded on line 15, A of NGA, as amended.
 - 6/ Determine from grantee's accounts and records.
 - 7/ Determine breakout of budgeted amount for food from grantee's accounts and records.

FINANCIAL STATUS REPORT		1. Federal Agency and Organizational Element HEW - OHD - OGD		2. Federal Grant No. or Other Identifying No. 90C675	
3. Name and Address of Grantee Organization		4. Employee Identification No.		6. Final Report <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
5. Project Period (Month, Day, Year) FROM -- Indefinite -- TO 10 1 75		5. Grantee Account No. or Identifying No.		7. Basis of Report <input type="checkbox"/> Cash <input type="checkbox"/> Accrued Expenditures	
9. Project Period (Month, Day, Year) FROM -- Indefinite -- TO 10 1 75		9. Report Period (Month, Day, Year) FROM 10 1 75 TO 10 30 76			
10. STATUS OF FUNDS		PROGRAMS - FUNCTIONS - ACTIVITIES			
		(13)	(14)	(15)	TOTAL
(11) FY/FD(23)		a) Handicapped (26)			
a. Total outlays previously reported	36,079				42,099
b. Total program outlays this period	12,100				14,127
c. Less: Program income credits	-0-				-0-
d. Net program outlays this period	12,100				14,127
e. Total program outlays to date	48,179				56,226
f. Less: Non-Federal share of program outlays	12,252				14,974
g. Total Federal share of program outlays	35,927				41,252
h. Total unpaid obligations	-0-				-0-
i. Less: Non-Federal share of unpaid obligations	-0-				-0-
j. Federal share of unpaid obligations	-0-				-0-
k. Total Federal share of outlays and unpaid obligations	-0-				-0-
l. Total Federal funds authorized	37,596				43,152
m. Unobligated balance of Federal funds	1,669				1,900
11. Indirect Expenses: a. Type of cost (check box) <input type="checkbox"/> Provisional <input type="checkbox"/> Predetermined <input type="checkbox"/> Fixed		12. REMARKS (Attach additional sheets if necessary)			
b. Base c. Base e. Federal share		N/A			
4. Total amount					
		Name		TELEPHONE	
		Title		Area Code Number Ext.	
		Signature of Authorized Official		Date Report is Submitted	

HEW 601 T NOTE: See copy of grantee's instructions for submitting quarterly financial status reports. Similar instructions are provided in the Federal Financial Management Circular, FMC 74-7, Attachment H, Financial Reporting Requirements.

SCHEDULE 1

(Grantee's Name)
 Head Start Grant No. _____
 Schedule of Recommended Costs to be Disallowed
 For the Period _____ Through _____

<u>Program Cost Categories</u>	<u>Costs Incurred</u> ^{1/}	<u>Recommended Disallowances</u>	<u>Explanation</u>
OCD's Share --			
<u>Head Start Full-Year/Full-Day (CAN X-XXXXX 23)</u>			
<u>Direct Costs --</u>			
Personnel	\$21,400	-0-	
Fringe Benefits	2,140	-0-	
Travel	600	\$ 97	Error in Computation of Per Diem Allowance (see page ____)
Equipment	300	-0-	
Consumable Supplies --			
Food: OCD	1,600	1,265	Duplicate Payments for Food Costs (see page ____)
USDA	-0-	-0-	
Other Supplies	525	-0-	
Contractual	-0-	-0-	
Other	9,362	337	Costs Unrelated to Project (see page ____)
Sub-Total	\$35,927	\$1,699	
<u>Indirect Costs --</u>	-0-	-0-	
Total	\$35,927	\$1,699	
 <u>Handicapped (CAN X-XXXXX 26)</u>			
<u>Direct Costs --</u>			
Personnel	-0-	-0-	
Fringe Benefits	-0-	-0-	
Travel	\$ 325	-0-	
Equipment	-0-	-0-	
Consumable Supplies	-0-	-0-	
Contractual	1,100	\$ 100	Unsupported Costs (see page ____)
Other	3,900	63	Unsupported Costs (see page ____)
Sub-Total	\$ 5,325	\$ 163	
<u>Indirect Costs --</u>	-0-	-0-	
Total	\$ 5,325	\$ 163	
OCD Total	\$41,252	\$1,862	
 <u>Grantee's Share --</u>			
<u>Head Start Full-Year/Full-Day (CAN X-XXXXX 23)</u>			
Grantee	\$ 7,600	\$ 974	Unsupported Costs (see page ____)
State	4,652	-0-	
Other Sources	-0-	-0-	
Total	\$12,252	\$ 974	
 <u>Handicapped (CAN X-XXXXX 26)</u>			
Grantee	\$ 1,650	\$ 417	Unsupported Costs (see page ____)
State	372	-0-	
Other Sources	700	-0-	
Total	\$ 2,722	\$ 417	
Grantee's Total	\$14,974	\$1,391	
Grand Total	\$56,226	\$3,253	

1/ Source: Exhibit A

APPENDIX A

HEW Regional Audit Directors

States Covered

REGION I	Mr. Edward A. Parigian (Title) Bulfinch Building 15 New Chardon Street Boston, Massachusetts 02114 617-223-6888	Connecticut, Maine, Vermont, Massachusetts, New Hampshire, Rhode Island
REGION II	Mr. Bernard Luger (Title) Federal Building 26 Federal Plaza New York, New York 10007 212-264-4620	New York, New Jersey, Puerto Rico, Virgin Islands
REGION III	Mr. Gervus A. Rafalko (Title) P.O. Box 13716 Philadelphia, Pennsylvania 19101 215-597-6743	Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia
REGION IV	Mr. Emil A. Trefzger (Title) Peachtree-Seventh Building 50 Seventh Street, NE. Atlanta, Georgia 30323 404-526-5822	Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee
REGION V	Mr. Asher Tenner (Title) 300 South Wacker Drive Chicago, Illinois 60606 312-353-2621	Illinois, Indiana, Minnesota, Michigan, Ohio, Wisconsin
REGION VI	Mr. Glyndol J. Taylor (Title) 1200 Main Tower Building Dallas, Texas 75202 214-749-3359	Arkansas, Louisiana, New Mexico, Oklahoma, Texas
REGION VII	Mr. John C. Stanford (Title) 601 East 12th Street Kansas City, Missouri 64106 816-374-3591	Iowa, Kansas, Missouri, Nebraska
REGION VIII	Mr. Leo Milner (Title) Federal Office Building 1961 Stout Street Denver, Colorado 80294 303-837-4221	Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming
REGION IX	Mr. Herbert Witt (Title) Federal Office Building 50 United Nations Plaza San Francisco, California 94102 415-556-5766	Arizona, California, Hawaii, Nevada
REGION X	Mr. Kenneth E. Sill (Title) Arcade Plaza Building 1321 Second Avenue Seattle, Washington 98101 206-442-0452	Alaska, Idaho, Oregon, Washington

Date: January 1, 1977

OHD Regional Grant Management and Budget Directors

REGION I Mr. St. Clair Phillips (Title)
 John F. Kennedy Federal Building
 Government Center
 Boston, Massachusetts 02203
 617-223-4382

REGION II Mr. Nicholas Cordasco (Title)
 Federal Building
 26 Federal Plaza
 New York, New York 10007
 212-264-4117

REGION III Mr. William R. Chesser (Title)
 3535 Market Street
 Philadelphia, Pennsylvania 19101
 215-596-6565

REGION IV Mr. Andy Alexander (Title)
 50 Seventh Street, NE.
 Atlanta, Georgia 30323
 404-526-3524

REGION V Mr. William Edgell (Title)
 300 South Wacker Drive
 Chicago, Illinois 60606
 312-353-4502

REGION VI Mr. Robert Stovenour (Title)
 1507 Pacific
 Dallas, Texas 75202
 214-749-2616

REGION VII Mr. William Howard (Title)
 601 East 12th Street
 Kansas City, Missouri 64106
 816-374-2911

REGION VIII Mr. Masaru Yoshimura (Title)
 1961 Stout Street
 Denver, Colorado 80294
 303-837-2011

REGION IX Mr. Norman Nagao (Title)
 Federal Office Building
 50 United Nations Plaza
 San Francisco, California 94102
 415-556-5480

REGION X Mr. Allan Lundberg (Title)
 Arcade Plaza
 1321 Second Avenue
 Seattle, Washington 98101
 206-442-2430

Date: January 1, 1977



An Act

To provide for the extension of Headstart, community action, community economic development, and other programs under the Economic Opportunity Act of 1964, to provide for increased involvement of State and local governments in anti-poverty efforts, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Headstart, Economic Opportunity, and Community Partnership Act of 1974".

Headstart,
Economic
Opportunity,
and Community
Partnership
Act of 1974.
42 USC 2701
note.
42 USC 2706
note.
42 USC 2701
note.
88 STAT. 2291
88 STAT. 2292

STATEMENT OF PURPOSE

SEC. 2. It is the purpose of this Act to extend programs under the Economic Opportunity Act of 1964, including Headstart, community action, and community economic development programs; and to provide for increased involvement of State and local governments in anti-poverty efforts by authorizing a community partnership program.

SHORT TITLE AND DEFINITIONS

SEC. 3. The Economic Opportunity Act of 1964 is amended by adding after section 2 the following new sections:

"SHORT TITLE

"SEC. 101. This title and titles II through IX of this Act may be cited as the 'Community Services Act of 1974'.

Community
Services Act
of 1974.
42 USC 2701
note.

"TITLE V—HEADSTART AND FOLLOW THROUGH 1 /

"SHORT TITLE

"SEC. 501. This title may be cited as the "Headstart-Follow Through Act" (hereinafter in this title referred to as the "Act").

Headstart-
Follow
Through Act.
42 USC 2921.

"STATEMENT OF PURPOSE

"SEC. 502. In recognition of the role which Project Headstart has played in the effective delivery of comprehensive health, educational, nutritional, social, and other services to economically disadvantaged children and their families, the Act extends the authority for appropriation of funds for that program.

42 USC 2922.

"POLICY WITH RESPECT TO INDIAN AND MIGRANT CHILDREN

"SEC. 503. In carrying out the purposes of part A the Secretary shall continue the administrative arrangement responsible for meeting the needs of migrant and Indian children and shall assure that appropriate funding is provided to meet such needs.

42 USC 2923.

"PART A—HEADSTART PROGRAMS

"FINANCIAL ASSISTANCE FOR HEADSTART PROGRAMS

"SEC. 511. The Secretary may, upon application by an agency which is eligible for designation as a Headstart agency pursuant to section 514, provide financial assistance to such agency for the planning, conduct, administration, and evaluation of a Headstart program focused primarily upon children from low-income families who have not reached the age of compulsory school attendance which (1) will provide such comprehensive health, nutritional, educational, social, and other services as will aid the children to attain their full potential, and (2) will provide for direct participation of the parents of such children in the development, conduct, and overall program direction at the local level.

42 USC 2928.

"AUTHORIZATION OF APPROPRIATIONS

42 USC 2928a. "SEC. 512. There are authorized to be appropriated for carrying out the purposes of this part such sums as may be necessary for fiscal years 1975 through 1977.

"ALLOTMENT OF FUNDS; LIMITATIONS ON ASSISTANCE

42 USC 2928b. "SEC. 513. (a) Of the sums appropriated pursuant to section 512 for any fiscal year beginning after June 30, 1975, the Secretary shall allot not more than 2 per centum among Guam, American Samoa, the Trust Territory of the Pacific Islands, and the Virgin Islands, according to their respective needs. In addition, the Secretary shall reserve not more than 20 per centum of the sums so appropriated for use in accordance with such criteria and procedures as he may prescribe. The remainder shall be allotted among the States, in accordance with the latest satisfactory available data, so that equal proportions are distributed on the basis of (1) the relative number of public assistance recipients in each State as compared to all States, and (2) the relative number of related children living with families with incomes below the poverty line in each State as compared to all States; but there shall be made available, for use by Headstart programs within each State, no less funds for any fiscal year than were obligated for use by Headstart programs within such State with respect to fiscal year 1975. Allocation of such increases within each State shall, to the extent feasible, be made in such manner as to reflect the proportionate increases in program costs incurred by grantees, in accordance with regulations which the Secretary shall prescribe for this purpose. For the purpose of this subsection, the Secretary shall utilize the criteria of poverty used by the Bureau of the Census in compiling the 1970 decennial census.

"(b) Financial assistance extended under this part for a Headstart program shall not exceed 80 per centum of the approved costs of the assisted program or activities, except that the Secretary may approve assistance in excess of such percentage if he determines, in accordance with regulations establishing objective criteria, that such action is required in furtherance of the purposes of this part. Non-Federal contributions may be in cash or in kind, fairly evaluated, including but not limited to plant, equipment, or services. The Secretary shall not require non-Federal contributions in excess of 20 per centum of the approved costs of programs or activities assisted under this part.

"(c) No programs shall be approved for assistance under this part unless the Secretary is satisfied that the services to be provided under such program will be in addition to, and not in substitution for, comparable services previously provided without Federal assistance. The requirement imposed by the preceding sentence shall be subject to such regulations as the Secretary may prescribe.

Handicapped
children.

"(d) The Secretary shall establish policies and procedures designed to assure that for fiscal year 1975 not less than 10 per centum of the total number of enrollment opportunities in Headstart programs in the Nation shall be available for handicapped children and that for fiscal year 1976 and thereafter no less than 10 per centum of the total number of enrollment opportunities in Headstart programs in each State shall be available for handicapped children (as defined in paragraph (1) of section 602 of the Education of the Handicapped Act) and that services shall be provided to meet their special needs. The Secretary shall report to the Congress at least annually on the status of handicapped children in Headstart programs, including the number of children being served, their handicapping conditions, and the services being provided such children.

20 USC 1401.
Report to
Congress.

"(e) The Secretary shall adopt appropriate administrative measures to assure that the benefits of this part will be distributed equitably between residents of rural and urban areas.

"DESIGNATION OF HEADSTART AGENCIES

"Sec. 514. (a) The Secretary is authorized to designate as a Headstart agency any local public or private nonprofit agency which (1) has the power and authority to carry out the purposes of this part and perform the functions set forth in section 515 within a community, and (2) is determined by the Secretary to be capable of planning, conducting, administering, and evaluating, either directly or by other arrangements, a Headstart program. 42 USC 2928c.

"(b) For the purposes of this title, a community may be a city, county, multicounty, or multicounty unit within a State, an Indian reservation, or a neighborhood or other area (irrespective of boundaries or political subdivisions) which provides a suitable organization base and possesses the commonality of interest needed to operate a Headstart program.

"(c) In the administration of the provisions of this section, the Secretary shall give priority in the designation of Headstart agencies to any local public or private nonprofit agency which is receiving funds under any Headstart program on the date of the enactment of this Act, except that the Secretary shall, before giving such priority, determine that the agency involved meets program and fiscal requirements established by the Secretary. Priority.

"POWERS AND FUNCTIONS OF HEADSTART AGENCIES

"Sec. 515. (a) In order to be designated as a Headstart agency under this part, an agency must have authority under its charter or applicable law to receive and administer funds under this part, funds and contributions from private or local public sources which may be used in support of a Headstart program, and funds under any Federal or State assistance program pursuant to which a public or private nonprofit agency (as the case may be) organized in accordance with this part, could act as grantee, contractor, or sponsor of projects appropriate for inclusion in a Headstart program. Such an agency must also be empowered to transfer funds so received, and to delegate powers to other agencies, subject to the powers of its governing board and its overall program responsibilities. This power to transfer funds and delegate powers must include the power to make transfers and delegations covering component projects in all cases where this will contribute to efficiency and effectiveness or otherwise further program objectives. 42 USC 2928d.

"(b) In order to be so designated, a Headstart agency must also (1) establish effective procedures by which parents and area residents concerned will be enabled to influence the character of programs affecting their interests, (2) provide for their regular participation in the implementation of such programs, and (3) provide technical and other support needed to enable parents and area residents to secure on their own behalf available assistance from public and private sources.

"SUBMISSION OF PLANS TO GOVERNORS

"Sec. 516. In carrying out the provisions of this part, no contract, agreement, grant, or other assistance shall be made for the purpose of carrying out a Headstart program within a State unless a plan 42 USC 2928e.

setting forth such proposed contract, agreement, grant, or other assistance has been submitted to the Governor of the State, and such plan has not been disapproved by the Governor within thirty days of such submission, or, if so disapproved, has been reconsidered by the Secretary and found by him to be fully consistent with the provisions and in furtherance of the purposes of this part. Funds to cover the costs of the proposed contract, agreement, grant, or other assistance shall be obligated from the appropriation which is current at the time the plan is submitted to the Governor. This section shall not, however, apply to contracts, agreements, grants, loans, or other assistance to any institution of higher education in existence on the date of enactment of this Act.

"ADMINISTRATIVE REQUIREMENTS AND STANDARDS

42 USC 2928f.

Public access
to informa-
tion.

"SEC. 517. (a) Each Headstart agency shall observe standards of organization, management, and administration which will assure, so far as reasonably possible, that all program activities are conducted in a manner consistent with the purposes of this part and the objective of providing assistance effectively, efficiently, and free of any taint of partisan political bias or personal or family favoritism. Each such agency shall establish or adopt rules to carry out this section, which shall include rules to assure full staff accountability in matters governed by law, regulations, or agency policy. Each agency shall also provide for reasonable public access to information, including but not limited to public hearings at the request of appropriate community groups and reasonable public access to books and records of the agency or other agencies engaged in program activities or operations involving the use of authority or funds for which it is responsible. Each such agency shall adopt for itself and other agencies using funds or exercising authority for which it is responsible, rules designed to establish specific standards governing salaries, salary increases, travel and per diem allowances, and other employee benefits; to assure that only persons capable of discharging their duties with competence and integrity are employed and that employees are promoted or advanced under impartial procedures calculated to improve agency performance and effectiveness; to guard against personal or financial conflicts of interests; and to define employee duties in an appropriate manner which will in any case preclude employees from participating, in connection with the performance of their duties, in any form of picketing, protest, or other direct action which is in violation of law.

"(b) No financial assistance shall be extended under the Act in any case in which the Secretary determines that the costs of developing and administering a program assisted under the Act exceed 15 per centum of the total costs, including non-Federal contributions to such costs, of such program. The Secretary shall establish by regulation, criteria for determining (i) the costs of developing and administering such program and (ii) the total costs of such program. In any case in which the Secretary determines that the cost of administering such program does not exceed 15 per centum and such total costs but is, in his judgment, excessive, he shall forthwith require the recipient of such financial assistance to take such steps prescribed by him as will eliminate such excessive administrative cost, including the sharing by one or more Headstart agencies of a common director and other administrative personnel. The Secretary may waive the limitation prescribed by this paragraph for specific periods of time not to exceed six months

whenever he determines that such a waiver is necessary in order to carry out the purposes of the Act.

"(c) The Secretary shall prescribe rules or regulations to supplement subsection (a) of this section, which shall be binding on all agencies carrying on Headstart program activities with financial assistance under this part. He may, where appropriate, establish special or simplified requirements for smaller agencies or agencies operating in rural areas. Policies and procedures shall be established to insure that indirect costs attributable to the common or joint use of facilities and services by programs assisted under this part and other programs shall be fairly allocated among the various programs which utilize such facilities and services.

Rules and regulations.

"(d) At least thirty days prior to their effective date, all rules, regulations, guidelines, instructions, and application forms shall be published in the Federal Register and shall be sent to each grantee with the notification that each such grantee has the right to submit comments pertaining thereto to the Secretary prior to the final adoption thereof.

Publication in Federal Register.

"PARTICIPATION IN HEADSTART PROGRAMS

"SEC. 518. (a) The Secretary shall by regulation prescribe eligibility for the participation of persons in Headstart programs assisted under this part. Such criteria may provide (1) that children from low-income families shall be eligible for participation in programs assisted under this part if their families are below the poverty line, or if their families are eligible or in the absence of child care would potentially be eligible for public assistance; and (2) pursuant to such regulations as the Secretary shall prescribe that programs assisted under this part may include, to a reasonable extent, participation of children in the area served who would benefit from such programs but whose families do not meet the low-income criteria prescribed pursuant to clause (1).

42 USC 2928g.

"(b) The Secretary shall not prescribe any fee schedule or otherwise provide for the charging of any fees for participation in Headstart programs, unless such fees are authorized by legislation hereafter enacted. Nothing in this subsection shall be construed to prevent the families of children who participate in Headstart programs and who are willing and able to pay the full cost of such participation from doing so.

"APPEALS, NOTICE, AND HEARING

"SEC. 519. The Secretary shall prescribe procedures to assure that—

42 USC 2928h.

"(1) special notice of and an opportunity for a timely and expeditious appeal to the Secretary will be provided for an agency or organization which desires to serve as a delegate agency under this part and whose application to the Headstart agency has been wholly or substantially rejected or has not been acted upon within a period of time deemed reasonable by the Secretary, in accordance with regulations which he shall prescribe;

"(2) financial assistance under this part shall not be suspended, except in emergency situations, unless the recipient agency has been given reasonable notice and opportunity to show cause why such action should not be taken; and

"(3) financial assistance under this part shall not be terminated, an application for refunding shall not be denied, and a suspension of financial assistance shall not be continued for longer than thirty days, unless the recipient has been afforded reasonable notice and opportunity for a full and fair hearing.

"RECORDS AND AUDITS

32 USC 2928i. "SEC. 520. (a) Each recipient of financial assistance under this part shall keep such records as the Secretary shall prescribe, including records which fully disclose the amount and disposition by such recipient of the proceeds of such financial assistance, the total cost of the project or undertaking in connection with which such financial assistance is given or used, the amount of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.

"(b) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipients that are pertinent to the financial assistance received under this part.

"TECHNICAL ASSISTANCE AND TRAINING

32 USC 2928j. "SEC. 521. The Secretary may provide, directly or through grants or other arrangements, (1) technical assistance to communities in developing, conducting, and administering programs under this part, and (2) training for specialized or other personnel needed in connection with Headstart programs.

"RESEARCH, DEMONSTRATION, AND PILOT PROJECTS

2 USC 2928k. "SEC. 522. (a) The Secretary may provide financial assistance through grants or contracts for research, demonstration, or pilot projects conducted by public or private agencies which are designed to test or assist in the development of new approaches or methods that will aid in overcoming special problems or otherwise in furthering the purposes of this part.

"(b) The Secretary shall establish an overall plan to govern the approval of research, demonstration, or pilot projects and the use of all research authority under this part. Such plan shall set forth specific objectives to be achieved and priorities among such objectives.

