



March 8, 2010

TO: Yvette Sanchez Fuentes
Director, Office of Head Start
Administration for Children & Families

FROM: /Lori S. Pilcher/
Assistant Inspector General for Grants, Internal Activities,
and Information Technology Audits

SUBJECT: Results of Limited Scope Review at New Haven Board of Education for
the Period July 1, 2008, Through June 30, 2009 (A-01-09-02509)

The attached final report provides the results of our review of New Haven Board of Education (the Grantee) for the period July 1, 2008, through June 30, 2009. This review was requested by the U.S. Department of Health & Human Services, Administration for Children and Families.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that the Office of Inspector General (OIG) post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

Please send us your final management decision, including any action plan, as appropriate, within 60 days. If you have any questions or comments about this report, please do not hesitate to contact me at (202) 619-1175 or through email at Lori.Pilcher@oig.hhs.gov. Please refer to report number A-01-09-02509 in all correspondence.

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**RESULTS OF LIMITED SCOPE
REVIEW AT NEW HAVEN BOARD
OF EDUCATION FOR THE PERIOD
JULY 1, 2008, THROUGH
JUNE 30, 2009**



Daniel R. Levinson
Inspector General

March 2010
A-01-09-02509

Office of Inspector General

<http://oig.hhs.gov>

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

EXECUTIVE SUMMARY

BACKGROUND

Pursuant to Public Law 110-134, Improving Head Start for School Readiness Act of 2007, Head Start is a national program that promotes school readiness by enhancing the social and cognitive development of children through the provision of educational, health, nutritional, social, and other services to enrolled children and families. Within the U.S. Department of Health and Human Services, the Administration for Children and Families (ACF) administers the Head Start program. The Head Start program awards grants to local public and private nonprofit and for-profit agencies to provide comprehensive child development services to economically disadvantaged children and families.

Under the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted February 17, 2009, ACF received \$1 billion for the Head Start program, including nearly \$354 million to help improve staff compensation and training, upgrade Head Start centers and classrooms, increase hours of operation, and enhance transportation services. An additional \$356 million was allocated to award all Head Start grantees a nearly 5-percent cost-of-living increase and bolster training and technical assistance activities.

The New Haven Board of Education (the Grantee) offers several preschool programs: the federally funded Head Start and Early Head Start programs and the State-funded Head Start and School Readiness and Child Day Care programs. During the Grantee's fiscal year (FY) 2009 (July 1, 2008, through June 30, 2009), ACF directly provided the Grantee with basic Head Start funds totaling \$4,581,065 and Early Head Start funds totaling \$150,466. On July 28, 2009, the Grantee also received \$381,313 in Recovery Act funding.

OBJECTIVES

The objectives of our limited scope review were to determine whether (1) the Grantee was financially viable, (2) the Grantee's financial management system adequately managed and accounted for Federal funds, and (3) the Grantee met certain performance standards.

SUMMARY OF FINDINGS

Based on its current financial condition, the Grantee is financially viable. However, during our audit period, the Grantee's financial management system was not always able to adequately manage and account for Federal funds. Specifically, we found that the Grantee's financial records contained an estimated \$510,000 for salaries and fringe benefits, classroom materials and supplies, and building rent and related costs that were improperly allocated to the Head Start program. As a result, unless the Grantee adjusts its allocation methodology before it submits its final status report, the Head Start program will fund a disproportionate share of the Grantee's expenditures. These deficiencies occurred because the Grantee did not have adequate procedures for properly allocating costs to ensure that it complied with Federal requirements for managing and accounting for Federal funds.

The Grantee met requirements for three of six performance standards that we reviewed: monitoring its delegate agency, budgeting enrollments, and enrolling children with disabilities. However, the Grantee did not comply with performance standards for ensuring that (1) Head Start children received timely health screenings, (2) parents completed family partnership agreements, and (3) the Grantee fully met its responsibilities for shared and effective program governance over the Head Start program. Because it did not meet these performance standards, the Grantee was unable to ensure that it provided the highest quality of services to its Head Start program. These deficiencies occurred because the Grantee did not have adequate procedures or sufficient resources to ensure that it met Head Start performance standards.

RECOMMENDATION

We recommend that ACF consider the information presented in this report in assessing the Grantee's capability as a recipient of Head Start funds.