"ANNOUNCEMENT OF RESEARCH, DEMONSTRATION, AND PILOT PROJECTS CONTRACTS

32 USC 2928l. "SEC. 523. (a) The Secretary shall make a public announcement concerning—

"(1) the title, purpose, intended completion date, identity of the grantee or contractor, and proposed cost of any grant or contract with a private or non-Federal public agency or organization for any research, demonstration, or pilot project under this title; and

"(2) the results, findings, data, or recommendations made or reported as a result of such activities.

"(b) The public announcements required by subsection (a) of this section shall be made within thirty days of making such grants or contracts, and the public announcements required by subsection (b) of this section shall be made within thirty days of the receipt of such results.

"(c) The Director shall take necessary action to assure that all studies, proposals, and data produced or developed with Federal funds employed under this title shall become the property of the United States.

"(d) The Director shall publish studies of the results of activities carried out pursuant to this title not later than ninety days after the

completion thereof. The Director shall submit to the appropriate committees of the Congress copies of all such studies.

Studies, submittal to congressional committees.

"EVALUATION

"SEC. 524. (a) The Secretary shall provide, directly or through grants or contracts, for the continuing evaluation of programs under this part, including evaluations that measure and evaluate the impact of programs authorized by this part, in order to determine their effectiveness in achieving stated goals, their impact on related programs, and their structure and mechanisms for delivery of services, including, where appropriate, comparisons with appropriate control groups composed of persons who have not participated in such programs. Evaluations shall be conducted by persons not directly involved in the administration of the program or project evaluation.

42 USC 2928m.

"(b) Prior to obligating funds for the programs and projects covered by this part with respect to fiscal year 1976, the Secretary shall develop and publish general standards for evaluation of program and project effectiveness in achieving the objectives of this part. The extent to which such standards have been met shall be considered in deciding whether to renew or supplement financial assistance authorized under this part.

"(c) In carrying out evaluations under this part, the Secretary may require Headstart agencies to provide for independent evaluations.

"(d) In carrying out evaluations under this part, the Secretary shall, whenever feasible, arrange to obtain the specific views of persons participating in and served by programs and projects assisted under this part about such programs and projects.

"(e) The Secretary shall publish the results of evaluative research and summaries of evaluations of program and project impact and effectiveness not later than ninety days after the completion thereof. The Secretary shall submit to the appropriate committees of the Congress copies of all such research studies and evaluation summaries.

Studies and summaries, submittal to congressional committees.

"(f) The Secretary shall take the necessary action to assure that all studies, evaluations, proposals, and data produced or developed with assistance under this part shall become the property of the United States.

"POVERTY LINE

"SEC. 525. (a) The Secretary shall revise annually (or at any shorter interval he deems feasible and desirable) a poverty line which, except as provided in section 711, shall be used as a criterion of eligibility for participation in Headstart programs.

42 USC 2928n.

"(b) The revision required by subsection (a) of this section shall be accomplished by multiplying the official poverty line (as defined by the Office of Management and Budget) by the percentage change in the Consumer Price Index during the annual or other interval immediately preceding the time at which the revision is made.

Post, p. 2316.

"(c) Revisions required by subsection (a) of this section shall be made and issued not more than thirty days after the date on which the necessary Consumer Price Index data becomes available.

"PART B—FOLLOW THROUGH PROGRAMS

"FINANCIAL ASSISTANCE FOR FOLLOW THROUGH PROGRAMS

"SEC. 551. (a) (1) The Secretary is authorized to provide financial assistance in the form of grants to local educational agencies, combinations of such agencies, and, as provided in paragraph (2) of this

42 USC 2929.

subsection, any other public or appropriate nonprofit private agencies, organizations, and institutions for the purpose of carrying out Follow Through programs focused primarily on children from low-income families in kindergarten and primary grades, including such children enrolled in private nonprofit elementary schools, who were previously enrolled in Headstart or similar programs.

"(2) Whenever the Secretary determines (A) that a local educational agency receiving assistance under paragraph (1) is unable or unwilling to include in a Follow Through program children enrolled in nonprofit private schools who would otherwise be eligible to participate therein, or (B) that it is otherwise necessary in order to accomplish the purposes of this section, he may provide financial assistance for the purpose of carrying out a Follow Through program to any other public or appropriate nonprofit private agency, organization, or institution.

"(3) Programs to be assisted under this section shall provide such comprehensive services as the Secretary determines will aid in the continued development of children described in paragraph (1) to their full potential. Such projects shall provide for the direct participation of the parents of such children in the development, conduct, and overall direction of the program at the local level. If the Secretary determines that participation in the project of children who are not from low-income families will serve to carry out the purposes of this section, he may provide for the inclusion of such children from non-low-income families, but only to the extent that their participation will not dilute the effectiveness of the services designed for children described in paragraph (1) of this subsection.

"AUTHORIZATION OF APPROPRIATIONS

42 USC 2929a.

"SEC. 552. (a) There are authorized to be appropriated for carrying out the purposes of this part \$60,000,000 for the fiscal year 1975, and for each of the two succeeding fiscal years. Funds so appropriated shall remain available for obligation and expenditure during the fiscal year succeeding the fiscal year for which they are appropriated.

"(b) Financial assistance extended under this part for a Follow Through program shall not exceed 80 per centum of the approved costs of the assisted program or activities, except that the Secretary may approve assistance in excess of such percentage if he determines, in accordance with regulations establishing objective criteria, that such action is required in furtherance of the purposes of this part. Non-Federal contributions may be in cash or in kind, fairly evaluated, including but not limited to plant, equipment, or services. The Secretary shall not require non-Federal contributions in excess of 20 per centum of the approved costs of programs or activities assisted under this part.

"(c) No project shall be approved for assistance under this part unless the Secretary is satisfied that the services to be provided under such project will be in addition to, and not in substitution for, services previously provided without Federal assistance. The requirement imposed by the preceding sentence shall be subject to such regulations as the Secretary may adopt.

"RESEARCH, DEMONSTRATION, AND PILOT PROJECTS; EVALUATION; AND TECHNICAL ASSISTANCE ACTIVITIES

42 USC 2929b.

"SEC. 553. (a) In conjunction with other activities authorized by this part, the Secretary may—

"(1) provide financial assistance, by contract or otherwise, for research, demonstration, or pilot projects conducted by public

or private agencies which are designed to test or assist in the development of new approaches or methods that will aid in overcoming special problems or otherwise in furthering the purposes of this part;

"(2) provide, directly or through grants or contracts, for the continuing evaluation of projects assisted under this part, including evaluations that describe and measure the impact of such projects, their effectiveness in achieving stated goals, their impact on related programs, and their structure and mechanisms for delivery of services, including, where appropriate, comparisons with appropriate control groups composed of persons who have not participated in such projects, which evaluations shall be conducted by persons not directly involved in the administration of the project evaluated; and

"(3) provide, directly or through grants or other appropriate arrangements, (A) technical assistance to Follow Through programs in developing, conducting, and administering programs under this part, and (B) training for specialized or other personnel which is needed in connection with Follow Through programs.

"SPECIAL CONDITIONS

"SEC. 554. (a) Recipients of financial assistance under this part shall provide maximum employment opportunities for residents of the area to be served, and to parents of children who are participating in projects assisted under this part. 42 USC 2929c.

"(b) Financial assistance under this part shall not be suspended for failure to comply with applicable terms and conditions, except in emergency situations, nor shall an application for refunding be denied, unless the recipient agency has been given reasonable notice and opportunity to show cause why such action should not be taken.

"(c) Financial assistance under this part shall not be terminated for failure to comply with applicable terms and conditions unless the recipient has been afforded reasonable notice and opportunity for a full and fair hearing.

"PART C—GENERAL PROVISIONS

"DEFINITIONS

"SEC. 571. As used in this title, the term—

42 USC 2930.

"(1) 'Secretary' means the Secretary of Health, Education, and Welfare;

"(2) 'State' means a State, the Commonwealth of Puerto Rico, the District of Columbia, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands; except that when used in section 513(a) of this title, the term means only a State, Puerto Rico, or the District of Columbia; and

Ante, p. 2301.

"(3) 'financial assistance' includes assistance provided by grant, agreement, or contract, and payments may be made in installments and in advance or by way of reimbursement with necessary adjustments on account of overpayments or underpayments.

"LABOR STANDARDS

"SEC. 572. All laborers and mechanics employed by contractors or subcontractors in the construction, alteration, or repair, including painting and decorating of projects, buildings, and works which are federally assisted under this title shall be paid wages at rates not less 42 USC 2930a.

than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a-276a-5). The Secretary of Labor shall have, with respect to such labor standards, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267; 5 U.S.C. 133-133z-15), and section 2 of the Act of June 1, 1934, as amended (48 Stat. 948, as amended; 40 U.S.C. 276(C)).

"COMPARABILITY OF WAGES

- 42 USC 2930b. "SEC. 573. (a) The Secretary shall take such action as may be necessary to assure that persons employed in carrying out programs financed under this title shall not receive compensation at a rate which is (1) in excess of the average rate of compensation paid in the area where the program is carried out to a substantial number of the persons providing substantially comparable services, or in excess of the average rate of compensation paid to a substantial number of the persons providing substantially comparable services in the area of the person's immediately preceding employment, whichever is higher, or (2) less than the minimum wage rate prescribed in section 6(a) (1) of the Fair Labor Standards Act of 1938.
- 29 USC 206.

"NONDISCRIMINATION PROVISIONS

- 42 USC 2930c. "SEC. 574. (a) The Secretary shall not provide financial assistance for any program, project, or activity under this title unless the grant or contract with respect thereto specifically provides that no person with responsibilities in the operation thereof will discriminate with respect to any such program, project, or activity because of race, creed, color, national origin, sex, political affiliation, or beliefs.
- "(b) No person in the United States shall on the ground of sex be excluded from participation in, be denied the benefits of, be subjected to discrimination under, or be denied employment in connection with any program or activity receiving assistance under this title. The Director shall enforce the provisions of the preceding sentence in accordance with section 602 of the Civil Rights Act of 1964. Section 603 of such Act shall apply with respect to any action taken by the Secretary to enforce such sentence. This section shall not be construed as affecting any other legal remedy that a person may have if that person is excluded from participation in, denied the benefits of, subjected to discrimination under, or denied employment in connection with, any program, project, or activity receiving assistance under this title.
- 42 USC 2000d-1.
42 USC 2000d-2.

"LIMITATION WITH RESPECT TO CERTAIN UNLAWFUL ACTIVITIES

- 42 USC 2930d. "SEC. 575. No individual employed or assigned by any Headstart agency or other agency assisted under this title shall, pursuant to or during the performance of services rendered in connection with any program or activity conducted or assisted under this part by such Headstart agency or such other agency, plan, initiate, participate in, or otherwise aid or assist in the conduct of any unlawful demonstration, rioting, or civil disturbance.

"POLITICAL ACTIVITIES

- 42 USC 2930e.
5 USC 1501. "SEC. 576. (a) For purposes of chapter 15 of title 5 of the United States Code any agency which assumes responsibility for planning, developing, and coordinating Headstart programs and receives assist-

ance under this title shall be deemed to be a State or local agency; and for purposes of clauses (1) and (2) of section 1502(a) of such title any agency receiving assistance under this part shall be deemed to be a State or local agency.

5 USC 1502.

“(b) Programs assisted under this title shall not be carried on in a manner involving the use of program funds, the provision of services, or the employment or assignment of personnel in a manner supporting or resulting in the identification of such programs with (1) any partisan or nonpartisan political activity or any other political activity associated with a candidate, or contending faction or group, in an election for public or party office, (2) any activity to provide voters or prospective voters with transportation to the polls or similar assistance in connection with any such election, or (3) any voter registration activity. The Secretary, after consultation with the Civil Service Commission, shall issue rules and regulations to provide for the enforcement of this section, which shall include provisions for summary suspension of assistance or other action necessary to permit enforcement on an emergency basis.

“ADVANCE FUNDING

“Sec. 577. For the purpose of affording adequate notice of funding available under this title, appropriations for carrying out this part are authorized to be included in an appropriation Act for the fiscal year preceding the fiscal year for which they are available for obligation.”

42 USC 2930f.

(b) The Economic Opportunity Act of 1964 is further amended by striking out “Director” each place it appears in sections 522 and 523 and inserting in lieu thereof “Secretary”, by striking out “and the Secretary of Health, Education, and Welfare” in section 522(d), and by striking out “their jurisdictions” in section 522(d) and inserting in lieu thereof “his jurisdiction”.

42 USC 2932,
2933.

(c) Sections 521 through 523 of the Economic Opportunity Act of 1964 are redesignated as sections 581 through 583, respectively.

42 USC 2931-
2933.

(d) (1) Section 2 of the Child Abuse Prevention and Treatment Act is amended by adding at the end thereof the following new subsection:

42 USC 5101.

“(c) The Secretary may carry out his functions under subsection (b) of this section either directly or by way of grant or contract.”

(2) Section 4 of such Act is amended by adding at the end thereof the following new subsection:

42 USC 5103.

“(e) For the purpose of this section, the term ‘State’ includes each of the several States, the District of Columbia, the Commonwealth of Puerto Rico, American Samoa, the Virgin Islands, Guam and the Trust Territories of the Pacific.”

"State."

ADMINISTRATION

Sec. 9. (a) Section 601 of the Economic Opportunity Act of 1964 is amended to read as follows:

“COMMUNITY SERVICES ADMINISTRATION

“Sec. 601. Upon the date of enactment of the Headstart, Economic Opportunity, and Community Partnership Act of 1974, there is established within the executive branch an agency known as the ‘Community Services Administration’ which shall be headed by a Director and which shall be, in all respects and for all purposes, the successor authority to the Office of Economic Opportunity. The Director of the Administration shall be appointed by the President by and with the advice and consent of the Senate. The Director shall be compensated

42 USC 2941.
Ante, p. 2291.

at a rate equal to the rate in effect for the compensation of the Director of the Office of Economic Opportunity on the date of the enactment of such Act.

"(b) There shall also be in the Administration one Deputy Director and Assistant Directors who shall be appointed by the President, by and with the advice and consent of the Senate. The Deputy Director and the Assistant Directors shall perform such functions as the Director may prescribe. The Deputy Director and the Assistant Directors shall be compensated at a rate equal to the rate in effect for the Deputy Director and the Assistant Directors, respectively, of the Office of Economic Opportunity on the date of enactment of the Headstart, Economic Opportunity, and Community Partnership Act of 1974.

Ante, p. 2291.

"(c) Subject to the provisions of subsection (e) of this section, the Administration shall be an independent agency. The Director shall have the responsibility for carrying out titles I, II, III-B, VI, VII, and IX of this Act. The functions of the Director with respect to carrying out titles I, II (except section 232), III-B, VI, VII, and IX of this Act shall not be delegated to any other officer not directly responsible, both with respect to program operation and administration, to the Director. Beginning after June 15, 1975, the policymaking functions, including the final approval of grants and contracts, of the Director, shall not be delegated to any regional office or official.

Ante, p. 2292.

42 USC 2861,

2941.

Post, p. 2315,

2328.

"(d) (1) All official actions taken by the Director of the Office of Economic Opportunity, his designee, or any other person under the authority of the Economic Opportunity Act of 1964 which are in force on the date of the enactment of the Headstart, Economic Opportunity, and Community Partnership Act of 1974, and for which there is continuing authority under the provisions of this Act, shall continue in full force and effect until modified, superseded, or revoked by the Director.

42 USC 2701

note.

"(2) All references to the Office of Economic Opportunity, or to the Director of the Office of Economic Opportunity, in any statute, reorganization plan, executive order, regulation, or other official document or proceeding shall, on and after such date, be deemed to refer to the Administration, or to the Director, as the case may be.

"(3) No suit, action, or other proceeding, and no cause of action, by or against the Office of Economic Opportunity, or any action by any officer thereof acting in his official capacity, shall abate by reason of the enactment of the Headstart, Economic Opportunity, and Community Partnership Act of 1974.

"(4) Persons appointed by the President, by and with the advice and consent of the Senate, to positions in the Office of Economic Opportunity, requiring appointment by and with such advice and consent, may, if the President so desires, continue to serve in comparable positions in the Administration; but the President may submit to the Senate nominations for appointment to any or all positions in the Administration, requiring the advice and consent of the Senate.

reorganiza-
tion plan,
submission to
Congress.

"(e) (1) After March 15, 1975, the President may submit to the Congress a reorganization plan which, subject to the provisions of paragraph (2) of this subsection, shall take effect if such reorganization plan is not disapproved by enactment of a joint resolution which shall be considered in Congress in accordance with the provisions of paragraph (3) of this subsection and the procedures established with respect to reorganization plans by chapter 9 of title 5, United States Code, except to the extent otherwise provided in this Act.

USC 901.

"(2) A reorganization plan submitted in accordance with the provisions of paragraph (1) shall provide—

"(A) for establishing in the Department of Health, Education, and Welfare a Community Services Administration—

"(i) which shall be headed by a Director,

"(ii) which shall be the principal agency, and the Director of which shall be the principal officer, for carrying out titles I, II, III-B, VI, and IX of this Act, and which, with respect to such provisions, shall be the successor authority to the Community Services Administration established by subsection (a) of this section,

"(iii) the Director of which shall be, in the performance of his functions, directly responsible to the Secretary, and

"(iv) in which no policymaking functions, including the final approval of grants or contracts, of the Director shall be delegated to any regional office or official.

"(B) for establishing in the Department of Commerce a Community Economic Development Administration—

"(i) which shall be headed by a Director,

"(ii) which shall be the principal agency, and the Director of which shall be the principal officer, for carrying out title VII of this Act, and which, with respect to such provisions, shall be the successor authority to the Community Services Administration established by subsection (a) of this section,

"(iii) the Director of which shall be, in the performance of his functions, directly responsible to the Secretary, and

"(iv) in which no policymaking functions, including the final approval of grants or contracts, of the Director shall be delegated to any regional office or official.

"(3) For the purpose of this subsection and chapter 9, title 5, United States Code, to the extent incorporated by this subsection, the following provisions apply:

"(A) The term 'resolution' means a joint resolution the matter after the resolving clause of which is: 'That the Congress of the United States disapproves the Community Services Administration Reorganization Plan transmitted to the Congress by the President on _____, 19____.' The blank spaces therein are to be appropriately filled.

"(B) If, prior to the passage by one House of the joint resolution of that House with respect to the reorganization plan, such House receives from the other House a joint resolution with respect to the same plan, then the following procedure applies:

"(i) If no resolution of the first House with respect to such plan has been referred to committee, no other resolution with respect to the same plan may be reported or (despite the provisions of section 912(a) of title 5, United States Code) be made the subject of a motion to discharge.

"(ii) If a resolution of the first House with respect to such plan has been referred to committee—

"(I) the procedure with respect to that or other resolutions of such House with respect to such plan which have been referred to committee shall be the same as if no resolution from the other House with respect to such plan had been received; but

"(II) on any vote on final passage of a resolution of the first House with respect to such plan the resolution from the other House with respect to such plan shall be automatically substituted for the resolution of the first House."

Ante, p. 2292.
42 USC 2861,
2941.
Post, p. 2328.

Post, p. 2315.

5 USC 901.

"Resolution."

“(4) The transfers authorized under subparagraphs (A) and (B) of paragraph (3) of this subsection shall be effective 30 days after the last date on which such reorganization plan could be disapproved under this subsection.

“(f) In the event that the reorganization plan pursuant to subsection (e) takes effect, the Director of the Community Services Administration and the Director of the Community Economic Development Administration shall each be appointed by the President, by and with the advice and consent of the Senate, except that the person serving as Director of the independent Community Services Administration pursuant to the advice and consent of the Senate may, if the President notifies the Congress accordingly, continue to serve as Director of the Community Services Administration within the Department of Health, Education, and Welfare; but the President may in such event submit to the Senate a nomination for such position.

“(g) In the event that the reorganization plan pursuant to subsection (e) of this section takes effect, on the effective date thereof the property, records, and unexpended balances of appropriations, allocations, and other funds employed, used, held, available, or to be made available in connection with the functions of the Director of the independent Community Services Administration, established by subsection (a) of this section, shall be transferred to the Director of the Community Services Administration, within the Department of Health, Education, and Welfare and to the Director of the Economic Development Administration within the Department of Commerce, as appropriate. All grants, applications for grants, contracts, and other agreements awarded or entered into by the Director of the independent Community Services Administration shall continue to be recognized so that there is no disruption of ongoing activities for which there is continuing authority.

“(h) (1) In the event that the reorganization plan pursuant to subsection (e) of this section takes effect, on the effective date thereof all Federal personnel employed by the independent Community Services Administration under the authorization and appropriations for the Economic Opportunity Act of 1964, transferred to the Community Services Administration within the Department of Health, Education, and Welfare or to the Community Economic Development Administration within the Department of Commerce shall, to the extent feasible, be assigned to related functions and organizational units in the appropriate Administration, without loss of salary, rank, or other benefits, including the right to representation and to the existing basic collective-bargaining agreement.

“(2) In the event that the reorganization plan pursuant to subsection (e) of this section takes effect, on the effective date thereof all official actions taken by the Director of the independent Community Services Administration, his designee, or any other person under the authority of the Economic Opportunity Act of 1964 which are in force on such date, and for which there is continuing authority under the provisions of this Act, shall continue in full force and effect until modified, superseded, or revoked by the Director of the Community Services Administration within the Department of Health, Education and Welfare or the Director of the Community Economic Development Administration within the Department of Commerce, as appropriate.

“(3) In the event that the reorganization plan submitted pursuant to subsection (e) of this section takes effect, on the effective date thereof all references to the independent Community Services Administration or to the Director of that Administration in any statute, reorganization plan, executive order, regulation, or other official docu-

ment or proceeding shall, on and after such date, be deemed to refer to the Community Services Administration within the Department of Health, Education and Welfare, or the Director of the Community Economic Development Administration, in the Department of Commerce as appropriate, or to the Director of either such Administration, as the case may be.

"(4) In the event that the reorganization plan submitted pursuant to subsection (e) of this section takes effect, on the effective date thereof no suit, action, or other proceeding, and no cause of action, by or against the independent Community Services Administration, or any action by any officer thereof acting in his official capacity, shall abate by reason of the taking effect of such plan."

(b) Section 28 of the Economic Opportunity Amendments of 1972 (86 Stat. 705, September 19, 1972) is repealed effective on the date on which a reorganization plan is effective under subsection (c) of this section.

Repeal.
42 USC 2942
note.