GRANTEE COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the Grantee disagreed with all of our findings. Specifically, the Grantee asserted that (1) all of the estimated \$510,000 in costs that we found to be improperly allocated to the Head Start program was qualified for Head Start funding and (2) it had established and documented health screenings and Family Partnership Agreements and had adequately monitored Head Start programmatic and fiscal issues, as required by Head Start performance standards.

We maintain that our findings are accurate. Specifically, (1) the Grantee allocated \$510,000 to the Head Start program that should have been allocated to its State grant programs, none of which met Head Start performance standards and (2) at the time of our field work, the Grantee's Head Start program did not fully comply with Head Start performance standards for documenting health screenings and Family Partnership Agreements and for monitoring programmatic and fiscal issues.

We have included the Grantee's comments as the Appendix to this report but have not attached the Grantee's exhibits because they are more than 150 pages long and contain sensitive personal information.

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GRANTEE COMMENTS

INTRODUCTION

BACKGROUND

Federal Head Start Program

Pursuant to Public Law 110-134, Improving Head Start for School Readiness Act of 2007, Head Start is a national program that promotes school readiness by enhancing the social and cognitive development of children through the provision of educational, health, nutritional, social, and other services to enrolled children and families. Within the U.S. Department of Health and Human Services, the Administration for Children and Families (ACF) administers the Head Start program.

The Head Start program provides grants to local public and private nonprofit and for-profit agencies to provide comprehensive child development services to economically disadvantaged children and families, with a special focus on helping preschoolers develop the early reading and math skills needed to be successful in school. Head Start programs engage parents in their children's learning and emphasize parental involvement in the administration of local Head Start programs.

Under the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted February 17, 2009, ACF received \$1 billion for the Head Start program, including nearly \$354 million to help improve staff compensation and training, upgrade centers and classrooms, increase hours of operation, and enhance transportation services. An additional \$356 million was allocated to award all Head Start grantees a nearly 5-percent cost-of-living increase and bolster training and technical assistance activities.

Requirements for Federal Grantees

Pursuant to 45 CFR § 74.21, grantees are required to maintain financial management systems that contain written procedures for determining the reasonableness, allocability, and allowability of costs. Grantees must maintain accounting records that are supported by source documentation and financial systems that provide for accurate and complete reporting of grant-related financial data.

The Head Start Program Performance Standards, as set forth in 42 CFR § 1304, are mandatory regulations that grantees must follow to ensure that program goals and objectives are implemented successfully to provide for the highest possible quality Head Start services.

New Haven Board of Education

The New Haven Board of Education (the Grantee) offers several preschool programs: the federally funded Head Start and Early Head Start programs and the State-funded Head Start and School Readiness and Child Day Care (School Readiness) programs. The Early Head Start program serves children 6 weeks to 3 years, while preschool programs (Head Start and School Readiness) serve 3- to 5-year-olds.

The Grantee's preschool programs are funded primarily through Federal and State grants. During the Grantee's fiscal year (FY) 2009 (July 1, 2008, through June 30, 2009), ACF directly provided the Grantee with basic Head Start funds totaling \$4,581,065. On July 28, 2009, the Grantee also received \$381,313 in Recovery Act funding.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The objectives of our limited scope review were to determine whether (1) the Grantee was financially viable, (2) the Grantee's financial management system adequately managed and accounted for Federal funds, and (3) the Grantee met certain performance standards.

Scope

This review was performed based on a limited scope request from ACF dated April 29, 2009. Therefore, we did not perform an overall assessment of the Grantee's internal control structure. Rather, we reviewed only the internal controls that pertained directly to our objectives. Our review period was FY 2009.¹

We performed our fieldwork at the Grantee's offices in New Haven, Connecticut, from June through August 2009.

Methodology

To accomplish our objectives, we:

- reviewed relevant Federal laws, regulations, and guidance;
- reviewed the Grantee's fiscal procedures related to accounting documentation and preparation of financial reports;
- obtained Federal grant award documentation to determine the Grantee's Federal funding;
- performed liquidity and stability analyses of the Grantee's finances for FY 2008 to determine whether the Grantee was financially viable;
- obtained City of New Haven audited financial statements for FYs 2007 and 2008;
- reviewed policies and procedures for time and attendance reporting and payroll distribution;

¹The Grantee's final financial status report was not due to ACF until September 30, 2009, 3 months after the end of the Grantee's FY. Because this date fell after the end of our fieldwork in August 2009, our audit relied on information in the Grantee's 2009 financial records rather than on its final financial status report submitted to ACF.