(c) The Economic Opportunity Act of 1964 is further amended by—

(1) striking out "Office of Economic Opportunity" and "Office" each time that they appear in section 602(d) and inserting in lieu thereof "Community Services Administration";

42 USC 2942.

(2) striking out "Office of Economic Opportunity" in section 603(c) and inserting in lieu thereof "Community Services Administration";

(3) striking out "in the Office" in section 605(a) and inserting in lieu thereof "in the Community Services Administration";

42 USC 2945.

(4) striking out "Office of Economic Opportunity" in section 632(2) and inserting in lieu thereof "Community Services Administration";

42 USC 2974.

(5) striking out "of the Office of Economic Opportunity" in section 637(b)(2), and inserting in lieu thereof "of the Community Services Administration"; and

42 USC 2979.

(6) repealing section 609 of such Act.

Repeal.
42 USC 2949.

(d) Section 625 of the Economic Opportunity Act of 1964 is amended to read as follows:

"CRITERIA FOR DETERMINING ELIGIBILITY

"SEC. 625. (a) Every agency administering programs authorized by this Act in which the poverty line is a criterion of eligibility shall revise the poverty line at annual intervals, or at any shorter interval it deems feasible and desirable.

42 USC 2971d.

"(b) The revision required by subsection (a) of this section shall be accomplished by multiplying the official poverty line (as defined by the Office of Management and Budget) by the percentage change in the Consumer Price Index during the annual or other interval immediately preceding the time at which the revision is made.

"(c) Revisions required by subsection (a) of this section shall be made and issued not more than thirty days after the date on which the necessary consumer price index data becomes available."

"(e) The Economic Opportunity Act of 1964 is further amended by inserting after section 625 the following new sections:

"CRIMINAL PROVISIONS

"SEC. 626. (a) Whoever, being an officer, director, agent, or employee of, or connected in any capacity with, any agency receiving financial assistance under this Act embezzles, willfully misapplies, steals, or obtains by fraud any of the moneys, funds, assets, or property which are the subject of a grant or contract of

42 USC 2972f.

assistance pursuant to this Act, shall be fined not more than \$10,000 or imprisoned for not more than two years, or both; but if the amount so embezzled, misapplied, stolen, or obtained by fraud does not exceed \$100, he shall be fined not more than \$1,000 or imprisoned not more than one year, or both.

“(b) Whoever, by threat of procuring dismissal of any person from employment or of refusal to employ or refusal to renew a contract of employment in connection with a grant or contract of assistance under this Act induces any person to give up any money or thing of any value to any person (including such grantee agency), shall be fined not more than \$1,000 or imprisoned not more than one year, or both.

“WITHHOLDING CERTAIN FEDERAL TAXES BY ANTIPOVERTY AGENCIES

2 USC 2971g.

5 USC 3101,
301.,
5 USC 3401.

“SEC. 627. Upon notice from the Secretary of the Treasury or his delegate that any person otherwise entitled to receive a payment made pursuant to a grant, contract, agreement, loan or other assistance made or entered into under this Act is delinquent in paying or depositing (1) the taxes imposed on such person under chapters 21 and 23 of the Internal Revenue Code of 1954, or (2) the taxes deducted and withheld by such person under chapters 21 and 24 of such Code, the Director shall suspend such portion of such payment due to such person, which, if possible, is sufficient to satisfy such delinquency, and shall not make or enter into any new grant, contract, agreement, loan or other assistance under this Act with such person until the Secretary of the Treasury or his delegate has notified him that such person is no longer delinquent in paying or depositing such tax or the Director determines that adequate provision has been made for such payment. In order to effectuate the purpose of this section on a reasonable basis the Secretary of the Treasury and the Director shall consult on a quarterly basis.”

federal register

WEDNESDAY, MAY 5, 1976



APPENDIX D.1

PART II:

**DEPARTMENT OF
HEALTH,
EDUCATION,
AND WELFARE**

Office of Human Development

■

HEAD START PROGRAM

**DEPARTMENT OF HEALTH,
EDUCATION, AND WELFARE**

Office of Human Development

[45 CFR Part 1301]

PROGRAM AND GRANTS ADMINISTRATION FOR HEAD START, TECHNICAL ASSISTANCE AND TRAINING, AND RESEARCH, DEMONSTRATION, AND PILOT PROJECTS

Notice of Proposed Rulemaking

Notice is hereby given that the Assistant Secretary for Human Development, with the approval of the Secretary of Health, Education, and Welfare, proposes to issue regulations for the administration of technical assistance and training, and research, demonstration, or pilot projects grants and contracts awarded under the Headstart-Follow Through Act, Title V of the Economic Opportunity Act of 1964 as amended by the Headstart, Economic Opportunity, and Community Partnership Act of 1974 (Pub. L. 93-644, approved January 4, 1975). For this purpose it is proposed to revoke 45 CFR Part 1301, Fee Schedule for Head Start Program, the implementation of which is specifically prohibited by the Headstart-Follow Through Act, and to substitute a new Part 1301 as revised by the regulations proposed herein.

A basic purpose of the proposed regulations is to make applicable to the administration of Head Start programs and to grants for technical assistance and training, and research, demonstration, or pilot projects, the provisions, with certain exceptions, of 45 CFR Part 74, which establishes uniform requirements for the administration of grants and principles for the determination of program costs. The exceptions with respect to Head Start relate to audit standards and to requirements for bonding and insurance, for which the proposed regulations make special provisions.

The proposed regulations also include provisions which are required by the Headstart-Follow Through Act covering application and eligibility for operating a Head Start program, personnel administration requirements for a Head Start program, limitations on the costs of developing and administering a Head Start program and objective criteria for increase of the Federal share of the cost of a Head Start program above 80 percent. In addition, the proposed regulations incorporate, by reference, specific chapters of the Department of Health, Education, and Welfare Grants Administration Manual.

As stated, an important basis for the proposed regulations is found in the requirements for regulatory implementation contained in the Headstart-Follow Through Act. An equally significant basis is the need of the Head Start program as a whole for a set of definitive program and grants administration rules which are clearly identified with the Department of Health, Education, and Welfare. With the new legislation, the proposed regulations will serve to fill gaps and to assist in clarifying the legal situation.

It is therefore proposed to revoke 45 CFR 1301, Fee Schedule for Head Start program, and to substitute a revised 45 CFR 1301 as set forth hereinafter.

In accordance with section 517(d), of the Act, copies of this notice are being sent to each Head Start agency. Interested persons are invited to submit written comments, suggestions, or objections regarding the proposed revision of Part 1301 to the Director, Office of Child Development, Department of Health, Education, and Welfare, 400 6th Street SW., Washington, D.C. 20201, on or before June 21, 1976. All written submissions made pursuant to this notice will be made available for public inspection in Room 2030 of the Office of Child Development at the above address on Monday through Friday of each week from 9 a.m. to 5:30 p.m. (area code 202/755-7790).

(Catalog of Federal Domestic Assistance Programs No. 13.600, Child Development—Head Start)

Dated: April 7, 1976.

STANLEY B. THOMAS, JR.,
Assistant Secretary for
Human Development.

Approved: April 23, 1976.

MARJORIE LYNCH,
Acting Secretary.

Chapter XIII of Subtitle B, Part 1301 is revised to read as follows:

PART 1301—PROGRAM AND GRANTS ADMINISTRATION FOR HEAD START, TECHNICAL ASSISTANCE AND TRAINING, AND RESEARCH, DEMONSTRATION, AND PILOT PROJECTS

Subpart A—General

- Sec.
1301.1-1 Purpose and Scope.
1301.1-2 Definitions.

Subpart B—Application for Designation (Initial Funding) or Refunding as Head Start Agency

- 1301.2-1 Who may apply: form and contents application.
1301.2-2 Application: review, disposition and notification.
1301.2-3 Application: amendment.
1301.2-4 Notice of grant awarded.
1301.2-5 Limitation on financial assistance.
1301.2-6 Project notification and review.

Subpart C—45 CFR Part 74 Applied to Head Start Programs

- 1301.3-1 General.
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1301.3-3 Annual audit of Head Start programs.
1301.3-4 Accounting system certification.

Subpart D—Non-Federal Share and Federal Payments

- 1301.4-1 Matching requirements.
1301.4-2 Criteria for increase in Federal share.
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Subpart E—Limitation on Costs of Development and Administration of Head Start Programs

- 1301.5-1 General.
1301.5-2 Definitions.
1301.5-3 Approved percentage of costs of development and administration to total costs.
1301.5-4 Identification of costs of development and administration: excessive costs and request for waiver.

- Sec.
1301.5-5 Amendment affecting approved percentage.
1301.5-6 Separate annual report.
1301.5-7 Appeals.

Subpart F—Personnel and General Administration

- 1301.6-1 General.
1301.6-2 Personnel policies and procedures.
1301.6-3 Comparability of wages.
1301.6-4 Allocation of costs.
1301.6-5 Use of consultants.
1301.6-6 Conflict of interest.
1301.6-7 Nepotism.
1301.6-8 Unlawful activities.
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1301.6-10 Labor standards.
1301.6-11 Delegation of program operations.
1301.6-12 Reports and records.
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1301.6-18 Nondiscrimination of handicapped.

Subpart G—Technical Assistance and Training, and Research, Demonstration, and Pilot Projects

- 1301.7-1 Applicability of 45 CFR Part 74.
1301.7-2 Eligibility.
1301.7-3 Applicability of regulations in this part.
1301.7-4 Cost sharing in research.
1301.7-5 Contracts.
1301.7-6 Appeals.
1301.7-7 Protection of human subjects.
1301.7-8 Nondiscrimination.

AUTHORITY: 88 Stat. 2300, et seq. (42 U.S.C. 2928h et seq.).

Subpart A—General

§ 1301.1-1 Purpose and scope.

The purpose and scope of this Part are to provide policies and procedures applicable to program administration and grants management for all Head Start programs.

§ 1301.1-2 Definitions.

For the purposes of this Part, unless the context requires otherwise:

(a) The term "Act" means Title V of the Economic Opportunity Act of 1964, as amended by the Headstart, Economic Opportunity, and Community Partnership Act of 1974.

(b) "Approved costs" means the total amount of expenditures, the Federal share plus the non-Federal share, budgeted for carrying out the program and activities provided for in an approved application for a Head Start program.

(c) "Budget period" means the interval of time, usually twelve months, for which grants are awarded.

(d) "Community" means a city, county, multicounty, or multicounty unit within a State, an Indian reservation, or a neighborhood or other area (irrespective of boundaries or political subdivisions) which provides a suitable organization base and possesses the commonality of interest needed to operate a Head Start program.

(e) "Financial assistance" means Federal funds awarded by grant.

(f) "Grants Administration Manual" (hereinafter referred to as the "GAM") means the Department of Health, Edu-

cation, and Welfare Staff Manual which sets forth policies and procedures for the administration of grants by agencies of the Department. The Manual is available to the public by purchase on a subscription basis from the Superintendent of Documents, U.S. Government Printing Office. In addition, it is available for public inspection and copying in the Department's central and regional offices pursuant to 45 CFR Part 5.

(g) "Head Start Agency" or "grantee" means a local public or private nonprofit agency designated as such under the Act.

(h) The term "delegate agency" means a public or private nonprofit organization or agency to which a grantee has delegated the carrying on of all or part of its Head Start program in accordance with the provisions of Subpart 1301.6-11.

(i) "Head Start Program" means the program assisted under the Act carried on by a Head Start agency or delegate of such agency.

(j) "An independent auditor" means an individual accountant or accounting firm, agency, association, corporation or partnership, sufficiently independent of the subject of the audit to render objective and unbiased opinions, conclusions and judgments. In general, this definition is satisfied by a certified public accountant, certified or licensed under the law of the place of practice. It may also be satisfied, where the subject of the audit is a public agency, by the official auditor or official agency which generally conducts the agency's audits.

(k) "Major disaster" means any hurricane, tornado, storm, flood, high water, wind-driven water, tidal wave, earthquake, drought, fire, accident or other catastrophe which is of such severity and magnitude as to directly affect the capability of the Head Start agency or agencies providing Head Start programs to the damaged community to continue the programs unless the Federal share of the approved costs is increased above 80 percent.

(l) "Responsible HEW official" means the official of the Department of Health, Education, and Welfare having authority to make the grant in question.

(m) "Secretary" means the Secretary of the Department of Health, Education, and Welfare.

Subpart B—Application for Designation (Initial Funding) or Refunding as Head Start Agency

§ 1301.2-1 Who may apply: form and content of application.

Any local public or private nonprofit agency may apply for designation (initial funding) as a Head Start agency, or for refunding of an ongoing program, to the responsible HEW official. The application shall be in writing in such form and in accordance with such instructions as will be furnished by the responsible HEW official. The application shall contain a proposed detailed budget and information required for an "approvable application" in accordance with § 1302.1-2(e) of this Chapter, for "selection among applicants," in accordance with § 1302.2-1, and in accordance

with § 1302.2-2, if applicable. In addition, the application shall show that the applicant has the power and authority to carry out a Head Start program and to perform the functions set forth in § 515 of the Act, including the provisions made for meeting the requirements of § 515(b). If the applicant alleges that it is a nonprofit agency, the application shall contain proof of its status consistent with the provisions of GAM Chapter 1-00, Eligibility for Grants. An application for refunding may incorporate by reference unchanged relevant information and material contained in an earlier approved application. In addition, the application shall include a written assurance that the services provided under the program will be in addition to, and not in substitution for, comparable services previously provided without Federal assistance. It shall also contain the provision required by Section 1301.6-19.

§ 1301.2-2 Application: review, disposition, and notification.

The responsible HEW official will review the application. He may (a) approve it in whole or in part and subject to such conditions as may be necessary to carry out the program in accordance with the Act, the regulations, and applicable policies; (b) disapprove it; or (c) defer action on it pending submission of additional information. An application may be denied because of the unavailability of Federal funds under the Act. The decision of the responsible HEW official on an application will be in writing transmitted to the applicant within a reasonable time after receiving the application. A decision of approval involving funding, which decision will be in accordance with applicable provisions of Part 1302, Subpart B, of this Chapter will be transmitted as a "Notice of Grant Awarded."

§ 1301.2-3 Application: amendment.

An application which has been approved by the responsible HEW official shall be carried out in accordance with its terms and conditions. It may be amended only upon the approval in writing of the responsible HEW official. Application for amendment of an approved application shall be submitted in writing in such form and in accordance with such instruction as will be furnished by the responsible HEW official, who will review and act upon it as if it were an original application.

§ 1301.2-4 Notice of grant awarded.

The "Notice of Grant Awarded" shall state the amount of the grant, the applicable budget period covered by the grant, and a general statement of the purpose of the grant. It also will specify the project period for which Federal support may be contemplated beyond the initial budget period, which is always conditioned on satisfactory performance and availability of Federal funds. Separate applications must be made with respect to each budget period subsequent to the initial budget period for which

Federal financial assistance for carrying on the program is desired.

§ 1301.2-5 Limitation on financial assistance.

The amount of a grant to a Head Start agency for a budget period shall be set forth in the "Notice of Grant Awarded." Financial assistance under the Act for the budget period will not exceed the amount set forth in the "Notice of Grant Awarded." If an amendment to an approved application is approved which requires additional financial assistance a supplemental "Notice of Grant Awarded" will be issued to the Head Start agency by the responsible HEW official. It will show the amount of the supplemental award, the total of all previous awards for the same budget period, and the new total of award for the budget period. The latter will be the new maximum of financial assistance for the budget period. Also, financial assistance is available only for those obligations which are incurred during the budget period for which it was awarded.

§ 1301.2-6 Project notification and review.

The provisions of GAM Chapter 1-140, Project Notification and Review System, shall apply to all applicants for designation (initial funding) or refunding as Head Start agencies.

Subpart C—45 CFR Part 74 Applied to Head Start Programs

§ 1301.3-1 General.

Part 74 of this Title which establishes uniform requirements for the administration of grants and principles for determining costs shall apply to all grants to Head Start agencies under the Act; except that § 74.15 shall not apply to private nonprofit agencies which, with respect to bonding and insurance, shall be governed by the regulations in this Subpart; and except that § 74.61(h) shall not apply to local public or private nonprofit Head Start agencies, which, with respect to standards for audits, shall be governed by the regulations in this Subpart.

§ 1301.3-2 Insurance and bonding.

(a) Private nonprofit Head Start agencies and their delegate agencies shall have adequate coverage of student accident insurance, liability insurance for accidents on the agencies' premises, and transportation liability insurance.

(b) Student accident insurance shall cover medical costs and death benefits for accidents during program hours and periods immediately preceding and following program hours. It shall also cover official activities, such as field trips away from agency premises and at times other than program hours.

(c) Liability insurance shall cover the staff and the agency for liability for accidents to children, staff, volunteers, parents and visitors on the agency's premises.

(d) There shall be adequate transportation liability insurance covering the agency, owners, and drivers of all vehicles utilized for the provision of trans-

portation services in the Head Start program. When the agency provides the vehicle or vehicles the cost of transportation liability insurance, including collision, is an allowable item of program costs. When the vehicles are publicly owned, or, if they are privately owned only the amount of the costs of transportation liability insurance attributable to use of the vehicles in the Head Start program is an allowable item of program costs.

(e) Private nonprofit Head Start and delegate agencies shall make arrangements for bonding of officials and employees who are authorized to sign or counter-sign checks or disburse cash in amounts considered sufficient to provide reasonable protection against the risks involved.

§ 1301.3-3 Annual audit of Head Start programs.

(a) An annual audit of the Head Start program covering the prior budget period of each Head Start agency and its delegate agencies, if any, shall be made by an independent auditor to determine (1) whether the agency's financial statements fairly present the financial transactions and financial position related to the agency's Head Start program; (2) whether the agency is complying with the terms and conditions of the grant, including the applicable laws, regulations and directives; and, (3) whether appropriate financial and administrative procedures and controls have been installed and are operating effectively. Head Start agencies shall include delegate agency audits as a part of their own audits or shall provide for separate independent audits of their delegate agencies. Audits and reports of audits shall conform with the "Audit Guide, Head Start and Other OCD Programs," or such other Guide as may be prescribed by the Secretary.

(b) Upon a request in writing showing necessity, the responsible HEW official may approve in writing a period to be covered by the annual audit other than the prior budget period.

(c) The annual audit shall commence after the close of the budget or other period approved in writing by the responsible HEW official, in time for the audit to be completed and the audit report submitted to the Head Start agency within four months after the close of the budget or other period. The Head Start agency shall transmit seven (7) copies of the annual audit report, and where appropriate, seven (7) copies of each separate independent delegate agency annual audit report, to the appropriate Regional Audit Director, and two (2) copies of each such report to the responsible HEW official. Unless the responsible HEW official requests in writing additional audits, only the cost of the annual audit is an allowable item of program cost.

§ 1301.3-4 Accounting system certification.

(a) In reviewing an application for designation (initial funding) as a Head Start agency or for refunding, the responsible HEW official will determine the capacity of the applicant to maintain

fiscal integrity in the administration of the program, including the capacity to meet the standards in Part 74, Subpart H, of this Title, except § 74.61(h). If further information is needed, he may require the applicant to submit an accounting system certification prepared by an independent auditor which will certify as to whether the applicant, and delegate agencies, if any, have established an adequate accounting system or systems with appropriate internal controls for safeguarding assets, checking the accuracy and reliability of accounting data, promoting operating efficiency and encouraging compliance with prescribed management policies and any additional applicable fiscal responsibilities and accounting requirements.

(b) A Head Start agency shall not delegate any of its Head Start program to a prospective system certification is included as part of the application for delegate agency status, or there is included a written assurance that the certification will be forthcoming prior to the commencement of any program operations. In any event, if the delegation agreement is made, the delegate agency shall not be entitled to operate thereunder and the Head Start agency shall not make any funds available thereunder to the delegate agency prior to the submission and receipt of the affirmative accounting system certification.

Subpart D—Non-Federal Share and Federal Payments

§ 1301.4-1 Matching requirements.

Financial assistance granted under the Act for a Head Start program (the Federal share) shall not exceed 80 percent of the approved costs of the assisted program or activities unless an amount in excess of such percentage is approved in accordance with the regulations in this Part. The non-Federal share, provided by the Head Start agency or third parties, which may consist of cash and in-kind contributions, shall not be required to exceed 20 percent of such approved costs, and shall not be derived, unless otherwise authorized by Federal legislation, in which or in part, from grants under the Act or any other Federal program, or from program income. Any in-kind contributions shall be fairly evaluated and may include, but are not limited to, plant, equipment, commodities, goods, and services directly benefiting and specifically identifiable to the Head Start program or activities.

§ 1301.4-2 Criteria for increase in Federal share.

(a) A Head Start agency carrying on a program in a county having a per capita personal income of less than \$3,000 per year, based on 1973 per capita personal income as published by the Department of Commerce in the April, 1975 edition of "Survey of Current Business"; or on any more recent reliable annual per capita personal income data; or in a county which has been involved in a major disaster; or a Head Start agency in a community that has been designated as such Head Start agency by the Secre-

tary, which community is recognized under Federal law as undergoing a major financial crisis; or a Head Start agency to which such a community has been making substantial contribution to the non-Federal share, may apply in writing to the responsible HEW official to have the Federal share increased above 80 percent. The \$3,000 per capita personal income dollar limitation shall be regularly revised, by publication of amendments to this rule, to take into account increases in the cost of living. At the time of these revisions, the appropriate per capita personal income figures as published by the Department of Commerce shall be adopted.

(b) The application to have the Federal share increased above 80 percent shall state:

(1) The annual per capita personal income of the county and the basis on which it was determined; or, the belief that the county has been involved in a major disaster; or is undergoing a major financial crisis.

(2) That because of the level of the annual per capita personal income of the county, or the major disaster, or the major financial crisis, the Head Start agency is unable to meet the 20 percent non-Federal share;

(3) The amount of the non-Federal share the Head Start agency is able to provide, and

(4) That a reasonable effort to provide more non-Federal share has been unsuccessful.

(c) An application based upon county annual per capita personal income shall be submitted at the same time as the application for designation (initial funding) as a Head Start agency or refunding and shall be with respect to the same budget period as the application. Approval shall be only for such budget period.

(d) An application based upon the involvement of the county in a major disaster may be submitted within a reasonable time after the major disaster and shall be for the remainder of the current budget period and all or part of the subsequent budget period if any.

(e) An application based upon the county's undergoing a major financial crisis may be submitted within a reasonable period after Federal recognition of the crisis and shall be in effect for the duration of such recognition.