- obtained and reviewed all FY 2009 salaries and wages charged to the Head Start program;
- obtained a listing of employees whose salaries were directly charged to the Head Start program;
- interviewed program and fiscal directors for both Federal- and State-funded preschool programs and obtained a listing of employees that actually worked on the Head Start and Early Head Start programs;
- reviewed procurement and purchasing procedures and selected large dollar expenditures for classroom material and supplies, building rent, and other direct costs to determine whether they were properly charged to the Head Start program;
- reviewed the Grantee's procedures for monitoring its delegate agency;
- reviewed 5 months of attendance records to validate enrollment information reported to ACF;
- reviewed enrollment information maintained on children with disabilities and judgmentally selected 32 cases to test the validity of this information;
- judgmentally selected 30 cases to review for evidence of health and developmental screenings and family partnership agreements; and
- reviewed minutes from the Grantee's Board of Directors' meetings.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained a reasonable basis for our findings and conclusion based on our audit objectives.

FINDINGS AND RECOMMENDATION

Based on its current financial condition, the Grantee is financially viable. However, during our audit period, the Grantee's financial management system was not always able to adequately manage and account for Federal funds. Specifically, we found that the Grantee's financial records contained an estimated \$510,000 for salaries and fringe benefits, classroom materials and supplies, and building rent and related costs that were improperly allocated to the Head Start program. As a result, unless the Grantee adjusts its allocation methodology before it submits its final status report, the Head Start program will fund a disproportionate share of the Grantee's expenditures. These deficiencies occurred because the Grantee did not have adequate procedures for properly allocating costs to ensure that it complied with Federal requirements for managing and accounting for Federal funds.

The Grantee met requirements for three of six performance standards that we reviewed: monitoring its delegate agency, budgeting enrollments, and enrolling children with disabilities. However, the Grantee did not comply with performance standards for ensuring that (1) Head Start children received timely health screenings, (2) parents completed family partnership agreements, and (3) the Grantee fully met its responsibilities for shared and effective program governance over the Head Start program. Because it did not meet these performance standards, the Grantee was unable to ensure that it provided the highest quality of services to its Head Start program. These deficiencies occurred because the Grantee did not have adequate procedures or sufficient resources to ensure that it met Head Start performance standards.

FINANCIAL VIABILITY

Short-Term Liquidity

Our analysis of the relationship between the Grantee's current assets and current liabilities determined that the Grantee had the ability to pay its current obligations. Generally, for an organization to be considered fiscally sound, its current assets should be valued more than its current liabilities. Our analysis indicated that the Grantee's current assets exceeded its current liabilities (the current assets-to-liabilities ratio was 1.15). The Grantee's working capital, which is determined by subtracting current liabilities (\$160,250,560) from current assets (\$183,872,385), was positive (\$23,621,825). Positive working capital is a common measure of an organization's liquidity, efficiency, and overall health.

Long-Term Stability

We performed a debt ratio analysis to determine the overall financial risk of the organization. The debt ratio is an organization's total debt divided by total assets and indicates how much the company relies on debt to finance its assets. In general, the lower the company's reliance on debt for asset formation, the less risky the company is because excessive debt can lead to a heavy interest and principal repayment burden. The Grantee's total debt (liabilities) was \$775,043,162 and its total assets were \$1,373,920,020. Thus, only 56 percent of the Grantee's assets were financed through debt, indicating that the Grantee has long-term stability.

FINANCIAL MANAGEMENT SYSTEM

Federal Regulations

2 CFR part 225, Appendix B, section 8.h.5, states that personnel activity reports or equivalent documentation must:

- reflect an after-the-fact distribution of the actual activity of each employee,
- account for the total activity for which each employee is compensated,
- be prepared at least monthly and coincide with one or more pay periods, and

- be signed by the employee.

This regulation further states that any cost allocable to a particular Federal award or cost objective under the principles provided for in 2 CFR part 225 may not be charged to other Federal awards to overcome fund deficiencies or to avoid restrictions imposed by law or terms of the Federal awards.

Appendix A to part 225 sets forth the following general principles for determining allowable costs under Federal awards. To be allowable, costs must:

- be necessary and reasonable for the proper and efficient performance and administration of Federal awards and
- be allocable to Federal awards under the provisions of 2 CFR part 225.