(f) As a condition to an application being considered by the responsible HEW official it shall have been concurred in, in writing, by the Head Start Policy Council, and, where appropriate, the Head Start Policy Committee.

(g) A Head Start agency which provides a portion of its Head Start program in each of two or more counties may apply for financial assistance in excess of 80 percent of the approved costs of that portion of the Head Start program serving a county or counties eligible therefore either by virtue of the level of its annual per capita personal income or its involvement in a major disaster or its undergoing a major financial crisis.

(h) The responsible HEW official, on the basis of the written application and any evidence in support of the application that he may require, will approve financial assistance in excess of 80 percent, and may approve such financial assistance up to 100 percent of the approved cost, if it is determined by such responsible HEW official in accordance with these regulations that the annual per capita personal income of the county is less than \$3,000, or that the county has been involved in a major disaster or is undergoing a major financial crisis, and that such increase is required because of the level of annual per capita personal income, or the major disaster, to enable the Head Start agency to carry on the program. Waiver of a non-Federal share for a county that is undergoing a natural disaster or a major financial crisis shall be determined by the responsible HEW official at the end of one year from the original approval of such a waiver. The responsible HEW official will determine at that time what percent of non-Federal share, up to 20 percent, will be restored.

(i) The decision of the responsible HEW official shall be in writing and shall include a statement of the facts and reasons upon which it is based. Copies of the decision shall be furnished to the applicant and the Director, Office of Child Development.

(j) A Head Start agency for which a Federal share in excess of 80 percent was approved for budget periods falling within Fiscal Years 1973 or 1974 shall be entitled to at least the same percentage of Federal share for each subsequent budget period with respect to which it submits a written request for an increase in the Federal share. This written request shall indicate the Fiscal Year, 1973 or 1974, used to establish the requested level of Federal share.

§ 1301.4-3 Payments.

Payment of grants awarded under the Act to Head Start agencies will be made in installments, in advance or by way of reimbursement, either by check or letter of credit.

Subpart E—Limitation on Costs of Development and Administration of Head Start Programs

§ 1301.5-1 General.

The responsible HEW official will take appropriate action, including reduction of grant, suspension, termination, or denial of refunding to any Head Start agency in any case where the responsible HEW official determines on the basis of an application or a separate annual report or otherwise, that the costs of developing and administering the Head Start program will exceed or are exceeding the approved percentage of the total costs of the program.

§ 1301.5-2 Definitions.

(a) For purposes of this Subpart, "Development and administrative costs" are all costs included in an approved Head Start budget for a budget period which

are not directly related to program functions. These development and administrative costs include, but are not limited to, the costs of overall planning, coordination, and general program direction; related to accounting and auditing; purchasing; the personnel function and payroll; the costs of bonding and insurance; and the allocated costs of occupying, operating, and maintaining the space utilized for these purposes. In determining the cost of utilities attributable to development and administration, 10 percent of the total cost of utilities, or such other percentage as may be shown to reflect the actual costs more accurately, may be used.

(b) For purposes of this Subpart, "total costs" of a Head Start program are the total of the funds disbursed, and the unpaid obligations incurred, taking into account only the total of grants covered by "Notice of Grant Awarded" and the non-Federal share, including the cash value of in-kind contributions, and which are included in an approved budget for a budget period.

(c) For the purposes of this Subpart, the "program functions" of a Head Start program in addition to the services and parent involvement components set forth and described in Part 1304 of this Chapter, include, but are not limited to, such activities as the training and career development of staff whose functions relate directly and solely to carrying out such components, the recruitment and orientation of volunteers, and the transportation of participants. If the Head Start Director, or any assistant Head Start Director, or any other administrative personnel, is employed part time in that position, and is employed partly in a position which relates directly to a program function, the costs shall be allocated proportionately between the two positions.

§ 1301.5-3 Approved percentage of costs of development and administration to total costs.

The approved percentage of the costs of development and administration of a Head Start program to the total costs of the program is the percentage approved by the responsible HEW official. It shall not exceed 15 percent of the total costs unless the 15 percent limitation has been waived in accordance with § 1301.5-4, and it may be less than 15 percent, either as fixed in the approved application by the applicant or as required by the responsible HEW official in accordance with § 1301.5-4.

§ 1301.5-4 Identification of costs of development and administration: excessive cost and request for a waiver.

An application for a grant to operate a Head Start program, either for designation (initial funding) as a Head Start agency or for refunding, shall identify and itemize the costs budgeted for developing and administering the program for the budget period using the forms prescribed by the Secretary. If it is determined that the costs budgeted for de-

velopment and administration exceed 15 percent of the total costs budgeted for the program, the application will be denied unless it is amended, in order to make it approvable in this respect, to the satisfaction of the responsible HEW official by eliminating the excessive administrative costs. If, however, upon request in writing of the applicant, or on his own motion, the responsible HEW official determines that it is necessary in order to carry out the purposes of the Act to waive the 15 percent limitation, it may be waived for specific periods of time not to exceed six months. In the case of an application for refunding, if the costs budgeted for development and administration do not exceed 15 percent, they may nevertheless be determined to be excessive, and the applicant required, in order to make the application approvable in this respect, to amend the budget to the satisfaction of the responsible HEW official by eliminating the excessive administrative costs, including by making provision for sharing a common Head Start Director and other administrative personnel with another Head Start agency or agencies. To derive the percentage of the costs of development and administration to the total costs the former is divided by the latter:

$$\frac{\text{Costs of development and administration}}{\text{Total Costs}} = \text{percentage}$$

§ 1301.5-5 Amendment affecting approved percentage.

An application for an amendment to an approved application shall be in writing and shall include a statement of the impact that the amendment would have on the percentage of the costs of development and administration to the total costs of the program. If the amendment would result in the costs of development and administration exceeding 15 percent of the total costs of the program, the request should state why the amendment is necessary for carrying out the purposes of the program and request a waiver of the 15 percent limitation for a period not in excess of six months. The decision of the responsible HEW official on the request for approval of the amendment will be in writing and will contain a statement of the reasons on which it is based. It will be issued within 30 days of receiving the request for approval.

§ 1301.5-6 Separate annual report.

(a) Each Head Start agency shall make a separate annual report of expenditures made for the development and administration of its Head Start program during the previous budget period. The report shall be on such forms and contain such information, from which the percentage of the costs of development and administration to the total costs of the program may be determined, as prescribed by the Secretary. It shall be submitted to the responsible HEW official within 90 days from the end of the budget period.

(b) In any case in which the information in the separate report indicates that the percentage of the costs of development and administration to the total costs exceeded the approval percentage, the responsible HEW official will determine, on the bases of the separate report, the approved application for the current budget period, and any other information found to be necessary, whether the current rate of expenditures for development and administration exceeds the approved percentage for the current budget period. If it is determined that the current rate of expenditures for development and administration is excessive, the Head Start agency shall correct it to the satisfaction of the responsible HEW official, or financial assistance, in the absence of a waiver under the Act and the regulations in this Subpart, shall be discontinued.

§ 1301.5-7 Appeals.

All cases under this Subpart in which the discontinuance of financial assistance, whether during a budget period or as the denial of an application for refunding are subject to the appeals regulations in Part 1303 of this Chapter establishing procedures for appeal.

Subpart F—Personnel and General Administration

§ 1301.6-1 General.

(a) Head Start agencies shall observe standards of organization, management, and administration which will assure, so far as reasonably possible, that all program activities are conducted in a manner consistent with the purposes of the Act and the objective of providing assistance effectively, efficiently, and free of any taint of partisan political bias or personal or family favoritism. Each Head Start agency shall establish or adopt rules to carry out this Section which shall include rules to assure full staff accountability in matters governed by law, regulations, or agency policy.

(b) Each Head Start agency shall provide for reasonable public access to information, including, but not limited to, public hearings at the request of appropriate community groups and reasonable public access to books and records of the agency or other agencies engaged in program activities or operations involving the use of authority or funds for which it is responsible.

§ 1301.6-2 Personnel policies and procedures.

Head Start agencies shall adopt personnel policies and procedures for themselves and delegate agencies covering: Staff qualifications, recruitment and selection; classification of positions, salary ranges and increases, and the basis of determination thereof; employee benefits, including leave, holidays, overtime, and fringe benefits; expenses incidental to official duties including travel and per diem; staff training, career development, and performance evaluation; employee-management relations, including employee grievance procedures in the event of termination of employment and other adverse personnel actions; and

employee conduct, including outside employment, and acceptance of gifts and gratuities. The policies and procedures shall be in writing and subject to approval by the Head Start Policy Council or Committee in accordance with the provisions of Appendix B, Part 1304 of this Chapter. Such policies and procedures shall be issued to, or made available to, all Head Start and delegate agency employees.

§ 1301.6-3 Comparability of wages.

The basis of determination for salary ranges and increases required by § 1301.6-2 shall be the average rate of compensation paid in the area where the program is carried out to a substantial number of persons providing substantially comparable services, or the average rate of compensation paid to a substantial number of persons providing substantially comparable services in the area of the employee's immediately preceding employment, whichever is higher. Documentation shall be available in Head Start and delegate agency files to establish the method of wage comparability determination. Also, employees may not receive less than the minimum wage rate prescribed in section 6(a)(1) of the Fair Labor Standards Act of 1938, as amended.

§ 1301.6-4 Allocation of costs.

The costs of personnel, services, or facilities shared with other programs or activities by the Head Start agency or by any delegate agency shall be prorated on an equitable basis between the Head Start program and the other programs or activities. Such equitable division of costs may be made on the basis of personnel time, square footage or other measurement which accurately reflects the share assignable to each sharing program or activity.

§ 1301.6-5 Use of consultants.

The provisions of GAM Chapter 1-45, Use of Consultants, shall apply to all grants awarded to Head Start agencies under the Act.

§ 1301.6-6 Conflict of interest.

The personnel policies shall contain provisions designed to assure that officers and employees shall not use their positions for a purpose that is, or gives the appearance of being, motivated by a desire for private gain for themselves or others, particularly those with whom they have family, business or other ties.

§ 1301.6-7 Nepotism.

(a) The personnel policies shall prohibit the hiring of any individual if a member of that individual's immediate family is employed in an administrative capacity or is a member of the governing board. For the purposes of this Section, the term "immediate family" means wife, husband, son, daughter, mother, father, brother, sister, or relative by marriage of comparable degree; the term "administrative capacity" means a position having responsibilities relating to the selection, hiring, or supervising of employees.

(b) The responsible HEW official may waive the requirement of paragraph (a) when a Head Start or delegate agency cannot adequately staff the positions without hiring such an individual. Such an agency shall demonstrate to the satisfaction of the responsible HEW official that no other individual within its service area is qualified and available for employment.

§ 1301.6-8 Unlawful activities.

No employee shall, in the performance of duties as an employee of a Head Start or delegate agency, plan, initiate, participate in or otherwise assist in any form of picketing, protest, or other direct action such as unlawful demonstration, rioting, or civil disturbance, which is in violation of law.

§ 1301.6-9 Political activities.

Head Start programs shall not be conducted in a manner involving the use of program funds, the provision of services, or the employment or assignment of personnel, in a manner supporting or resulting in the identification of such program with (a) any partisan or nonpartisan political activity or any other political activity associated with a candidate, or contending faction or group, in an election for public or party office; (b) any activity to provide voters or prospective voters with transportation to the polls or similar assistance in connection with any such election; or (c) any voter registration activity.

§ 1301.6-10 Labor standards.

All laborers and mechanics employed by contractors or subcontractors in the construction, alteration or repair, including painting and decorating of projects, buildings, and works which are Federally assisted under the Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended.

§ 1301.6-11 Delegation of program operations.

A delegation of program operations by a Head Start agency to a delegate agency shall have prior approval by the responsible HEW official. Such delegation shall be evidenced by a written agreement between the Head Start agency and the delegate agency which shall be available for review from the files of the agency. The agreement shall be in such form and contain such terms and conditions as shall be prescribed by the responsible HEW official.

§ 1301.6-12 Reports and records.

Each Head Start agency shall submit reports in such form and containing such information as prescribed by the Secretary, and shall keep such records and afford such access thereto as determined to be necessary to assure the correctness and verification of such reports.

§ 1301.6-13 Procurements.

Head Start agencies are encouraged to become aware of, solicit, and make use

of small business enterprises and minority business in the acquisition of services and products in accordance with the provision of GAM Chapter 1-46, Use of Small Business and Minority-Owned Businesses by HEW Grantees.

§ 1301.6-14 Property.

(a) All studies, proposals, and data produced or developed with financial assistance under the Act shall become the property of the United States.

(b) The provisions of Part 6, Inventions and Patents (General), of this Title shall apply to all Head Start programs.

§ 1301.6-15 Costs of facilities.

The following Chapters of the GAM shall apply to all Head Start programs.

(a) Chapter 6-10, Charges for Leased Facilities and Equipment;

(b) Chapter 6-60, Charges for Facilities Purchased or Constructed by State and Local Governments; and

(c) Chapter 1-44, Alteration and Renovation of Facilities with DHEW Grant Funds Appropriated for Other Than Construction, except that the costs of alteration or renovation of existing structures shall be approved in advance by the responsible HEW official and shall not exceed five percent of total approved costs of the program for the budget period.

§ 1301.6-16 Appeals.

(a) Head Start agencies may appeal adverse decisions by the responsible HEW official in the following areas in accordance with Part 16, Department Grants Appeals Process, of this Title:

(1) A determination that an expenditure not allowable under the grant has been charged to the grant, or that the Head Start agency has otherwise failed to discharge its obligation for grant funds; and

(2) A disapproval of a Head Start agency's written request for permission to incur an expenditure during the term of the grant.

(b) A Head Start agency which has received notice of intention to deny refunding, or to suspend or terminate the program, may appeal such decision under Part 1303 of this Title.

§ 1301.6-17 Civil Rights.

Attention is called to the requirements of Title VI of the Civil Rights Act of 1964 (78 Stat. 252; 42 U.S.C. 2000d et seq.) and in particular Section 601 of such Act, which provides that no person in the United States shall, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance. Regulations implementing Title VI, which apply to grants and contracts made under this Part, have been issued by the Secretary of Health, Education, and Welfare with the approval of the President (45 CFR Parts 80 and 81).

§ 1301.6-18 Non-discrimination of handicapped.

Attention is called to section 504 of the Rehabilitation Act of 1973 (29 U.S.C.

794) under which no otherwise qualified handicapped individual in the United States shall, solely by reason of his handicap, be excluded from participation in, be denied the benefits of, or be subjected to, discrimination under any program or activity receiving Federal financial assistance.

§ 1301.6-19 Nondiscrimination.

(a) An application for designation (initial funding) as a Head Start agency or for refunding under the Act shall specifically provide that no person with responsibilities in the operation of the program covered by the application will discriminate with respect to any such program because of race, creed, color, national origin, sex, political affiliation or beliefs.

(b) No person in the United States shall on the ground of sex, be excluded from participation in, be denied the benefits of, be subjected to discrimination under, or be denied employment in connection with any program or activity receiving assistance under the Act.

Subpart G—Technical Assistance and Training, and Research Demonstration and Pilot Projects

§ 1301.7-1 Applicability of 45 CFR Part 74.

Part 74 of this Title which establishes uniform requirements for the administration of grants and principles for the determination of costs shall apply to all grants which may be made under § 521, Technical Assistance and Training, and § 522, Research, Demonstration and Pilot Projects, of the Act.

§ 1301.7-2 Eligibility.

The provision of GAM Chapter 1-00, Eligibility for Grants, shall be applicable to grants made under § 521 and § 522 of the Act.

§ 1301.7-3 Applicability of regulations in this Part.

(a) The following sections of the regulations in this Part which apply to Head Start programs shall apply also to grants under the Act and for technical assistance and for training:

- (1) § 1301.2-2 Application: review, disposition, and notification.
- (2) § 1301.2-3 Application: amendment.
- (3) § 1301.2-4 Notice of grant awarded.
- (4) § 1301.2-5 Limitation on financial assistance.
- (5) § 1301.4-3 Payments.
- (6) § 1301.6-5 Use of consultants.
- (7) § 1301.6-8 Unlawful activities.
- (8) § 1301.6-11 Delegation of program operations.
- (9) § 1301.6-12 Reports and records.
- (10) § 1301.6-13 Procurements.
- (11) § 1301.6-14 Property.
- (12) § 1301.6-17 Civil Rights.
- (13) § 1301.6-18 Nondiscrimination of handicapped.

(b) In addition to the sections listed in paragraph (a), the following sections of the regulations in this Part which apply to Head Start programs shall apply also to grants under the Act for research, demonstration, or pilot projects:

- (1) § 1301.6-10 Labor standards.
- (2) § 1301.6-15 Costs of facilities.

§ 1301.7-4 Cost sharing in research grants.

The provisions of GAM Chapter 2-140, Cost Sharing in Research Grants, shall be applicable to research grants under section 522 of the Act.

§ 1301.7-5 Contracts.

(a) The Secretary is authorized to make contracts with public or private agencies with respect to technical assistance and training under section 521 of the Act, with respect to research, demonstration, or pilot projects under section 522 of the Act. Any contract under these sections of the Act shall be entered into in accordance with, and shall conform to all applicable laws, regulations and Department policy.

(b) Payments under any contract under these sections of the Act may be made in installments and on such conditions as the Secretary may determine.

§ 1301.7-6 Appeals.

When a post-award dispute arises in the administration of a grant under section 521 or section 522 of the Act following certain determinations adverse to a grantee, the grantee may apply for a review of such determinations under the provisions of Part 16 of this Title.

§ 1301.7-7 Protection of human subjects.

Attention is called to the provisions of Part 46 of this Title, The Protection of Human Subjects, which apply to grants and contracts assisted under the Act supporting research, development, and related activities in which human subjects at risk, as defined at 45 CFR 46.3 (b), are involved.

§ 1301.7-8 Nondiscrimination.

(a) Applications for grants under section 521 and section 522, and contracts thereunder, shall specifically provide that no person with responsibilities in the operation of the programs, projects, or activities covered thereby will discriminate with respect to any such program, project, or activity because of race, creed, color, national origin, sex, political affiliation, or beliefs.

(b) No person in the United States shall on the grounds of sex, be excluded from participation in, be denied the benefits of, be subjected to discrimination under, or be denied employment in connection with any program or activity receiving assistance under the Act.

[FR Doc.76-12719 Filed 5-4-76;8:45 am]

[45 CFR Part 1302]

POLICIES AND PROCEDURES FOR SELECTION, INITIAL FUNDING, AND REFUNDING OF HEAD START GRANTEES, AND FOR SELECTION OF REPLACEMENT GRANTEES

Notice of Proposed Rule Making

Notice is hereby given that the Assistant Secretary for Human Development, with the approval of the Secretary of Health, Education, and Welfare, proposes to revise 45 CFR Chapter XIII, Part 1302. This revision is necessary to conform Part 1302 with the provisions of

Title V of the Economic Opportunity Act of 1964, as amended by the Headstart, Economic Opportunity, and Community Partnership Act of 1974, and to incorporate certain minor technical changes.

In addition to several changes in terminology required by Title V, and some of a technical nature, such as changing "OCD" to "HEW" and "selection" to "designation," which run throughout the proposed revision of Part 1302, the definitions of "community action agency" and "community action program" are deleted since they no longer appear in the text, and the definition of "Head Start agency" is added. The term "approvable application" is amended to include an application to refund on ongoing Head Start program.

Section 1302.1-5 is amended to take cognizance of the change in the statute requiring opportunity for a full and fair hearing in cases of denial of refunding and suspension for longer than thirty days.

In addition, § 1302.3-1 is revised to delete the priority as Head Start grantees previously given by the statute to community action agencies and to accord a priority as required by the statute to local or public nonprofit agencies which meet established program and fiscal requirements, and which received Head Start funding on January 4, 1975, the date of approval of the Headstart, Economic Opportunity, and Community Partnership Act of 1974.

Interested persons are invited to submit written comments, suggestions, or objections regarding the proposed revision of Part 1302 to the Director, Office of Child Development, Office of Human Development, Department of Health, Education, and Welfare, 400 6th Street, Southwest, Washington, D.C. 20201, on or before June 21, 1976. All written submissions made pursuant to this notice will be made available for public inspection in Room 2030 of the Office of Child Development at the above address on Monday through Friday of each week from 9 a.m. to 5:30 p.m. (area code 202/755-7790).

It is proposed to revise 45 CFR Part 1302 in the manner set forth below.

(Catalogue of Federal Domestic Assistance Programs No. 13.600, Child Development—Head Start)

Dated: April 7, 1976.

STANLEY B. THOMAS, JR.,
Assistant Secretary for
Human Development.

Approved: April 23, 1976.

MARJORIE LYNCH,
Acting Secretary.

Chapter XIII of 45 CFR Subtitle B, Part 1302 is revised to read as follows:

PART 1302—POLICIES AND PROCEDURES FOR DESIGNATION, INITIAL FUNDING, AND REFUNDING OF HEAD START AGENCIES, AND FOR DESIGNATION OF REPLACEMENT GRANTEEES

Subpart A—General

Sec.

- 1302.1-1 Purpose and scope.
1302.1-2 Definitions.

Sec.

- 1302.1-3 Consultation with public officials and consumers.
1302.1-4 Transfer of unexpended balances.
1302.1-5 Notice to show cause and hearing.

Subpart B—Bases for Selection of Head Start Agencies

- 1302.2-1 Selection among applicants.
1302.2-2 Selection among applicants to replace Head Start Agencies.
1302.2-3 Priority in designation of Head Start Agencies.

Subpart C—Change in Head Start Agency Requiring Amendment or Replacement of Head Start Program

- 1302.3-1 Head Start Agency to show both legal status and financial viability.
1302.3-2 Head Start Agency shows legal status but not financial viability.
1302.3-3 Suspension or termination of Head Start Agency which shows financial viability but not legal status.
1302.3-4 Suspension or termination of Head Start Agency which shows legal status but not financial viability.
1302.3-5 Denial of refunding of Head Start Agency.
1302.3-6 Control of funds of Head Start Agency scheduled for change.

AUTHORITY: 88 Stat. 2304 (42 U.S.C. 2928h).

Subpart A—General

§ 1302.1-1 Purpose and scope.