Inadequate Financial Management System

The Grantee's financial management system did not always adequately manage and account for Head Start program funds. Specifically, the Grantee's financial records contained an estimated \$510,000 for salaries and fringe benefits, classroom materials and supplies, and building rent and related costs that were improperly allocated to the Head Start program.

Salaries and Fringe Benefits

The Grantee's payroll distribution system did not provide for (i) an after-the-fact certification of actual activity by salaried employees and (ii) an allocation of salaries for employees who worked on more than one early childhood program. Specifically, the Grantee's financial records indicated that the Grantee allocated salaries and fringe benefits based on predetermined funding sources and not on actual work performed.

When we reallocated these salaries and fringe benefits based on class hours dedicated to the Head Start program, we estimated that the Grantee's financial records contained expenditures totaling approximately \$352,783 that were incorrectly allocated to the Head Start program. Of this amount, the Grantee should have allocated \$39,147 to the Federal Early Head Start program and the remaining \$313,636 to the State-funded School Readiness program for the employees who divided their time between the Head Start and School Readiness programs. As a result, the Head Start program will fund a disproportionate share of the Grantee's expenditures for salaries and fringe benefits unless the Grantee reallocates these costs among the programs that used them before it submits its final status report.

Classroom Material and Supplies

The amount of classroom materials and supplies charged to the Head Start program in FY 2009 was not reasonable. Specifically, the Grantee charged a total of \$91,259 in materials and supplies to the Head Start program, or an average of \$126 for each of the 726 children enrolled in Head Start. During this same period, the Grantee charged a total of \$1,964 in materials and

supplies to its School Readiness program, or an average of only \$4 for each of the 486 children enrolled in School Readiness. The Grantee could provide no evidence that children in the Head Start program required more materials than children in the School Readiness program.

Of the six invoices totaling \$69,415 for Head Start program materials and supplies that we selected for review, one invoice totaling \$10,046 for material and supplies was delivered and received at a facility that contained only children enrolled in the State-funded School Readiness program. Four of the six selected invoices could not be supported by a receipt showing which classroom or facility received the materials and supplies. Grantee officials stated that classroom materials and supplies were not charged based on which classroom used them.

Based on the number of class hours for children enrolled in the Federal- and State-funded programs, we estimated that the Grantee's financial records contained expenditures for material and supplies totaling approximately \$53,137 that were allocated to the Head Start program but should have been allocated to the School Readiness program. As a result, the Head Start program will fund a disproportionate share of the Grantee's expenditures for materials and supplies unless the Grantee reallocates these costs among the programs that used them before it submits its final status report.

Building Rent and Related Costs

The Grantee allocated 100 percent of the costs for rent, custodial services, real estate tax increases, and a security system for the Zigler Center facility to the Head Start program. Five of the seven classrooms in this leased facility are used for afternoon sessions that are funded by the State's School Readiness program.

Based on the number of class hours for children enrolled in the Federal- and State-funded preschool programs at the Zigler Center, we estimated that the Grantee's financial records contained expenditures totaling \$104,392 for building rent and related costs that were allocated to the Head Start program but should have been allocated to the School Readiness program. As a result, the Head Start program will fund a disproportionate share of the Grantee's expenditures for rent and related costs unless the Grantee reallocates these costs among the programs that used them before it submits its final status report.

Cause of Inadequate Financial Management System

The Grantee's financial management system did not always adequately manage and account for Head Start program funds because the Grantee did not have adequate procedures in place for allocating costs among all of its benefiting programs.

PERFORMANCE STANDARDS

Federal Regulations

The Head Start Program Performance Standards, as set forth in 42 CFR § 1304, are mandatory regulations that grantees must follow to ensure that program goals and objectives are

implemented successfully to provide for the highest possible quality Head Start services. They include the following regulations:

45 CFR § 1304.20(a)(1)(ii) states that grantees should “obtain from a health care professional a determination as to whether the child is up-to-date on a schedule of age appropriate preventative and primary health care which includes medical, dental, and mental health.... For children who are not up-to-date on an age-appropriate schedule of well child care, grantee and delegate agencies must assist parents in making the necessary arrangements to bring the child up-to-date.”