The purpose of this Part is to set forth policies and procedures for the designation, initial funding and refunding of Head Start agencies and for the designation of replacement grantees in the event of the voluntary or involuntary termination, or denial or refunding, of Head Start programs. It particularly provides for consideration of the need for designation of a replacement grantee where the continuing eligibility (legal status) and fiscal capability (financial viability) of a grantee to operate a Head Start program is cast in doubt by the cessation of other Federal funding or by the occurrence of some other major change. It is intended that Head Start programs be administered effectively and responsibly; that applicants to administer programs receive fair and equitable consideration; and that the legal rights of current Head Start agencies be fully protected.

§ 1302.1-2 Definitions.

As used in this Part—

(a) The term "Act" means Title V of the Economic Opportunity Act of 1964, as amended by the Headstart, Economic Opportunity, and Community Partnership Act of 1974.

(b) The term "Head Start agency" or "grantee" means a local public or private nonprofit agency designated as such under the Act.

(c) The term "Head Start program" means the program assisted under the Act carried on by a Head Start agency or delegate of such agency.

(d) The term "legal status" means the existence of an applicant or grantee as a public agency or organization under the law of the State in which it is located, or existence as a private nonprofit agency or organization as a legal entity recognized under the law of the State in which it is located with the power, au-

thority and capabilities required by section 514 and section 515 of the Act. Existence as a private nonprofit agency or organization may be established under applicable State or Federal law.

(e) The term "approvable application" means an application for a Head Start program, either as an initial application or as an application to amend an approved application covering an on-going Head Start program, or an application to refund an on-going Head Start program, which, in addition to showing that the applicant has legal status and financial viability, provides for comprehensive services for children and families and for effective and responsible administration which are in conformity with the Act and applicable regulations, the Head Start Manual and Head Start policies, with special reference to:

(1) Head Start Program Performance Standards—OCD Notice N-30-364-1 (TN-75.07); (45 CFR 1304)

(2) Program Options for Project Head Start—OCD Notice N-30-334-1 (TN-72.1); (45 CFR 1304, Appendix A)

(3) Employment of nonprofessionals—Head Start Manual, p. 16, para. b; and

(4) The Parents—Instruction I-30, Section B.2.

These issuances may be obtained from the responsible HEW official. (45 CFR 1304, Appendix B)

(f) "Budget period" means the interval of time, usually twelve months, for which funds are awarded.

(g) The term "financial viability" means the capability of an applicant or the continuing capability of a grantee to furnish the non-Federal share of the cost of operating an approvable or approved Head Start program.

(h) The term "OCD" means the Office of Child Development in the Office of Human Development in the Department of Health, Education, and Welfare, and includes regional staff.

(i) The term "responsible HEW official" means the official who is authorized to make the grant in question.

§ 1302.1-3 Consultation with public officials and consumers.

Responsible HEW officials will consult with Governors, or their representatives, appropriate local general purpose government officials, and Head Start Policy Council and other appropriate representatives of communities to be served on the proposed replacement of Head Start grantees.

§ 1302.1-4 Transfer of unexpended balances.

When replacing a grantee, unexpended balances of funds in the possession of such grantee in the fiscal year following the fiscal year for which the funds were appropriated may be transferred to the replacement grantee if the approved application of the replacement grantee provides for the continuation of the Head Start services without significant change to the same enrollees and their parents and undertakes to offer employment to the staff of the terminating grantee. A letter of concurrence in the change should be obtained from the terminating grantee whenever possible.

§ 1302.1-5 Notice to show cause and hearing.

Actions to be taken pursuant to this part to suspend, deny refunding of or terminate grants shall be subject to the provisions of section 519(2) and (3) of the Act and the regulations in Part 1303 of this Chapter, with respect to giving grantees reasonable notice and opportunity to show cause why the action should not be taken (in case of suspension) or opportunity for a full and fair hearing (in case of denial of refunding suspension for longer than thirty days, or termination).

Subpart B—Bases for Designation of Head Start Agencies

§ 1302.2-1 Selection among applicants.

The basis for making a selection among applicants for designation as a Head Start agency shall be the extent to which the application selected reasonably promises the most effective and responsible Head Start program of the approvable applications submitted in terms of (a) the cost-effectiveness of the program proposed to be provided; (b) the qualifications and experience of the applicant in planning, organizing, and providing comprehensive child development services at the community level; (c) the provisions made for direct participation of parents in the planning, conduct and administration of the program; (d) the opportunities provided for employment of target area residents and career development opportunities for paraprofessional and other staff; (e) the suitability of the facilities and equipment proposed to be utilized in carrying out the Head Start program; and (f) the administrative and fiscal capabilities of the applicant to administer all Head Start programs carried out in the community.

§ 1302.2-2 Selection among applicants to replace Head Start agency.

The bases for making a selection among applicants which submit approvable applications to replace a Head Start agency, in addition to the basis in § 1302.2-1 of this Part, shall be:

- (a) The extent to which provision is made for a continuation of services to the eligible children who have been participating as enrollees in the program;
- (b) The extent to which provision is made for continuation of services to the target area or areas served by the program; and
- (c) The extent to which provision is made for continued employment by the applicant of the qualified personnel of the existing program.

§ 1302.2-3 Priority in designation of Head Start agencies.

In the designation of Head Start agencies, applications submitted by any local public or private nonprofit agency which was receiving funds under any Head Start program on January 4, 1975, shall be given priority over other applications after it has been determined that the agency involved meets established program and fiscal requirements.

Subpart C—Change in Head Start Agency Requiring Amendments of Approved Application or Replacement of Head Start Program

§ 1302.3-1 Head Start agency to show both legal status and financial viability.

(a) Upon the occurrence of a change in the legal condition of a grantee or of a substantial diminution of the financial resources of a grantee, or both, for example, such as might result from cessation of other Federal grants, the grantee is required within 30 days after the effective date of the regulations in this Part or the date the grantee has notice or knowledge of the change, whichever is later, to show in writing to the satisfaction of the responsible HEW official that it has and will continue to have legal status and financial viability. Failure to make the showing may result in suspension, termination or denial of refunding.

(b) The responsible HEW official will notify the grantee in writing of the decision as to the grantee's legal status and financial viability within 30 days after receiving the grantee's written submittal.

(c) When it is consistent with proper and efficient administration, the responsible HEW official may extend a grantee's budget period to end on the date when a change in its legal condition or a substantial diminution of financial resources, or both, is scheduled to take place.

§ 1302.3-2 Head Start agency shows legal status but not financial viability.

(a) If a grantee shows legal status but impaired financial viability the responsible HEW official will entertain a timely request for amendment of the grantee's approved application which restores the grantee's financial viability either by a reduction in the program which produces minimum disruption to services and functions, or by an amendment which incorporates essential functions and services not previously funded as part of the total cost of the Head Start program, and, therefore, requires an increase in the amount of the Head Start grant but which will not result in a Federal share of the total cost of the Head Start program in excess of the percentage authorized by the Act or applicable regulations. In considering such a request which includes an increase in the Head Start grant the responsible HEW official will take into account the funds available to him for obligation and whether the proposed increase is consistent with that distribution of Head Start funds which:

- (1) Maximizes the number of children served within his area of responsibility, or in the case of experimental or demonstration programs, the experimental or demonstration benefits to be achieved, and
 - (2) Maintains approximately the same distribution of Head Start program funds to States as exist during the fiscal year in which his decision is made.
- (b) A request for amendment will be considered to be timely if it is included

with the written submittal required by § 1302.2-1(a) of this Part, submitted within 30 days after receiving the notice required by § 1302.3-1(b) of this Part, or submitted as a part of a timely application for refunding.

(c) The grantee will be notified in writing by the responsible HEW official within 30 days after submission of the requested amendment of the decision to approve or disapprove the requested amendment. If the requested amendment is disapproved the notice will contain a statement of the reasons for disapproval.

§ 1302.3-3 Suspension, denial of refunding, or termination of Head Start agency which shows financial viability but not legal status.

If a grantee fails to show that it will continue to have legal status after the date of change even though it may show financial viability, the grant shall be suspended or terminated or refunding shall be denied as of the date of change. If it appears reasonable to the responsible HEW official that the deficiency in legal status will be corrected within 30 days he may suspend the grant for a period not to exceed 30 days after the date of change or the date of submission of a timely request for amendment. If such correction has not been made within the 30 day period the grant shall be terminated.

§ 1302.3-4 Suspension or termination of Head Start agency which shows legal status but not financial viability.

(a) If the date of change of financial viability precedes or will precede the end of the grantee's budget period the grant will be suspended or terminated on that date, or, if a request for amendment has been submitted under § 1302.3-2 of this Part, upon written notice of disapproval of the requested amendment, whichever is later. If it appears reasonable to the responsible HEW official that the deficiency in financial viability will be corrected within 30 days he may suspend the grant for not to exceed 30 days after the date of change or notice of disapproval. If such correction has not been made within the 30 day period the grant will be terminated.

§ 1302.3-5 Denial of refunding of Head Start agency.

(a) If the date of change will coincide with or will come after the end of the budget period and the grantee has notice or knowledge of such change prior to the end of the budget period any action taken to approve the grantee's application for refunding for the following budget period shall be subject to rescission or ratification depending upon the decision of the responsible HEW official on the grantee's legal status and financial viability and on any requested amendment submitted by the grantee. If the requested amendment is disapproved the responsible HEW official may extend the budget period in accordance with § 1302.3-1(c) of this Part.

(b) If the date of change coincides with the end of the budget period and the grantee does not have notice or

knowledge of the change prior thereto and the grantee's application for refunding for the following budget period has been approved, such approval shall be subject to rescission or ratification depending upon the decision of the responsible HEW official on the grantee's legal status and financial viability and on any requested amendment submitted by the grantee. If the date of change will coincide with or will come after the end of the budget period and if the responsible HEW official has prior notice thereof from the grantee or other official source such as the United States Community Services Administration, action to approve any application for refunding submitted by the grantee shall be deferred pending decision by the responsible HEW official on the grantee's legal status and financial viability and any requested amendment submitted by the grantee.

(d) When the responsible HEW official determines to approve a requested amendment for refunding he will approve it for the full term of the proposed program period, if that period as approved is no longer than a budget period.

§ 1302.3-6 Control of funds of Head Start agency scheduled for change.

Responsible HEW officials will place strict controls on the release of grant funds to grantees which are scheduled for change by cessation of other Federal grants. Specifically, the following controls will be established:

(a) Funds will be released on a monthly basis regardless of the form of grant payment.

(b) Funds released each month will be limited to the amount required to cover actual disbursements during that period for activities authorized under the approved Head Start program.

(c) The amount of funds released must be approved each month by the responsible HEW official based on a careful review of the grantee's expenditure plan.

(d) Grantee expenditure plans may be amended as necessary and must be supported by quarterly financial reports.

[FR Doc 76-12720 Filed 5-4-76; 8:45 am]

[45 CFR Part 1305]

ELIGIBILITY REQUIREMENTS AND LIMITATIONS FOR ENROLLMENT IN HEAD START

Notice of Proposed Rule Making

Notice is hereby given that the Assistant Secretary for Human Development, with the approval of the Secretary of Health, Education, and Welfare, proposes to issue regulations prescribing age and family income eligibility requirements for enrollment and participation of children in Head Start programs, by adding Part 1305 to Chapter XIII, Subtitle B, Title 45, Code of Federal Regulations.

The purpose of these proposed regulations is to implement the requirement in section 518(a) of Title V of the Economic Opportunity Act of 1964, as amended, that the Secretary " * * * by regulation

prescribe eligibility for the participation of persons in Headstart programs * * * ". Under section 511 of Title V the Headstart program is described as one which focuses on children who have not reached the age of compulsory school attendance primarily from low-income families. Section 518(a) of Title V indicates acceptable criteria of low-income as that which is below the revised Office of Management and Budget official poverty line, and eligibility for public assistance. Also permitted is participation to a reasonable extent by children whose families' income is above the poverty line. Thus, the proposed regulations prescribe eligibility in terms of the ages of the participating children (between three years of age and the age of compulsory school attendance) and family income. The limit of 10 percent participation by children of non low-income families is retained. The eligibility criteria relating to handicapped children is included in the proposed regulations.

In addition, the proposed regulations, in accordance with section 518(b) of Title V, would prohibit the imposition of fees or charges by Head Start agencies. They would permit, however, the acceptance of voluntary payments.

Inquiries may be addressed and data, views, and arguments concerning the proposed regulations may be submitted to the Director, Office of Child Development, Department of Health, Education, and Welfare, 400 6th Street SW., Washington, D.C. 20201, on or before June 21, 1976. All written submissions made pursuant to this notice will be made available for public inspection in Room 2030 of the Office of Child Development at the above address Monday through Friday of each week from 9:00 a.m. to 5:30 p.m. (area code 202/755-7790).

(Catalog of Federal Domestic Assistance Programs No. 13.600 Child Development—Head Start)

Dated: April 7, 1976.

STANLEY B. THOMAS, JR.,
Assistant Secretary for
Human Development.

Approved: April 23, 1976.

MARJORIE LYNCH,
Acting Secretary.

Subtitle B of 45 CFR Chapter XIII, is amended by adding the following:

PART 1305—ELIGIBILITY REQUIREMENTS FOR ENROLLMENT IN HEAD START

- Sec.
- 1305.1 Purpose and scope.
 - 1305.2 Definitions.
 - 1305.3 Age eligibility of children.
 - 1305.4 Family income eligibility
 - 1305.5 Handicapped children.
 - 1305.6 Enrollment and re-enrollment.
 - 1305.7 Procedure for filling vacancies.
 - 1305.8 Income guidelines, the family income, and income verification.
 - 1305.9 Fees policy.

AUTHORITY: 88 Stat. 2304, (42 U.S.C. 2928h).

§ 1305.1 Purpose and scope.

This Part prescribes age and family income eligibility requirements for en-

rollment and participation of children in Head Start programs.

§ 1305.2 Definitions. For purposes of this Part:

(a) The term "Act" means Title V of the Economic Opportunity Act of 1964, as amended by the Headstart, Economic Opportunity, and Community Partnership Act of 1974.

(b) The term "Head Start agency" or "grantee" means a local public or private nonprofit agency designated as such under the Act.

(c) The term "Head Start program" means the program assisted under the Act carried on by a Head Start agency or delegate of such agency.

(d) The terms "income guideline" and "income guidelines" mean the official poverty line as defined by the Office of Management and Budget. The income guidelines show, by family size and levels of before tax annual income, which families are to be counted as "low-income" and "non low-income" for purposes of determining income eligibility for enrollment in Head Start.

(e) The term "low-income family" means a family whose total before tax annual income is equal to, or less than the income guideline for that size family.

(f) The term "non low-income family" means a family whose total before tax annual income is more than the income guideline for that size family.

(g) The term "handicapped children" means mentally retarded, hard of hearing, deaf, speech impaired, visually handicapped, seriously emotionally disturbed, crippled, or other impaired children who, by reason thereof require special education and related services.

(h) The term "enrollment year" means the period of time in which the program has classroom or other program activities for children enrolled in Head Start.

(i) The term "person standing in loco parentis" means a person who has voluntarily assumed parental responsibility for a child, including responsibility for the support of the child. It does not include a step parent who does not have legal responsibility for the support of a child and who has not voluntarily undertaken parental responsibility and responsibility for support.

§ 1305.3 Age eligibility of children.

The children, including handicapped children, who are eligible to enroll and to participate in Head Start programs are primarily those who are between three years of age and the age of compulsory school attendance.

§ 1305.4 Family income eligibility.

(a) At least 90 percent of the children, including handicapped children, who are enrolled in each Head Start program shall be from low-income families. When applications for admission to a Head Start program are received for more children from low-income families than the Head Start program can accommodate, the children from the lowest income families are to be given preference.

(b) Children from families which are Public Assistance recipients shall be eligible as children from low-income families even though, in any individual case, the family income exceeds the income guideline for that size family.

(c) No more than 10 percent of the children, including handicapped children, enrolled in each Head Start program shall be from non low-income families. These children shall be from the designated target area served by, and be children who would benefit from, the Head Start program. Non low-income children may be admitted to participate in accordance with criteria developed locally by each Head Start program.

§ 1305.5 Handicapped children.

(a) The Act, Section 513(d), requires that for fiscal year 1975 not less than 10 percent of the total number of enrollment opportunities in Head Start programs in the Nation and for fiscal 1976 and thereafter no less than 10 percent of the total number of enrollment opportunities in Head Start programs in each State shall be available for handicapped children. Those children shall be from the designated target area served by the Head Start program.

(b) Handicapped children are to be enrolled in Head Start programs if they are otherwise eligible to participate; that is, if they meet age eligibility under § 1305.3 of this Part, and are from families that meet the provisions of § 1305.4 (a), § 1305.4(c), and § 1305.7, of this Part.

(c) No child may be denied admission to a Head Start program solely on the basis of the nature or extent of a handicapping condition unless there is a clear indication that such a program experience might prove detrimental to the child.

§ 1305.6 Enrollment and re-enrollment.

(a) An initial application for enrollment of a child in a Head Start program may be made at any time during the program year. Eligibility for enrollment by the child in the Head Start program must be determined by the agency immediately preceding the enrollment of the child in the Head Start program.

(b) A child who has been found eligible and is participating in a Head Start program shall remain eligible throughout the enrollment year with respect to which such eligibility determination was made.

(c) For a child who has participated or is participating in a Head Start program, reapplication must be made and eligibility redetermined by the agency, prior to the commencement of a new enrollment year. Continued participation depends upon a finding of continued eligibility by the Head Start agency. The enrollment year for Head Start programs which have classroom activities for twelve months, full-day or part-day, commences in September. For Head Start programs which have classroom activities for less than twelve months the enrollment year usually commences in September, but, as for summer programs, may be at other times.

§ 1305.7 Procedure for filling vacancies.

At the time of the commencement of an enrollment year, the enrollment of a Head Start program shall not include more than 10 percent of children, including handicapped children, from non low-income families. If at any time during an enrollment year because of increases in family incomes, or reduced enrollment of children from low-income families, or otherwise, 10 percent or more of the children participating are from non low-income families, no more children from non low-income families shall be admitted during that enrollment year unless the enrollment of such children, because of increased enrollment of children from low-income families or otherwise, drops below 10 percent.

§ 1305.8 Income guidelines, the family income, and income verification.

(a) The income guidelines will be revised at least annually by multiplying the official poverty line (as defined by the Office of Management and Budget) by the percentage change in the Consumer Price Index during the annual or other interval immediately preceding the time at which the revision is made. The income guidelines, and revisions will be published separately as General Notices in the FEDERAL REGISTER and will be transmitted by the Office of Child Development directly to all Head Start agencies.

(b) The income guideline applicable to a family depends upon the size of the family and the family income, which are determined, respectively, as follows:

(1) The family shall consist of all persons living in the same household who are supported by the income of the parent or guardian of the child enrolling or participating in a Head Start program, or the income of a person standing in loco parentis to the child, and who are related to the parent, guardian, or person standing in loco parentis by blood, marriage, or adoption. If there is a guardian or person standing in loco parentis to the child enrolling or participating in a Head Start program, he shall be deemed a member of the family even though not related by blood, marriage or adoption to the guardian or person standing in loco parentis.

(2) Family income shall be defined as regular gross cash income of parents, guardians, or persons standing in loco parentis of the child enrolled in the Head Start program from any source before taxes, including windfall profits (such as insurance lump-sum benefits) and without regard to capital losses, but after deductions for business expenses of the self-employed. Nongross income such as home grown food or food stamp benefits shall be excluded. In computing the income of military personnel, all pay and allowances must be added to arrive at gross income. Tax-free cash income, such as veterans benefits, social security benefits, unemployment compensation, relocation payments, and public assistance benefits shall be added to compute gross income. Family income shall include the total gross cash income of the parents, guardians, or persons standing in loco parentis of the child enrolled in the Head Start program. If more than one parent,

guardian or person standing in loco parentis has income which contributes to the support of the household, all such income shall be taken into account in determining the family income. The total annual cash receipts which are taken into account shall be those for the twelve months immediately preceding the month in which application or reapplication for enrollment of a child in a Head Start program is made, or for the calendar year immediately preceding the calendar year in which such application or reapplication is made, whichever more accurately relates to the family's current needs.

(b) The family income shall be verified by a Head Start agency in determining the eligibility of a child to participate in the program. A written declaration of family income signed by a parent, guardian, or person standing in loco parentis, shall not be a sufficient basis for verification of family income. Documentation such as any one of the following: W-2 forms, pay stubs, pay envelopes, written statements from employers, and agency certifications showing current status as recipients of public assistance, shall be required. Income verification records for every participating child shall be maintained by such Head Start agency and shall be made available for inspection by officials of the Department of Health, Education, and Welfare.

(d) With respect to a child who is in foster care, family income shall consist of the amount paid to the foster family on behalf of the child by a public or private agency and the amount, if any, the foster family contributes from its own resources to the support of the child.

§ 1305.9 Fees policy.

(a) A Head Start agency shall not prescribe any fee schedule or otherwise provide for the charging of any fees for participation in the program. However, if a family of a child determined to be eligible for participation by a Head Start program volunteers to pay part or the full cost of the child's participation, the Head Start agency may accept the voluntary payment. Under no circumstances shall a Head Start agency solicit, encourage, or in any other way condition a child's enrollment or participation upon the payment of a fee.

(b) If voluntary payments are made to a Head Start agency the use and reporting of such funds shall be as follows:

(1) Funds derived from voluntary payments shall be retained by the Head Start agency and used to further tasks approved by the Office of Child Development regional office. These funds shall be expended during the program year in which they are received unless it is during the last quarter, in which case they may be carried over to the following program year. However, every effort shall be made to expand last quarter receipts during the last quarter.

(2) Any funds received from voluntary payments shall be reported on the quarterly financial reporting form and shall be subject to the same audit requirements as if received pursuant to Federal grant award.

[FR Doc.76-12722 Filed 5-4-76; 8:45 am]

**DEPARTMENT OF HEALTH,
EDUCATION, AND WELFARE**
Office of Human Development
**FAMILY INCOME GUIDELINES FOR USE IN
DETERMINING ELIGIBILITY FOR PAR-
TICIPATION OF CHILDREN IN HEAD
START PROGRAMS**

Current Revision

1. Purpose. Pursuant to the authority and requirements of Section 525 of the Headstart-Follow Through Act, the Assistant Secretary for Human Development, with the approval of the Secretary of Health, Education, and Welfare, hereby issues currently revised family income guidelines that shall be used as criteria of eligibility for participation in Head Start programs.

2. Scope. The income guidelines apply to all Head Start programs.

3. Background. The income guidelines are determined by multiplying the official poverty line as defined by the Office of Management and Budget by the percentage change in the Consumer Price Index during the selected interval immediately preceding the time at which the revision is made. The income guidelines show, by family size and levels of annual income, which families are to be counted as "low-income" and "non low-income" for purposes of determining income eligibility for enrollment of a child in a Head Start program. Families with annual incomes at or below the applicable income guideline are "low-income." Those above the applicable income guideline are "non low-income." The income guidelines will be revised and published annually or at appropriate shorter intervals. They are effective immediately under current policies for determining the eligibility of children for enrollment in Head Start

programs. In addition, these guidelines will be used in conjunction with eligibility regulations pursuant to Section 518 (a) of the Headstart-Follow Through Act.

1976 family income guidelines

Family size	Nonfarm family	Farm family
For all States except Alaska and Hawaii: ¹		
1.....	\$2,800	\$2,400
2.....	3,700	3,160
3.....	4,600	3,920
4.....	5,500	4,680
5.....	6,400	5,440
6.....	7,300	6,200
Alaska: ²		
1.....	3,520	3,000
2.....	4,640	3,950
3.....	5,760	4,900
4.....	6,880	5,850
5.....	8,000	6,800
6.....	9,120	7,750
Hawaii: ³		
1.....	3,240	2,780
2.....	4,270	3,650
3.....	5,300	4,520
4.....	6,330	5,390
5.....	7,360	6,260
6.....	8,390	7,130

¹ For family units with more than six members, add \$900 for each additional member in a nonfarm family and \$760 for each additional member in a farm family.

² For family units with more than six members, add \$1,120 for each additional member in a nonfarm family and \$950 for each additional member in a farm family.

³ For family units with more than six members, add \$1,030 for each additional member in a nonfarm family and \$870 for each additional member in a farm family.

Dated: April 7, 1976.

STANLEY B. THOMAS, JR.,
Assistant Secretary
for Human Development.

Approved: April 23, 1976.

MARJORIE LYNCH,
Acting Secretary.

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PART II

**DEPARTMENT OF
HEALTH,
EDUCATION, AND
WELFARE**

Office of Human Development

■

**HEAD START
PROGRAMS
PERFORMANCE
STANDARDS**

Title 45—Public Welfare

CHAPTER XIII—OFFICE OF HUMAN DEVELOPMENT, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

PART 1304—PROGRAM PERFORMANCE STANDARDS FOR OPERATION OF HEAD START PROGRAMS BY GRANTEEES AND DELEGATE AGENCIES

Notice of proposed rulemaking setting forth regulations prescribing goals, component objectives and program performance standards for the operation of Head Start programs by grantee and delegate agencies and for their enforcement was published in the FEDERAL REGISTER at 40 FR 4758 on January 31, 1975. Interested persons were invited to submit written comments, suggestions, or objections on or before March 3, 1975. By close of business March 11, 1975 we received 377 letters expressing approximately 100 comments.

On the whole the comments were constructive, supportive of the basic overall standards and do not necessitate substantive changes in the proposed regulations. Minor issues have been clarified. The comments sometimes reflected misunderstanding of the meaning of the regulations.

The performance standards reflect more than seven years experience with prior requirements and field testing during FY 1973-1974. They pertain to the methods and processes by which Head Start programs meet the needs of children. There were only a few areas in which significant issues of policy or procedure arose. These are dealt with below.

Comments received that were numerically and otherwise significant fall into the following five categories:

a. *General compliance.* A large number of the comments received dealt with the issue of one hundred percent or full compliance. Comments ranged from requesting 70% to 85% compliance to allowing from two to three years for full compliance. The examples given center on the issue of availability of physical facilities that meet the standards, the need for more money, and availability of professional staff in Health Services. In many cases there seemed to be a misunderstanding of the fact that, in the section covering performance standards implementation and enforcement, grantees and delegate agencies are given up to a maximum of one year to correct such deficiencies. Having considered these issues, we feel that the comments address problem areas that were previously identified by OCD and were specifically anticipated in the compliance strategy. We have laid out criteria that have been field tested, revised and have been used by programs for many years. We therefore believe they are reasonable and attainable.

b. *Health services.* A few comments sought the separating of nutrition from the interdisciplinary Health Services component to make it a separate com-

ponent. Head Start is a comprehensive program that deals with all aspects of the child, therefore the interdisciplinary and coordinate aspect of Health Services will be retained.

c. *Parent involvement.* The term "management of family" was not clear. It was therefore changed to "identification and use of family and community resources" and clarification of the written plan required in the proposed regulations was made. An additional standard was inserted to cover parent involvement requirements in the 1974 Head Start legislation.

d. *Education.* Comments dealt with space, number of home visits and lighting. The space issue has been dealt with in the guidance, and grantees are given up to one year to come into compliance with physical facilities. The issue of whether two or three home visits should be required was resolved by requiring two visits to make it more realistic for programs with limited staff resources. The type of emergency lighting intended will be clarified in guidance material by giving a number of acceptable options. Therefore amendment of the proposed regulations was not considered necessary.

e. *General comments.* General comments ranged from stating the standards are very comprehensive and essential to operating high quality programs to the standards are unrealistic, unattainable, and immeasurable. Several letters stated that the standards, although excellent, should not be given the weight of law at this time but rather that they represent recommendations, not requirements. These are all issues that have been fully considered and field tested in the development of performance standards to date. Therefore amendment of the proposed regulations was not considered necessary.

Evaluation. Under Section 524(b) of the Headstart-Follow Through Act, the Secretary is required to develop and publish general standards for evaluation of program and project effectiveness in achieving the objectives of Headstart programs. Headstart programs and projects that comply with Part 1304 are deemed to be effective in achieving the objectives. The Secretary, therefore, publishes Part 1304 as the general standards required by Section 524(b) for the measurement of program and project effectiveness in achieving objectives of Headstart programs. The extent to which the requirements of Part 1304 are met shall be considered a controlling factor in deciding whether to renew or supplement financial assistance under the Headstart-Follow Through Act.

The effective date shall be July 1, 1975.

Dated: June 19, 1975.

CASPAR W. WEINBERGER,
Secretary.

(Catalog of Federal Domestic Assistance Programs No. 13,600 Child Development—Head Start)

Subtitle B of 45 CFR Chapter XIII is amended by adding the following Part 1304:

- Subpart A—General**
- Sed.
- 1304.1-1 Purpose and application.
- 1304.1-2 Definitions.
- 1304.1-3 Head start program goals.
- 1304.1-4 Performance standards plan development.
- 1304.1-5 Performance standards implementation and enforcement.
- Subpart B—Education Services Objectives and Performance Standards**
- 1304.2-1 Education services objectives.
- 1304.2-2 Education services plan content: operations.
- 1304.2-3 Education services plan content: facilities.
- Subpart C—Health Services Objectives and Performance Standards**
- 1304.3-1 Health services general objectives.
- 1304.3-2 Health Services Advisory Committee.
- 1304.3-3 Medical and dental history, screening, and examination.
- 1304.3-4 Medical and dental treatment.
- 1304.3-5 Medical and dental records.
- 1304.3-6 Health education.
- 1304.3-7 Mental health objectives.
- 1304.3-8 Mental health services.
- 1304.3-9 Nutrition objectives.
- 1304.3-10 Nutrition services.
- Subpart D—Social Services Objectives and Performance Standards**
- 1304.4-1 Social services objectives.
- 1304.4-2 Social services plan content.
- Subpart E—Parent Involvement Objectives and Performance Standards**
- 1304.5-1 Parent involvement objectives.
- 1304.5-2 Parent involvement plan content: parent participation.
- 1304.5-3 Parent Involvement Plan content: enhancing development of parenting skills.
- 1304.5-4 Parent Involvement Plan content: communications among program management, program staff, and parents.
- 1304.5-5 Parent Involvement Plan content: parents, area residents, and the program.

AUTHORITY: 88 Stat. 2304 (42 U.S.C. 2928h).

Subpart A—General

§ 1304.1-1 Purpose and application.

This part sets out the goals of the Head Start program as they may be achieved by the combined attainment of the objectives of the basic components of the program, with emphasis on the program performance standards necessary and required to attain those objectives. With the required development of plans covering the implementation of the performance standards, grantees and delegate agencies will have firm bases for operations most likely to lead to demonstrable benefits to children and their families. While compliance with the performance standards is required as a condition of Federal Head Start funding, it is expected that the standards will be largely self-enforcing. This part applies to all Head Start grantees and delegate agencies.

§ 1304.1-2 Definitions.

As used in this part:

(a) The term "OCD" means the Office of Child Development, Office of Human Development in the U.S. Department of Health, Education, and Welfare, and includes appropriate regional office staff.

(b) The term "responsible HEW official" means the official who is authorized to make the grant of assistance in question, or his designee.

(c) The term "Director" means the Director of the Office of Child Development.

(d) The term "grantee" means the public or private non-profit agency which has been granted assistance by OCD to carry on a Head Start program.

(e) The term "delegate agency" means a public or private nonprofit organization or agency to which a grantee has delegated the carrying on of all or part of its Head Start program.

(f) The term "goal" means the ultimate purpose or interest toward which total Head Start program efforts are directed.

(g) The term "objective" means the ultimate purpose or interest toward which Head Start program component efforts are directed.

(h) The term "program performance standards" or "performance standards" means the Head Start program functions, activities and facilities required and necessary to meet the objectives and goals of the Head Start program as they relate directly to children and their families.

(i) The term "handicapped children" means mentally retarded, hard of hearing, deaf, speech impaired, visually handicapped, seriously emotionally disturbed, crippled, or other health impaired children who by reason thereof require special education and related services.

§ 1304.1-3 Head Start Program goals.

(a) The Head Start Program is based on the premise that all children share certain needs, and that children of low income families, in particular, can benefit from a comprehensive developmental program to meet those needs. The Head Start program approach is based on the philosophy that:

(1) A child can benefit most from a comprehensive, interdisciplinary program to foster development and remedy problems as expressed in a broad range of services, and that

(2) The child's entire family, as well as the community must be involved. The program should maximize the strengths and unique experiences of each child. The family, which is perceived as the principal influence on the child's development, must be a direct participant in the program. Local communities are allowed latitude in developing creative program designs so long as the basic goals, objectives and standards of a comprehensive program are adhered to.

(b) The overall goal of the Head Start program is to bring about a greater degree of social competence in children of low income families. By social competence is meant the child's everyday effec-

tiveness in dealing with both present environment and later responsibilities in school and life. Social competence takes into account the interrelatedness of cognitive and intellectual development, physical and mental health, nutritional needs, and other factors that enable a child to function optimally. The Head Start program is a comprehensive developmental approach to helping children achieve social competence. To the accomplishment of this goal, Head Start objectives and performance standards provide for:

(1) The improvement of the child's health and physical abilities, including appropriate steps to correct present physical and mental problems and to enhance every child's access to an adequate diet. The improvement of the family's attitude toward future health care and physical abilities.

(2) The encouragement of self-confidence, spontaneity, curiosity, and self-discipline which will assist in the development of the child's social and emotional health.

(3) The enhancement of the child's mental processes and skills with particular attention to conceptual and communications skills.

(4) The establishment of patterns and expectations of success for the child, which will create a climate of confidence for present and future learning efforts and overall development.

(5) An increase in the ability of the child and the family to relate to each other and to others.

(6) The enhancement of the sense of dignity and self-worth within the child and his family.

§ 1304.1-4 Performance standards plan development.

Each grantee and delegate agency shall develop a plan for implementing the performance standards prescribed in Subparts B, C, D, and E of this part for use in the operation of its Head Start program (hereinafter called "plan," or "performance standards plan"). The plan shall provide that the Head Start program covered thereby shall meet or exceed the performance standards. The plan shall be in writing and shall be developed by the appropriate professional Head Start staff of the grantee or delegate agency with cooperation from other Head Start staff, with technical assistance and advice as needed from personnel of the Regional Office and professional consultants, and with the advice and concurrence of the policy council or policy committee. The plan must be reviewed by grantee or delegate agency staff and the policy council or policy committee at least annually and revised and updated as may be necessary.

§ 1304.1-5 Performance standards implementation and enforcement.

(a) Grantees and delegate agencies must be in compliance with or exceed the performance standards prescribed in Subparts B, C, D, and E, of this part at the commencement of the grantee's program year next following July 1, 1975, effective date of the regulations in this

part, or 6 months after that date, whichever is later, and thereafter, unless the period for full compliance is extended in accordance with paragraph (f) of this section.

(b) If the responsible HEW official as a result of information obtained from program self-evaluation, pre-review, or routine monitoring, is aware or has reason to believe that a Head Start program, with respect to performance standards other than those for which the time for compliance has been extended in accordance with paragraph (f) of this section, is not in compliance with performance standards, he shall notify the grantee promptly in writing of the deficiencies and inform the grantee that it, or if the deficiencies are in a Head Start program operated by a delegate agency, the delegate agency, has a period stated in the notice not to exceed 90 days to come into compliance. If the notice is with respect to a delegate agency, the grantee shall immediately notify the delegate agency and inform it of the time within which the deficiencies must be corrected. Upon receiving the notice the grantee or delegate agency shall immediately analyze its operations to determine how it might best comply with the performance standards. In this process it shall review, among other things, its utilization of all available local resources, and whether it is receiving the benefits of State and other Federal programs for which it is eligible and which are available. It shall review and realign where feasible program priorities, operations, and financial and manpower allocations. It shall also consider the possibility of choosing an alternate program option for the delivery of Head Start Services in accordance with OCD Notice N-30-334-1, Program Options for Project Head Start, attached hereto as Appendix A, which the grantee, with OCD concurrence, determines that it would be able to operate as a quality program in compliance with performance standards.

(c) The grantee or delegate agency shall report in writing in detail its efforts to meet the performance standards within the time given in the notice to the responsible HEW official. A delegate agency shall report through the grantee. If the reporting agency, grantee or delegate agency, determines that it is unable to comply with the performance standards, the responsible HEW official shall be notified promptly in writing by the grantee, which notice shall contain a description of the deficiencies not able to be corrected and the reasons therefor. If insufficient funding is included as a principal reason for inability to comply with performance standards, the notice shall specify the exact amount, and basis for, the funding deficit and efforts made to obtain funding from other sources.

(d) The responsible HEW official on the basis of the reports submitted pursuant to paragraph (c) of this section, will undertake to assist grantees, and delegate agencies through their grantees, to comply with the performance standards, including by furnishing or by recommending technical assistance.

RULES AND REGULATIONS

(e) If the grantee or delegate agency has not complied with the performance standards, other than those for which the time for compliance has been extended in accordance with paragraph (f) of this section, within the period stated in the notice issued under paragraph (b) of this section, the grantee shall be notified promptly by the responsible HEW official of the commencement of suspension or termination proceedings or of the intention to deny refunding, as may be appropriate, under Part 1303 (appeals procedures) of this chapter.

(f) The time within which a grantee or delegate agency shall be required to correct deficiencies in implementation of the performance standards may be extended by the responsible HEW official to a maximum of one year, only with respect to the following deficiencies:

(1) The space per child provided by the Head Start program does not comply with the Education Services performance standard but there is no risk to the health or safety of the children;

(2) The Head Start program is unable to provide Medical or Dental Treatment Services as required by Health Services Performance Standards because funding is insufficient and there are no community or other resources available;

(3) The services of a mental health professional is not available or accessible to the program as required by the Health Services Performance Standards; or

(4) The deficient service is not able to be corrected within the 90 days notice period, notwithstanding full effort at compliance, because of lack of funds and outside community resources, but it is reasonable to expect that the services will be brought into compliance within the extended period, and, the overall high quality of the Head Start program otherwise will be maintained during the extension.

Subpart B—Education Services Objectives and Performance Standards

§ 1304.2-1 Education services objectives.

The objectives of the Education Service component of the Head Start program are to:

(a) Provide children with a learning environment and the varied experiences which will help them develop socially, intellectually, physically, and emotionally in a manner appropriate to their age and stage of development toward the overall goal of social competence.

(b) Integrate the educational aspects of the various Head Start components in the daily program of activities.

(c) Involve parents in educational activities of the program to enhance their role as the principal influence on the child's education and development.

(d) Assist parents to increase knowledge, understanding, skills, and experience in child growth and development.

(e) Identify and reinforce experience which occur in the home that parents can utilize as educational activities for their children.

§ 1304.2-2 Education services plan content: operations.

(a) The education services component of the performance standards plan shall provide strategies for achieving the education objectives. In so doing it shall provide for program activities that include an organized series of experiences designed to meet the individual differences and needs of participating children, the special needs of handicapped children, the needs of specific educational priorities of the local population and the community. Program activities must be carried out in a manner to avoid sex role stereotyping. In addition, the plan shall provide methods for assisting parents in understanding and using alternative ways to foster learning and development of their children.

(b) The education services component of the plan shall provide for:

(1) A supportive social and emotional climate which:

(i) Enhances children's understanding of themselves as individuals, and in relation to others, by providing for individual, small group, and large group activities;

(ii) Gives children many opportunities for success through program activities;

(iii) Provides an environment of acceptance which helps each child build ethnic pride, a positive self-concept, enhance his individual strengths, and develop facility in social relationships.

(2) Development of intellectual skills by:

(i) Encouraging children to solve problems, initiate activities, explore, experiment, question, and gain mastery through learning by doing;

(ii) Promoting language understanding and use in an atmosphere that encourages easy communication among children and between children and adults;

(iii) Working toward recognition of the symbols for letters and numbers according to the individual developmental level of the children;

(iv) Encouraging children to organize their experiences and understand concepts; and

(v) Providing a balanced program of staff directed and child initiated activities.

(3) Promotion of physical growth by:

(i) Providing adequate indoor and outdoor space, materials, equipment, and time for children to use large and small muscles to increase their physical skills; and

(ii) Providing appropriate guidance while children are using equipment and materials in order to promote children's physical growth.

(c) The education services component of the plan shall provide for a program which is individualized to meet the special needs of children from various populations by:

(1) Having a curriculum which is relevant and reflective of the needs of the population served (bilingual/bicultural, multi-cultural, rural, urban, reservation, migrant, etc.);

(2) Having staff and program resources reflective of the racial and ethnic population of the children in the program.

(i) Including persons who speak the primary language of the children and are knowledgeable about their heritage; and, at a minimum, when a majority of the children speak a language other than English, at least one teacher or aide interacting regularly with the children must speak their language; and,

(ii) Where only a few children or a single child speak a language different from the rest, one adult in the center should be available to communicate in the native language;

(3) Including parents in curriculum development and having them serve as resource persons (e.g., for bilingual-bicultural activities).

(d) The education services component of the plan shall provide procedures for on-going observation, recording and evaluation of each child's growth and development for the purpose of planning activities to suit individual needs. It shall provide, also, for integrating the educational aspects of other Head Start components into the daily education services program.

(e) The plan shall provide methods for enhancing the knowledge and understanding of both staff and parents of the educational and developmental needs and activities of children in the program. These shall include:

(1) Parent participation in planning the education program, and in center, classroom and home program activities;

(2) Parent training in activities that can be used in the home to reinforce the learning and development of their children in the center;

(3) Parent training in the observation of growth and development of their children in the home environment and identification of and handling special developmental needs;

(4) Participation in staff and staff-parent conferences and the making of periodic home visits (no less than two) by members of the education staff;

(5) Staff and parent training, under a program jointly developed with all components of the Head Start program, in child development and behavioral developmental problems of preschool children; and

(6) Staff training in identification of and handling children with special needs and working with the parents of such children, and in coordinating relevant referral resources.

§ 1304.2-3 Education services plan content: facilities.

(a) The education services component of the plan shall provide for a physical environment conducive to learning and reflective of the different stages of development of the children. Home-based projects must make affirmative efforts to achieve this environment. For center-based programs, space shall be organized into functional areas recognized by the children, and space, light, ventilation, heat, and other physical arrangements

must be consistent with the health, safety, and developmental needs of the children. To comply with this standard:

- (1) There shall be a safe and effective heating system;
 - (2) No highly flammable furnishings or decorations shall be used.
 - (3) Flammable and other dangerous materials and potential poisons shall be stored in locked cabinets or storage facilities accessible only to authorized persons;
 - (4) Emergency lighting shall be available in case of power failure;
 - (5) Approved, working fire extinguishers shall be readily available;
 - (6) Indoor and outdoor premises shall be kept clean and free, on a daily basis, of undesirable and hazardous material and conditions;
 - (7) Outdoor play areas shall be made so as to prevent children from leaving the premises and getting into unsafe and unsupervised areas;
 - (8) Paint coatings in premises used for care of children shall be determined to assure the absence of a hazardous quantity of lead;
 - (9) Rooms shall be well lighted;
 - (10) A source of water approved by the appropriate local authority shall be available in the facility; and adequate toilets and handwashing facilities shall be available and easily reached by children;
 - (11) All sewage and liquid wastes shall be disposed of through a sewer system approved by an appropriate, responsible authority, and garbage and trash shall be stored in a safe and sanitary manner until collected;
 - (12) There shall be at least 35 square feet of indoor space per child available for the care of children (i.e., exclusive of bathrooms, halls, kitchen, and storage places). There shall be at least 75 square feet per child outdoors; and
 - (13) Adequate provisions shall be made for handicapped children to ensure their safety and comfort.
- Evidence that the center meets or exceeds State or local licensing requirements for similar kinds of facilities for fire, health and safety shall be accepted as prima facie compliance with the fire, health and safety requirements of this section.
- (b) The plan shall provide for appropriate and sufficient furniture, equipment and materials to meet the needs of the program, and for their arrangement in such a way as to facilitate learning, assure a balanced program of spontaneous and structured activities, and encourage self-reliance in the children. The equipment and materials shall be:
 - (1) Consistent with the specific educational objectives of the local program;
 - (2) Consistent with the cultural and ethnic background of the children;
 - (3) Geared to the age, ability, and developmental needs of the children;
 - (4) Safe, durable, and kept in good condition;
 - (5) Stored in a safe and orderly fashion when not in use;
 - (6) Accessible, attractive, and inviting to the children; and

(7) Designed to provide a variety of learning experiences and to encourage experimentation and exploration.

Subpart C—Health Services Objectives and Performance Standards

§ 1304.3-1 Health services general objectives.

The general objectives of the health services component of the Head Start program are to:

- (a) Provide a comprehensive health services program which includes a broad range of medical, dental, mental health and nutrition services to preschool children, including handicapped children, to assist the child's physical, emotional, cognitive and social development toward the overall goal of social competence.
- (b) Promote preventive health services and early intervention.
- (c) Provide the child's family with the necessary skills and insight and otherwise attempt to link the family to an ongoing health care system to ensure that the child continues to receive comprehensive health care even after leaving the Head Start program.