45 CFR § 1304.20(b)(1) states: “In collaboration with each child’s parent, and within 45 days of the child’s entry into the program, grantee and delegate agencies must perform or obtain linguistically and age appropriate screening procedures to identify concerns regarding a child’s developmental, sensory (visual and auditory), behavioral, motor, language, social, cognitive, perceptual, and emotional skills.”

45 CFR § 1304.40(a)(1) states: “Grantee and delegate agencies must engage in a process of collaborative partnership-building with parents to establish mutual trust and to identify family goals, strengths, and necessary services and other supports. This process must be initiated as early after enrollment as possible and it must take into consideration each family’s readiness and willingness to participate in the process.”

45 CFR § 1304.40(a)(2) states: “As part of this ongoing partnership, grantee and delegate agencies must offer parents opportunities to develop and implement individualized family partnership agreements [FPA] that describe family goals, responsibilities, timetables and strategies for achieving these goals as well as progress in achieving them.”

45 CFR § 1304.50(a)(1) states that the Grantee “must establish and maintain a formal structure of shared governance through which parents can participate in policy making or in other decisions about the program. This structure must consist of the following groups, as required: (i) Policy Council. This council must be established at the grantee level.... (iii) Parent Committee. For center-based programs, this committee must be established at the center level.”

45 CFR § 1304.51(d) states: “Grantee and delegate agencies must ensure that the following information is provided regularly to their grantee and delegate governing bodies and to members of their policy group:.... (3) Program and financial reports.”

Lack of Compliance With Performance Standards

The Grantee did not fully comply with performance standards for ensuring that (i) Head Start children received timely health screenings, (ii) parents completed family partnership agreements, and (iii) the Grantee fully met its responsibilities as the governing body over the Head Start program.

Child Health Screening Services

The Grantee did not always ensure that children enrolled in the Head Start program were up-to-date on dental, hearing, and vision screenings and that all children new to Head Start received the required hearing and vision screenings within 45 days of entering the program, as Federal regulations require.

Our review of the medical and social services files of 30 children enrolled in the Head Start program found that:

- The files of 22 (73 percent) of the children did not indicate that the children were up-to-date on their dental screenings.
- The files of 17 (57 percent) of the children did not indicate that the children were up-to-date on their hearing screenings.
- The files of 5 (17 percent) of the children did not indicate that the children were up-to-date on their vision screenings.

Fourteen of the 30 children entered the Head Start Program for the first time during FY 2009. The medical files for these children indicated that nine children did not have documentation of hearing screenings and the remaining five children did not have hearing screenings performed within 45 days of entering the program. The medical files for these children also indicated that, although five children received timely vision screenings, two children did not have documented vision screenings and seven children did not have screenings performed within 45 days of entering the program.

Because it did not ensure that all children had received the appropriate screenings, the Grantee was unable to ensure that it provided the highest quality of services to its Head Start program.

Family Partnership Agreement

The Grantee did not always offer parents opportunities to develop and implement individualized family partnership agreements (FPA) that describe family goals, responsibilities, timetables, and strategies for achieving these goals as well as progress in achieving them, as Federal regulations require. Specifically, the social service files and case notes for 30 children enrolled in Head Start during the FY 2009 grant year indicated that the Grantee had not developed and documented FPAs for 13 of these children. For the remaining 17 children, only 9 had FPAs documented in a timely manner, which we defined as either before or within 3 months of enrollment.

Shared and Effective Governance

The Grantee did not comply with Federal requirements to establish and maintain a formal structure of shared governance through which parents can participate in policy making or other decisions about the Head Start program. During FY 2009, the Grantee did not maintain a Policy

Council and did not establish a Parent Committee. During this period, the Head Start program operated with little or no parental involvement in program decisions.

In addition, the Grantee did not comply with Federal requirements for regularly supplying its governing bodies and members of its policy group with financial management and program reports.² Our review of the Grantee's board meeting minutes found no evidence that the Board had received or requested financial or program information on the operation of the Head Start program.

Cause of Lack of Compliance With Performance Standards

These deficiencies occurred because the Grantee did not have adequate procedures or sufficient resources to ensure that it met Head Start performance standards.

RECOMMENDATION

We recommend that ACF consider the information presented in this report in assessing the Grantee's capability as a recipient of Head Start funds.