§ 1304.3-2 Health Services Advisory Committee.

The plan shall provide for the creation of a Health Services Advisory Committee whose purpose shall be advising in the planning, operation and evaluation of the health services program and which shall consist of Head Start parents and health services providers in the community and other specialists in the various health disciplines. (Existing committees may be modified or combined to carry out this function.)

§ 1304.3-3 Medical and dental history, screening, and examinations.

(a) The health services component of the performance standards plan shall provide that for each child enrolled in the Head Start program a complete medical, dental and developmental history will be obtained and recorded, a thorough health screening will be given, and medical and dental examinations will be performed. The plan will provide also for advance parent or guardian authorization for all health services under this subpart.

- (b) Health screenings shall include:
 - (1) Growth assessment (head circumference up to two years old), height, weight and age.
 - (2) Vision testing.
 - (3) Hearing testing.
 - (4) Hemoglobin or hematocrit determination.
 - (5) Tuberculin testing indicated in OCD Head Start Guidance Material.
 - (6) Urinalysis.
 - (7) Based on community health problems, other selected screenings where appropriate, e.g., sickle cell anemia, lead poisoning, and intestinal parasites.
 - (8) Assessment of current immunization status.
 - (9) During the course of health screening, procedures must be in effect for identifying speech problems, determining their cause, and providing services.

(10) Identification of the special needs of handicapped children.

(c) Medical examinations for children shall include:

- (1) Examination of all systems or regions which are made suspect by the history or screening test.
- (2) Search for certain defects in specific regions common or important in this age group, i.e., skin, eye, ear, nose, throat, heart, lungs, and groin (inguinal) area.
- (d) The plan shall provide, also, in accordance with local and state health regulations that employed program staff have initial health examinations, periodic check-ups, and are found to be free from communicable disease; and, that voluntary staff be screened for tuberculosis.

§ 1304.3-4 Medical and dental treatment.

(a) The plan shall provide for treatment and follow-up services which include:

- (1) Obtaining or arranging for treatment of all health problems detected. (Where funding is provided by non-Head Start funding sources there must be written documentation that such funds are used to the maximum feasible extent. Head Start funds may be used only when no other source of funding is available).
- (2) Completion of all recommended immunizations—diphtheria, pertussis, tetanus (DPT), polio, measles, German measles. Mumps immunization shall be provided where appropriate.
- (3) Obtaining or arranging for basic dental care service, as follows:
 - (i) Dental examination.
 - (ii) Services required for the relief of pain or infection.
 - (iii) Restoration of decayed primary and permanent teeth.
 - (iv) Pulp therapy for primary and permanent teeth as necessary.
 - (v) Extraction of non-restorable teeth.
 - (vi) Dental prophylaxis and instruction in self-care oral hygiene procedures.
 - (vii) Application of topical fluoride in communities which lack adequate fluoride levels in the public water supply.
- (b) There must be a plan of action for medical emergencies. (Indicated in OCD Head Start Guidance Material.)

§ 1304.3-5 Medical and dental records.

The plan shall provide for: (a) the establishment and maintenance of individual health records which contain the child's medical and developmental history, screening results, medical and dental examination data, and evaluation of this material, and up-to-date information about treatment and follow-up; (b) forwarding, with parent consent, the records to either the school or health delivery system or both when the child leaves the program; and (c) giving parents a summary of the record which includes information on immunization and follow-up treatment; and (d) utilization of the Health Program Assessment Report (HPAR); and (e) assurance that in all cases parents will be told the nature of the data to be collected and the uses to which the data will be put, and that

the uses will be restricted to the stated purposes.

§ 1304.3-6 Health education.

(a) The plan shall provide for an organized health education program for program staff, parents and children which ensures that:

(1) Parents are provided with information about all available health resources;

(2) Parents are encouraged to become involved in the health care process relating to their child. One or both parents should be encouraged to accompany their child to medical and dental exams and appointments;

(3) Staff are taught and parents are provided the opportunity to learn the principles of preventive health, emergency first-aid measures, and safety practices;

(4) Health education is integrated into on-going classroom and other program activities.

(5) The children are familiarized with all health services they will receive prior to the delivery of those services.

§ 1304.3-7 Mental health objectives.

The objectives of the mental health part of the health services component of the Head Start program are to:

(a) Assist all children participating in the program in emotional, cognitive and social development toward the overall goal of social competence in coordination with the education program and other related component activities;

(b) Provide handicapped children and children with special needs with the necessary mental health services which will ensure that the child and family achieve the full benefits of participation in the program;

(c) Provide staff and parents with an understanding of child growth and development, an appreciation of individual differences, and the need for a supportive environment;

(d) Provide for prevention, early identification and early intervention in problems that interfere with a child's development;

(e) Develop a positive attitude toward mental health services and a recognition of the contribution of psychology, medicine, social services, education and other disciplines to the mental health program; and

(f) Mobilize community resources to serve children with problems that prevent them from coping with their environment.

§ 1304.3-8 Mental health services.

(a) The mental health part of the plan shall provide that a mental health professional shall be available, at least on a consultation basis, to the Head Start program and to the children. The mental health professional shall:

(1) Assist in planning mental health program activities;

(2) Train Head Start staff;

(3) Periodically observe children and consult with teachers and other staff;

(4) Advise and assist in developmental screening and assessment;

(5) Assist in providing special help for children with atypical behavior or development, including speech;

(6) Advise in the utilization of other community resources and referrals;

(7) Orient parents and work with them to achieve the objectives of the mental health program; and

(8) Take appropriate steps in conjunction with health and education services to refer children for diagnostic examination to determine whether their emotional or behavior problems have a physical basis.

(b) The plan shall also provide for:

(1) attention to pertinent medical and family history of each child so that mental health services can be made readily available when needed;

(2) use of existing community mental health resources;

(3) coordination with the education services component to provide a program keyed to individual developmental levels;

(4) confidentiality of records;

(5) regular group meetings of parents and program staff;

(6) parental consent for special mental health services;

(7) opportunity for parents to obtain individual assistance; and,

(8) active involvement of parents in planning and implementing the individual mental health needs of their children.

§ 1304.3-9 Nutrition objectives.

The objectives of the nutrition part of the health services component of the Head Start program are to:

(a) Help provide food which will help meet the child's daily nutritional needs in the child's home or in another clean and pleasant environment, recognizing individual differences and cultural patterns, and thereby promote sound physical, social, and emotional growth and development.

(b) Provide an environment for nutritional services which will support and promote the use of the feeding situation as an opportunity for learning;

(c) Help staff, child and family to understand the relationship of nutrition to health, factors which influence food practices, variety of ways to provide for nutritional needs and to apply this knowledge in the development of sound food habits even after leaving the Head Start program;

(d) Demonstrate the interrelationships of nutrition to other activities of the Head Start program and its contribution to the overall child development goals; and

(e) Involve all staff, parents and other community agencies as appropriate in meeting the child's nutritional needs so that nutritional care provided by Head Start complements and supplements that of the home and community.

§ 1304.3-10 Nutrition services.

(a) The nutrition services part of the health services component of the per-

formance standards plan must identify the nutritional needs and problems of the children in the Head Start program and their families. In so doing account must be taken of:

(1) The nutrition assessment data (height, weight, hemoglobin hematocrit) obtained for each child;

(2) Information about family eating habits and special dietary needs and feeding problems, especially of handicapped children; and,

(3) Information about major community nutrition problems.

(b) The plan, designed to assist in meeting the daily nutritional needs of the children, shall provide that:

(1) Every child in a part-day program will receive a quantity of food in meals (preferably hot) and snacks which provides at least $\frac{1}{3}$ of daily nutritional needs, with consideration for meeting any special needs of children, including the child with a handicapping condition;

(2) Every child in a full-day program will receive snack(s), lunch, and other meals as appropriate which will provide $\frac{1}{2}$ to $\frac{2}{3}$ of daily nutritional needs depending on the length of the program;

(3) All children in morning programs who have not received breakfast at the time they arrive at the Head Start program will be served a nourishing breakfast;

(4) The kinds of food served conform to minimum standards for meal patterns indicated in OCD Head Start Guidance Material;

(5) The quantities of food served conform to recommended amounts indicated in OCD Head Start guidance materials; and,

(6) Meal and snack periods are scheduled appropriately to meet children's needs and are posted along with menus; e.g., breakfast must be served at least $2\frac{1}{2}$ hours before lunch, and snacks must be served at least $1\frac{1}{2}$ hours before lunch or supper.

(c) The plan shall undertake to assure that the nutrition services contribute to the development and socialization of the children by providing that:

(1) A variety of foods which broaden the child's food experience in addition to those that consider cultural and ethnic preferences is served;

(2) Food is not used as punishment or reward, and that children are encouraged but not forced to eat or taste;

(3) The size and number of servings of food reflect consideration of individual children's needs;

(4) Sufficient time is allowed for children to eat;

(5) Chairs, tables, and eating utensils are suitable for the size and developmental level of the children with special consideration for meeting the needs of children with handicapping conditions;

(6) Children and staff, including volunteers, eat together sharing the same menu and a socializing experience in a relaxed atmosphere; and

(7) Opportunity is provided for the involvement of children in activities related to meal service. (For example: family style service.)

(d) The plan shall set forth an organized nutrition education program for staff, parents and children. This program shall assure that:

(1) Meal periods and food are planned to be used as an integral part of the total education program;

(2) Children participate in learning activities planned to effect the selection and enjoyment of a wide variety of nutritious foods;

(3) Families receive education in the selection and preparation of foods to meet family needs, guidance in home and money management and help in consumer education so that they can fulfill their major role and responsibility for the nutritional health of the family;

(4) All staff, including administrative, receive education in principles of nutrition and their application to child development and family health, and ways to create a good physical, social and emotional environment which supports and promotes development of sound food habits and their role in helping the child and family to achieve adequate nutrition.

(e) The plan shall make special provision for the involvement of parents and appropriate community agencies in planning, implementing, and evaluating the nutrition services. It shall provide that:

(1) The Policy Council or Committee and the Health Services Advisory Committee have opportunity to review and comment on the nutrition services;

(2) The nutritional status of the children will be discussed with their parents;

(3) Information about menus and nutrition activities will be shared regularly with parents;

(4) Parents are informed of the benefits of food assistance programs; and

(5) Community agencies are enlisted to assist eligible families participate in food assistance programs.

(f) The plan shall provide for compliance with applicable local, State, and Federal sanitation laws and regulations for food service operations including standards for storage, preparation and service of food, and health of food handlers, and for posting of evidence of such compliance. The plan shall provide, also, that vendors and caterers supplying food and beverages comply with similar applicable laws and regulations.

(g) The plan shall provide for direction of the nutrition services by a qualified full-time staff nutritionist or for periodic and regularly scheduled supervision by a qualified nutritionist or dietitian as defined in the Head Start Guidance Material. Also, the plan shall provide that all nutrition services staff will receive preservice and in-service training as necessary to demonstrate and maintain proficiency in menu planning, food purchasing, food preparation and storage, and sanitation and personal hygiene.

(h) The plan shall provide for the establishment and maintenance of records covering the nutrition services budget, expenditures for food, menus utilized, numbers and types of meals served daily

with separate recordings for children and adults, inspection reports made by health authorities, recipes and any other information deemed necessary for efficient operation.

Subpart D—Social Services Objectives and Performance Standards

§ 1301.4-1 Social services objectives.

The objectives of the social services component of the performance standards plan are to:

(a) Establish and maintain an outreach and recruitment process which systematically insures enrollment of eligible children.

(b) Provide enrollment of eligible children regardless of race, sex, creed, color, national origin, or handicapping condition.

(c) Achieve parent participation in the center and home program and related activities.

(d) Assist the family in its own efforts to improve the condition and quality of family life.

(e) Make parents aware of community services and resources and facilitate their use.

§ 1304.4-2 Social services plan content.

(a) The social services plan shall provide procedures for:

(1) Recruitment of children, taking into account the demographic make-up of the community and the needs of the children and families;

(2) Recruitment of handicapped children;

(3) Providing or referral for appropriate counseling;

(4) Emergency assistance or crisis intervention;

(5) Furnishing information about available community services and how to use them;

(6) Follow-up to assure delivery of needed assistance;

(7) Establishing a role of advocacy and spokesman for Head Start families;

(8) Contacting of parent or guardian with respect to an enrolled child whose participation in the Head Start program is irregular or who has been absent four consecutive days; and

(9) Identification of the social service needs of Head Start families and working with other community agencies to develop programs to meet those needs.

(b) The plan shall provide for close cooperation with existing community resources including:

(1) Helping Head Start parent groups work with other neighborhood and community groups with similar concerns;

(2) Communicating to other community agencies the needs of Head Start families and ways of meeting these needs;

(3) Helping to assure better coordination, cooperation, and information sharing with community agencies;

(4) Calling attention to the inadequacies of existing community services, or to the need for additional services, and assisting in improving available services, or bringing in new services; and

(5) Preparing and making available a community resource list to Head Start staff and families.

(c) The plan shall provide for the establishment, maintenance, and confidentiality of records of up-to-date, pertinent family data, including completed enrollment forms, referral and follow-up reports, reports of contacts with other agencies, and reports of contacts with families.

Subpart E—Parent Involvement Objectives and Performance Standards

§ 1304.5-1 Parent involvement objectives.

The objectives of the parent involvement component of the performance standards plan are to:

(a) Provide a planned program of experiences and activities which support and enhance the parental role as the principal influence in their child's education and development.

(b) Provide a program that recognizes the parent as:

(1) Responsible guardians of their children's well being.

(2) Prime educators of their children.

(3) Contributors to the Head Start program and to their communities.

(c) Provide the following kinds of opportunities for parent participation:

(1) Direct involvement in decision making in program planning and operations.

(2) Participation in classroom and other program activities as paid employees, volunteers or observers.

(3) Activities for parents which they have helped to develop.

(4) Working with their own children in cooperation with Head Start staff.

§ 1304.5-2 Parent involvement plan content: parent participation.

(a) The basic parent participation policy of the Head Start program, with which all Head Start programs must comply as a condition of being granted financial assistance, is contained in Head Start Policy Manual, Instruction I-31—Section B2, The Parents (OCD Transmittal Notice 70.2, dated August 10, 1970). This policy manual instruction is set forth in Appendix B to this part.

(b) The plan shall describe in detail the implementation of Head Start Policy Manual Instruction I-31—section B2, The Parents (Appendix B). The plan shall assure that participation of Head Start parents is voluntary and shall not be required as a condition of the child's enrollment.

§ 1304.5-3 Parent Involvement Plan content: enhancing development of parenting skills.

The plan shall provide methods and opportunities for involving parents in:

(a) Experiences and activities which lead to enhancing the development of their skills, self-confidence, and sense of independence in fostering an environment in which their children can develop to their full potential.

(b) Experiences in child growth and development which will strengthen their role as the primary influence in their children's lives.

(c) Ways of providing educational and developmental activities for children in the home and community.

(d) Health, mental health, dental and nutrition education.

(e) Identification, and use, of family and community resources to meet the basic life support needs of the family.

(f) Identification of opportunities for continuing education which may lead towards self-enrichment and employment.

(g) Meeting with the Head Start teachers and other appropriate staff for discussion and assessment of their children's individual needs and progress.

§ 1304.5-4 Parent Involvement Plan content: communications among program management, program staff, and parents.

(a) The plan shall provide for two-way communication between staff and parents carried out on a regular basis throughout the program year which provides information about the program and its services; program activities for the children; the policy groups; and resources within the program and the community. Communication must be designed and carried out in a way which reaches parents and staff effectively. Policy Groups, staff and parents must participate in the planning and development of the communication system used.

(b) The plan shall provide a system for the regular provision of information to members of Policy Groups. The purpose of such communication is to enable the Policy Group to make informed decisions in a timely and effective manner, to share professional expertise and generally to be provided with staff support. At a minimum, information provided will include:

(1) Timetable for planning, development, and submission of proposals;

(2) Head Start policies, guidelines, and other communications from the Office of Child Development;

(3) Financial reports and statements of funds expended in the Head Start account; and

(4) Work plans, grant applications, and personnel policies for Head Start.

(c) The entire Head Start staff shall share responsibility for providing assistance in the conduct of the above activities. In addition, Health Services, Education, and Social Services staff shall contribute their direct services to assist the Parent Involvement staff. If staff resources are not available, the necessary resources shall be sought within the community.

§ 1304.5-5 Parent Involvement Plan content: parents, area residents, and the program.

The plan shall provide for:

(a) The establishment of effective procedures by which parents and area residents concerned will be enabled to

influence the character of programs affecting their interests,

(b) Their regular participation in the implementation of such programs and,

(c) Technical and other support needed to enable parents and area residents to secure on their own behalf available assistance from public and private sources.

APPENDIX A—PROGRAM OPTIONS FOR PROJECT HEAD START

This appendix sets forth policy governing the development and implementation of variations in program design by local Head Start programs.

N-30-334-1-00 Purpose

This chapter sets forth the policy governing the development and implementation of variations in program design by local Head Start programs.

N-30-334-1-10 Scope

This policy applies to all Head Start grantees and delegate agencies that operate or propose to operate a full year program which provides a set of services to the same child or the same group of children for less than six hours a day. The policy will be applied to all applications submitted by such grantees or delegate agencies on or after April 1, 1973.

N-30-334-1-20 Policy

A. GENERAL PROVISION

Beginning in the fourth quarter of FY 1973 (April 1973), Head Start programs will be permitted and encouraged to consider several program models in addition to the standard Head Start model and select the program option best suited to the needs of the children served and the capabilities and resources of the program staff. The program options that are to be available for local selection are as follows:

The standard Head Start model.
Variations in center attendance.
Double sessions.
Home-based models.
Locally designed variations.

In principle, the Office of Child Development will support any option or design model provided a community can demonstrate in an acceptable proposal that it will result in a quality child development program at reasonable cost and meet Head Start guidelines. Any program option proposed must demonstrate that it meets each of the following conditions:

1. All policies stated in the Head Start Manual for Head Start components must be adhered to, with the exception of those points detailed in the descriptions of each of the options under Special Provisions. This policy is not to be interpreted in any way which would lessen the force of the present Head Start policy which states that, "Programs in which enrollment does not reflect the racial or ethnic composition of disadvantaged families in the area may not be funded . . ." (Head Start Manual 6108-1, page 8).

2. The design and selection of program options is to be based on an assessment of the child development needs and resources of the broader community as well as the needs of the current enrollees and their families.

3. The assignment of children to programs is to be determined by assessing such factors as age or developmental level, family situation, handicaps, health or learning problems, and previous school experience. Discussion with all parents about specific needs of their children and how best to

meet those needs must be a priority in such an assessment.

4. Proposed options must be justified as consistent with good developmental practices.

5. All parents whose children participate in any option must be represented in their parent-group organizations in accordance with the revised parent involvement guidelines of the Head Start Policy Manual of August 10, 1970.

6. Program options must receive the approval of the Head Start Policy Council prior to submission to OCD.

7. There must be a specific training plan for staff and volunteers for any option chosen. It should address itself to the requirements and goals of the specific program variations being implemented.

8. The number of hours spent in the Head Start center will vary depending on the option chosen. In all cases, the center activities are to maximize opportunities for meeting the child's developmental needs.

9. The application must demonstrate the ability to conduct the program option within the limits of the current funding level unless funds are added to the program from other sources. However, some options may enable programs to serve more children within the same funding level. Careful planning and analysis will be necessary to determine the total cost associated with serving additional children. In such planning, the following areas should be considered:

- a. Additional medical-dental costs;
- b. Increased costs due to separate scheduling and operating practices in the area of pupil and staff transportation;
- c. Additional staff for home visits and similar supportive activities;
- d. Need for additional recruitment effort;
- e. Increased insurance costs;
- f. Additions to parent activity funds.

B. SPECIAL PROVISIONS

1. The Standard Head Start Model

Continuation of the present five-day-per-week, center-based classroom format will be optional. Communities electing to continue this format are free to do so provided that they demonstrate through a careful assessment of their needs and capabilities that continuing the present program is in the best interests of the individual children and families served. If this assessment indicates that the present format is not adequately meeting local needs, the program is to consider whether these needs could be met more effectively by one or more of the other options.

2. Variations in Center Attendance

a. Head Start programs may elect to serve some or all children on a less than five-day-per-week basis. All children who attend Head Start on a partial basis must receive the same comprehensive developmental services as children attending the 5-day session, except as otherwise indicated. Shortened hours in the classroom may be supplemented by a parent education program or another option which would assist parents in developing their role as the first and most influential educators of their own children.

In planning for less than a five-day-week classroom schedule, careful consideration must be given to the underlying reasons for the attendance variations. Program planning must specifically address the following questions:

(1) What are the developmental needs of the child? Can they be met as effectively or more effectively by less than a five-day schedule?

(2) What are the needs and desires of the family? Would adjustment factors dictate consecutive-days attendance as opposed to, say, an every-other-day schedule?

(3) How does the curriculum plan fit the age and developmental needs of the children? Does the plan take into account differing needs of children of different ages, and varying needs of the same child over time?

(4) What kind of staffing pattern is required to obtain the program objectives?

b. In all situations where the children are in the center less than five days a week, the program must specify how they will receive comprehensive services. The following examples are illustrative of what this requires.

(1) One-third to one-half of the child's daily nutritional needs must be met each day he attends the center. Parents must, on request, be provided with simple, economical weekly menus and counseling on budgeting, food preparation and sanitation, as well as on how to involve children in food-related activities in the home.

(2) Provisions for complete medical and dental services must be made for all children in accordance with Head Start policies.

(3) Staff-family interaction, as central to the Head Start concept, must be included in any variation plan. Varied scheduling is to provide staff with new and additional opportunities for such interaction.

c. Staff utilization should contribute noticeably to program quality by maximizing staff talent, potential and expertise. Staff training goals must be identified and a training plan devised which will facilitate the implementation of the option. Such training should enable the staff to incorporate curriculum modifications necessary to accommodate the shorter week and to allow for the developmental differences between three-year-olds and five-year-olds.

d. Several attendance variation models are possible in planning the delivery of Head Start services. Attendance schedules must be devised for the children in accordance with their assessed needs. Proposals must describe the methods by which children are assigned to their schedules. The following examples indicate possible scheduling variations. The list is not meant to be exhaustive.

(1) The four-day-week schedule provides four days for center-based activities plus an additional day for center staff to perform special activities, such as:

In-service training for staff, parents and volunteers.

Special experiences for children.

Home visits.

Two days in small groups in homes with parent training by the staff.

(2) Split-session schedules: Two regularly enrolled groups, each meeting two days per week, with the fifth day set aside for such things as in-service training or working with small groups of parents or children with special needs.

3. Double Sessions

Head Start programs are permitted to operate double sessions as an option. In no case shall the addition of other children result in fewer services for children currently in the program. A program shall not be required, nor shall it be permitted, to conduct double sessions solely as a cost-saving device. In addition to the policies which apply to full-year, part-day program, the following conditions must be met when the double sessions option is utilized:

a. Provisions must be made for a one-hour break between double-session classes when a single teaching staff conducts both halves of a double session. In addition, at least thirty minutes must be allotted prior to each session—whether or not a different

teaching staff is used—to prepare for the session and set up the classroom environment, as well as to give individual attention to children entering and leaving the center. In some instances where schools serve as center sites, variations in scheduling double sessions may have to be considered.

b. The scheduling of children to attend morning or afternoon sessions must attempt to meet individual children's needs such as receptivity, necessity for naps, and other factors that might prevent full program benefit to some children.

c. Adequate time for staff consultation, planning (staff must plan for each session to meet the needs of particular children enrolled), in-service training and career development must be provided during the working schedule. In some cases, this can only be achieved by a variation in center attendance (e.g., a four-day-week for children).

d. Staff teaching both halves of a double session are not to have the primary responsibility for home visits unless some provision is made for substitute staff. In such cases, special provisions must be made for home visits.

e. Provisions must be made for an increase in supportive personnel and services in relation to the anticipated requirements of additional children and their families.

f. Provisions must be made for custodial services between sessions, including the cleaning of indoor and outdoor spaces.

g. Provisions must be made to maintain high food quality for both sessions. All children should have an opportunity to join in cooking and other food-related activities, preferably with the participation of the cook-manager.

4. Home-Based Models

Head Start grantees may elect to develop and incorporate a home-based model into their current program. Such models would focus on the parent as the primary factor in the child's development and the home as the central facility. These models may be designed along the lines of the Home Start demonstration programs initiated in fifteen communities in FY 1972 or on a model developed by the local community. The following conditions must be met by these grantees in implementing their programs:

a. Comprehensive Services

The same kinds of services which are available to children served in a center-based Head Start program will be available to children served by a home-based program. As in center-based programs, the home-based program must make every possible effort to identify, coordinate, integrate and utilize existing community resources and services (public, reduced-fee, or no-fee) in providing nutritional, health, social and psychological services for its children and their families.

(1) *Nutrition.*—In home-based programs, whenever feasible children should receive the same nutrition services as in center-based programs with priority emphasis on nutrition education aimed at helping parents learn to make the best use of existing food resources through food planning, buying and cooking. If periodic, regular or incidental group sessions for children are held, every effort should be made to prepare and serve a nutritious snack or meal. When food is not available to a family, the home-based program must make every effort to put the family in touch with whatever community organization can help supply food. In addition, parents should be informed of all available family assistance programs and should be encouraged to participate in them.

Nutrition education must recognize cultural variations in food preferences and supplement and build upon these preferences

rather than attempt to replace them. Thus, food items that are a regular part of a family's diet will be a major focal point of nutrition education.

(2) *Health.*—Every effort must be made to provide health services through existing resources. Children in home-based programs are to receive the same health services as children in center-based programs.

As with the standard Head Start program, home-based programs shall provide linkages with existing health services for the entire family unit on an as-needed basis. However, Head Start funds may be used to provide health services only for the pre-school members of the family.

(3) *Psychological and Social Services.*—Home-based programs shall provide needed services through existing community resources or within the sponsoring Head Start program in accordance with existing Head Start policies.

b. Curriculum for Children

A major emphasis of the program must be to help parents enhance the total development (including cognitive, language, social, emotional and physical) of all their children.

Whatever the educational program or philosophy of a home-based program, it must have a plan or system for developing "individualized" or "personalized" education programs for its children.

In addition, programs must provide material, supplies and equipment (such as tricycles, wagons, blocks, manipulative toys and books) to foster the children's development in their homes as needed. Provision for such materials may be made through lending, cooperative or purchase systems.

Group socialization experiences must be provided on a periodic basis for all children in home-based programs. The proposal must specify what kind of developmental activities will take place in the group setting.

Furthermore, the education component—as well as all program components—must meet the needs of the locale by taking into account appropriate local, ethnic, cultural and language characteristics.

c. Parent Program

Home-based programs reflect the concept that the parent is the first and most influential "educator" and "enabler" of his or her own children. Thus, home-based programs are to place emphasis on developing and expanding the "parenting" role of Head Start parents.

Home-based programs must give both parents (or parent substitutes and other appropriate family members) an opportunity to learn about such things as various approaches to child rearing, ways to stimulate and enhance their children's total development, ways to turn everyday experiences into constructive learning experiences for children, and specific information about health, nutrition and community resources.

d. Evening and Weekend Services

It is suggested that the program make provision for evening and weekend services to families when needed.

e. Career Development

Programs must provide career development opportunities for staff. For example, training of staff should qualify for academic credit or other appropriate credentials whenever possible.

f. Service Delivery System

In their proposals, grantees must describe their system for delivering health, nutrition, psychological and other services that are not provided primarily by the in-home caregiver.

g. Staff Selection

Proposals must describe the program's system for selecting staff in accord with the responsibilities assigned by the program to the staff member. For example, the staff visiting homes must be:

- (1) Fluent in the language used by the families they serve;
- (2) Responsive listeners;
- (3) Knowledgeable about human development, family dynamics, and needs of children;
- (4) Knowledgeable about all program components;
- (5) Knowledgeable about community resources.

h. Staff Development

Programs must submit a staff and volunteer recruitment plan and a training plan, including content of proposed pre- and in-service training programs, teaching method, descriptions of training staff or consultants, and provisions for continued in-service training. The career development plan must be designed to develop or increase staff member's knowledge about:

- (1) Approaches to and techniques of working with parents;
- (2) Other home-based or Home Start-like programs;
- (3) All Head Start component areas.

i. Volunteers

As in all other Head Start programs, the home-based programs must encourage and provide opportunity for the use of volunteers.

5. Locally Designed Options

In addition to the above models, local programs may elect to design and propose other program options which they find well suited to meet the needs of individual children and the families in their communities. Proposals for local program options must adhere to the following guidelines:

a. They must be derived from an analysis of the present standard Head Start model and must represent a more effective approach to meeting the needs of children in the community.

b. They must be consistent with good developmental practices.

c. They must be consistent with Head Start performance standards and must ensure that all components of Head Start are effectively delivered, unless they are operated as an adjunct to a program which delivers the full range of Head Start services, or unless they represent a special program thrust or circumscribed effort such as:

- (1) Health Start-type program or other services such as sickle cell or lead paint screening.
- (2) Summer follow-on services for handicapped high risk or other children with special needs.

APPENDIX B—HEAD START**POLICY MANUAL: THE PARENTS**

This appendix sets forth policy governing the involvement of parents of Head Start children "... in the development, conduct, and overall program direction at the local level."

I-30-2 The Parents**A. INTRODUCTION**

Head Start believes that the gains made by the child in Head Start must be understood and built upon by the family and the community. To achieve this goal, Head Start provides for the involvement of the child's parents and other members of the family in the experiences he receives in the child development center by giving them many op-

portunities for a richer appreciation of the young child's needs and how to satisfy them.

Many of the benefits of Head Start are rooted in "change". These changes must take place in the family itself, in the community, and in the attitudes of people and institutions that have an impact on both.

It is clear that the success of Head Start in bringing about substantial changes demands the fullest involvement of the parents, parental-substitutes, and families of children enrolled in its programs. This involvement begins when a Head Start program begins and should gain vigor and vitality as planning and activities go forward.

Successful parental involvement enters into every part of Head Start, influences other anti-poverty programs, helps bring about changes in institutions in the community, and works toward altering the social conditions that have formed the systems that surround the economically disadvantaged child and his family.

Project Head Start must continue to discover new ways for parents to become deeply involved in decision-making about the program and in the development of activities that they deem helpful and important in meeting their particular needs and conditions. For some parents, participation may begin on a simple level and move to more complex levels. For other parents the movement will be immediate, because of past experiences, into complex levels of sharing and giving. Every Head Start program is obligated to provide the channels through which such participation and involvement can be provided for and enriched.

Unless this happens, the goals of Head Start will not be achieved and the program itself will remain a creative experience for the preschool child in a setting that is not reinforced by needed changes in social systems into which the child will move after his Head Start experience.

This sharing in decisions for the future is one of the primary aims of parent participation and involvement in Project Head Start.

B. THE ROLE OF THE PARENTS

Every Head Start Program Must Have Effective Parent Participation. There are at least four major kinds of parent participation in local Head Start programs.

1. PARTICIPATION IN THE PROCESS OF MAKING DECISIONS ABOUT THE NATURE AND OPERATION OF THE PROGRAM.**2. PARTICIPATION IN THE CLASSROOM AS PAID EMPLOYEES, VOLUNTEERS OR OBSERVERS.****3. ACTIVITIES FOR THE PARENTS WHICH THEY HAVE HELPED TO DEVELOP.****4. WORKING WITH THEIR CHILDREN IN COOPERATION WITH THE STAFF OF THE CENTER.**

Each of these is essential to an effective Head Start program both at the grantee level and the delegate agency level. Every Head Start program must hire/designate a Coordinator of Parent Activities to help bring about appropriate parent participation. This staff member may be a volunteer in smaller communities.

1. Parent Participation in the Process of Making Decisions About the Nature and Operation of the Program**Head Start Policy Groups**

a. *Structure.*—The formal structure by which parents can participate in policy making and operation of the program will vary with the local administrative structure of the program.

Normally, however, the Head Start policy groups will consist of the following:

1. *Head Start Center Committee.* This committee must be set up at the center level. Where centers have several classes, it is recommended that there also be parent class committees.

2. *Head Start Policy Committee.* This committee must be set up at the delegate agency level when the program is administered in whole or in part by such agencies.

3. *Head Start Policy Council.* This Council must be set up at the grantee level.

When a grantee has delegated the entire Head Start program to one Delegate Agency, it is not necessary to have a Policy Council in addition to a Delegate Agency Policy Committee. Instead one policy group serves both the Grantee Board and the Delegate Agency Board.

b. *Composition.*—Chart A describes the composition of each of these groups.

Representatives of the Community (Delegate Agency level): A representative of neighborhood community groups (public and private) and of local neighborhood community or professional organizations, which have a concern for children of low income families and can contribute to the development of the program. The number of such representatives will vary depending on the

Chart A

Organization:	Composition
1. Head Start Center Committee.....	1. Parents whose children are enrolled in that center.
2. Head Start Policy Committee (delegate agency).	2. At least 50% parents of Head Start children presently enrolled in that delegate agency program plus representatives of the community.*
3. Head Start Policy Council (grantee).	3. At least 50% parents of Head Start children presently enrolled in that grantee's program plus representatives of the community.**

number of organizations which should appropriately be represented. The Delegate Agency determines the composition of their committee (within the above guidelines) and methods to be used in selecting representatives of the community. Parents of former Head Start children may serve as representatives of the community on delegate agency policy groups. All representatives of the community selected by the agency must be approved by elected parent members of the committee. In no case, however, should representatives of the community exceed 50% of the total committee.

Representatives of the Community (Grantee Agency level): A representative of major

agencies (public and private) and major community civic or professional organizations which have a concern for children of low income families and can contribute to the program. The number of such representatives will vary, depending on the number of organizations which should appropriately be represented. The applicant agency determines the composition of the council (within the above guidelines) and the methods to be used in selecting representatives of the community. Parents of former Head Start children may serve as representatives of the community on grantee agency policy groups. All representatives of the community selected by the agency must be approved by

selected parent members of the committee. In no case, however, should representatives of the community exceed 50% of the total committee or council.

Special Notes

1. All parents serving on policy groups must be elected by parents of Head Start children currently enrolled in the program.

2. It is strongly recommended that the community action agency board have representation from the Head Start Policy Council to assure coordination of Head Start activities with other CAA programs. Conversely, community action agency board representation on the Policy Council is also recommended.

3. It is important that the membership of policy groups be rotated to assure a regular influx of new ideas into the program. For this purpose, terms of membership must be limited to no more than three years.

4. No staff member (nor members of their families as defined in CAP Memo 23A) of the applicant or delegate agencies shall serve on the council or committee in a voting capacity. Staff members may attend the meetings of councils or committees in a consultative non-voting capacity upon request of the council or committee.

5. Every corporate board operating a Head Start program must have a Policy Committee or Council as defined by HEW. The corporate body and the Policy Committee or Council must not be one and the same.

6. Policy groups for summer programs present a special problem because of the difficulty of electing parent representatives in advance. Therefore, the policy group for one summer program must remain in office until its successors have been elected and taken office. The group from the former program should meet frequently between the end of the program and the election of new members to assure some measure of program continuity. These meetings should be for the purpose of (a) assuring appropriate follow up of the children (b) aiding the development of the upcoming summer Head Start program, (c) writing of the application, (d) hiring of the director and establishment of criteria for hiring staff and, when necessary (e) orientation of the new members. In short, the policy group from a former program must not be dissolved until a new group is elected. The expertise of those parents who have previously served should be used whenever possible.

c. **Functions.**—The following paragraphs and charts describe the minimum functions and degrees of responsibility for the various policy groups involved in administration of local Head Start programs. *Local groups may negotiate for additional functions and a greater share of responsibility if all parties agree.* All such agreements are subject to such limitations as may be called for by HEW policy. Questions about this should be referred to your HEW regional office.

(1) The Head Start Center Committee shall carry out at least the following minimum responsibilities:

(a) Assists teacher, center director, and all other persons responsible for the development and operation of every component including curriculum in the Head Start program.

(b) Works closely with classroom teachers and all other component staff to carry out the daily activities program.

(c) Plans, conducts, and participates in informal as well as formal programs and activities for center parents and staff.

(d) Participates in recruiting and screening of center employees within guidelines established by HEW, the Grantee Council and Board, and Delegate Agency Committee and Board.

(2) *The Head Start Policy Committee.* Chart B outlines the major management

functions connected with local Head Start program administered by delegate agencies and the degree of responsibility assigned to each participating group.

In addition to those listed functions, the committee shall:

(a) Serve as a link between public and private organizations, the grantee Policy Council, the Delegate Agency Board of Directors, and the community it serves.

(b) Have the opportunity to initiate suggestions and ideas for program improvements and to receive a report on action taken by the administering agency with regard to its recommendations.

(c) Plan, coordinate and organize agency-wide activities for parents with the assistance of staff.

(d) Assist in communicating with parents and encouraging their participation in the program.

(e) Aid in recruiting volunteer services from parents, community residents and community organizations, and assist in the mobilization of community resources to meet identified needs.

(f) Administer the Parent Activity funds.

(3) *The Head Start Policy Council.* Chart C outlines the major management functions connected with the Head Start program at the grantee level, whether it be a community action or limited purpose agency, and the degree of responsibility assigned to each participating group.

In addition to those listed functions, the Council shall:

(a) Serve as a link between public and private organizations, the Delegate Agency Policy Committees, Neighborhood Councils, the Grantee Board of Directors and the community it serves.

(b) Have the opportunity to initiate suggestions and ideas for program improvements and to receive a report on action taken by the administering agency with regard to its recommendations.

(c) Plan, coordinate and organize agency-wide activities for parents with the assistance of staff.

(d) Approve the selection of Delegate Agencies.

(e) Recruit volunteer services from parents, community residents and community organizations, and mobilizes community resources to meet identified needs.

(f) Distribute Parent Activity funds to Policy Committees.

It may not be easy for Head Start directors and professional staff to share responsibility when decisions must be made. Even when they are committed to involving parents, the Head Start staff must take care to avoid dominating meetings by force of their greater training and experience in the process of decisionmaking. At these meetings, professionals may be tempted to do most of the talking. They must learn to ask parents for their ideas, and listen with attention, patience and understanding. Self-confidence and self-respect are powerful motivating forces. Activities which bring out these qualities in parents can prove invaluable in improving family life of young children from low income homes.

Members of Head Start Policy Groups whose family income falls below the "poverty line index" may receive meeting allowances or be reimbursed for travel, per diem, meal and baby sitting expenses incurred because of Policy Group meetings. The procedures necessary to secure reimbursement funds and their regulations are detailed in OEO Instruction #6803-1.

2. Participation in the Classroom as Paid Employees, Volunteers or Observers

Head Start classes must be open to parents at times reasonable and convenient to them. There are very few occasions when the presence of a limited number of parents would

present any problem in operation of the program.

Having parents in the classroom has three advantages. It:

a. Gives the parents a better understanding of what the center is doing for the children and the kinds of home assistance they may require.

b. Shows the child the depth of his parents concern.

c. Gives the staff an opportunity to know the parents better and to learn from them.

There are, of course, many center activities outside the classroom (e.g., field trips, clinic visits, social occasions) in which the presence of parents is equally desirable.

Parents are one of the categories of persons who must receive preference for employment as non-professionals. Participation as volunteers may also be possible for many parents. Experience obtained as a volunteer may be helpful in qualifying for non-professional employment. At a minimum parents should be encouraged to observe classes several times. In order to permit fathers to observe it might be a good idea to have some parts of the program in the evening or on weekends.

Head Start Centers are encouraged to set aside space within the Center which can be used by parents for meetings and staff conferences.

3. Activities for Parents Which They Have Helped To Develop

Head Start programs must develop a plan for parent education programs which are responsive to needs expressed by the parents themselves. Other community agencies should be encouraged to assist in the planning and implementation of these programs.

Parents may also wish to work together on community problems of common concern such as health, housing, education and welfare and to sponsor activities and programs around interests expressed by the group. Policy Committees must anticipate such needs when developing program proposals and include parent activity funds to cover the cost of parent sponsored activities.

4. Working With Their Children in Their Own Home in Connection with the Staff of the Center

HEW requires that each grantee make home visits a part of its program when parents permit such visits. Teachers should visit parents of summer children a minimum of once; in full year programs there should be at least three visits, if the parents have consented to such home visits. (Education staff are now required to make no less than two home visits during a given program year in accordance with 1304.2-2(e)(4).) In those rare cases where a double shift has been approved for teachers it may be necessary to use other types of personnel to make home visits. Personnel, such as teacher aides, health aides and social workers may also make home visits with, or independently of, the teaching staff but coordinated through the parent program staff in order to eliminate uncoordinated visits.

Head Start staff should develop activities to be used at home by other family members that will reinforce and support the child's total Head Start experience.

Staff, parents and children will all benefit from home visits and activities. Grantees shall not require that parents permit home visits as a condition of the child's participation in Head Start. However, every effort must be made to explain the advantages of visits to parents.

RULES AND REGULATIONS

Definitions as used on charts B and C

A. General Responsibility.—The individual or group with legal and fiscal responsibility guides and directs the carrying out of the function described through the person or group given operating responsibility.

B. Operating Responsibility.—The individual or group that is directly responsible for carrying out or performing the function, consistent with the general guidance and direction of the individual or group holding general responsibility.

C. Must Approve or Disapprove.—The individual or group (other than persons or groups holding general and operating responsibility, A and B above) must approve before the decision is finalized or action taken. The

individual or group must also have been consulted in the decision making process prior to the point of seeking approval.

If they do not approve, the proposal cannot be adopted, or the proposed action taken, until agreement is reached between the disagreeing groups or individuals.

D. Must be Consulted.—The individual or group must be called upon before any decision is made or approval is granted to give advice or information but not to make the decision or grant approval.

E. May be Consulted.—The individual or group may be called upon for information, advice or recommendations by those individuals or groups having general responsibility or operating responsibility.

Function	Chart B				Chart C			
	Delegate agency				Grantee agency			
	Board	Executive director	Head Start policy committee	Head Start director	Board	Executive director	Head Start policy council	Head Start director
I. Planning:								
(a) Identify child development needs in the area to be served (by CAA* if not delegated).	A	B	D	D	A	B	D	D
(b) Establish goals of Head Start program and develop ways to meet them within HEW guidelines.	A	C	C	B	A	C	C	B
(c) Determine delegate agencies and areas in the community in which Head Start programs will operate.					A	D	C	B
(d) Determine location of centers or classes.	A	D	C	B				
(e) Develop plans to use all available community resources in Head Start.	A	D	C	B	A	D	C	B
(f) Establish criteria for selection of children within applicable laws and HEW guidelines.					A	C	C	B
(g) Develop plan for recruitment of children.	A	C	C	B				
II. General Administration:								
(a) Determine the composition of the appropriate policy group and the method for setting it up (within HEW guidelines).	A	B	C	D	A	B	C	D
(b) Determine what services should be provided to Head Start from the CAA* central office and the neighborhood centers.					A	B	C	D
(c) Determine what services should be provided to Head Start from delegate agency.	A	B	C	D				
(d) Establish a method of hearing and resolving community complaints about the Head Start program.	D	C	A	B	D	C	A	B
(e) Direct the CAA* Head Start staff in day-to-day operations.					E	A	E	B
(f) Direct the delegate agency Head Start staff in day-to-day operations.	E	A	E	B				
(g) Insure that standards for acquiring space, equipment, and supplies are met.	A	D	D	B	A	D	D	B
III. Personnel administration:								
(a) Determine Head Start personnel policies (including establishment of hiring and firing criteria for Head Start staff, career development plans, and employee grievance procedures).								
Delegate agency	A	C	C	B	A	C	C	B
(b) Hire and fire Head Start Director of grantee agency.					A	B	C	B
(c) Hire and fire Head Start staff of grantee agency.					E	A	C	B
(d) Hire and fire Head Start Director of delegate agency.	A	B	C					
(e) Hire and fire Head Start staff of delegate agency.	E	A	C	B				
IV. Grant application process:								
(a) Prepare request for funds and proposed work program.								
Prior to sending to CAA*	A	C	C	B	A	C	C	B
Prior to sending to HEW	A	C	C	B	A	C	C	B
(b) Make major changes in budget and work program while program is in operation.	A	C	C	B	A	C	C	B
(c) Provide information needed for prereview to policy council.	A	D	C	B				
(d) Provide information needed for prereview to HEW.	A	D	C	B	A	D	C	B
V. Evaluation: Conduct self-evaluation of agency's Head Start program.	A	D	B	D	A	D	B	D

*CAA or general term "grantee".