GRANTEE COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In its written response to our draft report, the Grantee disagreed with all of our findings. The Grantee's response contained 11 exhibits, including copies of OIG procedures, the Grantee's Board of Directors' minutes, a Head Start employee listing, and the Grantee's policies and procedures. We have included the Grantee's comments as the Appendix to this report but have not attached the exhibits because they are more than 150 pages long and contain sensitive personal information. We summarize and respond to the Grantee's comments below.

Financial Management System

Salaries and Fringe Benefits

New Haven Board of Education Comments: Regarding its failure to allocate salaries between programs, the Grantee cited HHS's Information Memorandum (IM) ACYF-IM-HS-01-13), which states:

Cost allocation—and the development of a cost allocation plan—is required only in situations in which Head Start resources (funds, space, personnel) are shared with another program which is not Head Start. This would include a program which may be similar to Head Start but is not providing the full range of Head Start services. The purpose of cost allocation is to ensure that every program which benefits from the shared use of resources is paying its fair share of the costs of that resource.

²Financial management reports include such information as budgeted versus actual costs, related budget shortfalls or surpluses, and the causes of the differences. Program reports include information on enrollment levels, family recruitment efforts, attendance levels, and staff workloads.

The Grantee noted that all of the children at the five centers in question (Grant, Hill, Martinez, Truman, and Zigler) were Head Start eligible and that the State grant programs at the centers provided the full range of Head Start services. The Grantee thus maintained that, based upon this memorandum, it was not required to have a cost allocation plan and that we should rescind our finding that it improperly allocated \$352,783 in salaries and fringe benefits to the Head Start program that it should have allocated to State grant programs.

To demonstrate that it had met the requirements for employee after-the-fact time and effort certification, the Grantee provided a listing containing names and signatures of administrative assistants, education coordinators, outreach workers, and Head Start teachers and assistant teachers.

Office of Inspector General Response: HHS's IM ACYF-IM-HS-01-13 states the following under cost allocation considerations for Head Start with child care before and/or after (i.e., extended hours of service, sometimes called "wrap-around" services): "Although child care is an allowable service in Head Start, it must be an integral part of the program and meet the Performance Standards. Therefore, the before/after periods of child care technically would not be considered Head Start. Costs for such periods would have to be fully allocated to the program providing the funds for them."

The State's grant programs include the School Readiness Program, which takes place after Head Start hours and lengthens the school day by 6 hours. It also covers full days in the summer that are not covered by Head Start. Moreover, although we asked the Grantee to demonstrate that the State's School Readiness program complies with Head Start Performance Standards, the Grantee has not provided this information. According to this IM, the State's School Readiness program would qualify as a wrap-around program, and the grantee should fully allocate shared costs, including salaries and related fringe benefits.

In addition, pursuant to 2 CFR part 225, Appendix B, section 8.h.5, the distribution of salaries and wages must be supported by personnel activity reports prepared at least monthly that reflect an after-the-fact determination of the actual activity of each employee. The listing of the names and signatures of some Head Start employees that the Grantee submitted with its comments does not constitute activity reports. The employees on this listing did not certify their actual time and effort at least monthly during the fiscal year ended August 31, 2009, as required. According to the date of the Head Start Director's signature (October 1, 2009, the only date on the list), the list was created almost 2 months after we informed the Grantee of our audit findings. The list was also incomplete. For example, it included only two of five education coordinators. Therefore, we maintain that the Grantee does not have an adequate after-the-fact effort reporting system that complies with Federal requirements.

We maintain that the Grantee improperly allocated \$352,783 in salaries and fringe benefits to the Head Start program.

Classroom Materials and Supplies

New Haven Board of Education Comments: The Grantee stated that we incorrectly concluded that Head Start funds were used to purchase \$10,046 in materials and supplies for use at the non-Head Start Columbus facility. It maintained that we relied on incorrect documentation from the vendor that a shipment went to the non-Head Start Columbus facility when in fact the materials and supplies were received at the Truman Head Start Center. The Grantee provided us with the purchase requisition, purchase order, and vendor invoice to show that the goods were to be shipped to a Head Start facility.

In addition, the Grantee asserted that we incorrectly calculated the average cost of classroom materials and supplies for Head Start at \$126 per child, compared with only \$4 per child for its School Readiness program. It maintained that our analysis failed to recognize some of the unique aspects of Head Start. The Grantee cited the explanation of “cost per child” in HHS’s IM ACYF-HS-01-13: “‘Cost per child’ in Head Start is an after the fact calculation, not a beginning point in the budget process. Only after the budget has been developed is the concept relevant or appropriate. In analyzing a grantee’s proposed budget, ‘cost per child’ has limited utility.”

The Grantee reiterated that the School Readiness grant funds are used to lengthen the school day at Head Start programs and serve all Head Start program children. The Grantee maintained that the funds constitute part of the 20 percent matching requirement under the Head Start program but do not require a cost allocation plan.

Office of Inspector General Response: The purchase requisition, purchase order, and vendor invoice that the Grantee produced are not valid documents for proving which facility actually received the \$10,046 in classroom materials and supplies. Although the Grantee maintained that the materials and supplies went to the Truman Center, we traced the two signatures on the vendor’s delivery receipt to two teachers assigned to the School Readiness program at the Columbus facility, which does not house any Head Start children.

We maintain that our cost per child calculation is valid and complies with HHS’s IM because it is an “after-the-fact” calculation. The average annual actual cost of \$126 for Head Start versus the \$4 for School Readiness per enrolled child reinforces our finding that the Head Start program has been unreasonably overcharged for costs related to the State’s School Readiness program. We also note that the overcharges for materials and supplies involved seven non-Head Start facilities that the Grantee identified to its State School Readiness program. In the absence of a cost allocation plan, the Grantee’s practice is to directly charge materials and supplies for all classrooms to the Head Start program.

Contrary to the Grantee’s assertions, the Grantee is required to comply with HHS’s Information Memorandum (IM) ACYF-IM-HS-01-13 to fully allocate costs of materials and supplies to its School Readiness program because the School Readiness program does not comply with Head Start Performance Standards. In addition, the large disparity in annual costs does not support the Grantee’s contention that the School Readiness program provides for a similar range of services to the Head Start program. A School Readiness program that only incurs \$4 per child even

though it has longer class times and hours cannot be considered similar to the Head Start program. The Grantee's response does not address this issue.

We maintain that the Grantee has overcharged the Head Start program a total of \$53,137 for classroom materials and supplies.

Building Rent and Related Costs

New Haven Board of Education Comments: In response to our finding that the Grantee overcharged the Head Start program \$104,392 for the costs of rent, custodial services, and real estate tax increases for the Zigler Center that should have been charged to the School Readiness program, the Grantee again stated that, based on HHS' IM ACYF-IM-HS-01-13, the Grantee was not required to create a cost allocation plan for these charges.

Office of Inspector General Response: We maintain that the Grantee did not properly comply with HHS' IM ACYF-IM-HS-01-13. As discussed in the sections above on salaries and classroom supplies, the Grantee has not demonstrated that the School Readiness program complies with Head Start Performance Standards. As a result, these costs must be fully allocated to the program providing the funds for them. Therefore, we maintain that the Grantee overcharged the Head Start program a total of \$104,392 for the Zigler facility's building rent and related costs.

Performance Standards

Health Screening

New Haven Board of Education Comments: The Grantee said that each child that enters the Head Start program must have an Early Childhood Health Assessment Record to submit, which includes the child's screening information. These records include immunization records and information from a parent questionnaire regarding the child's health screening for vision, hearing, lead exposure, TB, urinalysis, anemia, and developmental assessment. The records also include a determination of whether the child received dental care within the previous 12 months. The Grantee stated that it had provided children's Early Childhood Health Assessment Record forms for 28 of the 30 children that we sampled.

Office of Inspector General Response: Although the Grantee provided us with Early Childhood Health Assessment Record forms for 28 of the 30 children sampled, these forms did not always have the vision, hearing, or dental section completed by the health care provider to demonstrate that screening was performed. We detail this missing information in the body of our report.

Family Partnership Agreements

New Haven Board of Education Comments: The Grantee stated that its policies require that each Head Start family be offered the opportunity to participate in forming a written FPA. The Grantee stated that Head Start Performance Standards place emphasis on relationship building rather than on the agency's system of documenting and maintaining family records. The Grantee

also stated that it used written plans, case notes, tape recordings, and other means to help families document the agreement process and progress towards achieving their goals.

Office of Inspector General Response: Pursuant to 45 CFR 1304.40(a)(2), Head Start grantees and delegate agencies must offer parents opportunities to develop and implement individualized FPAs. In addition, 45 CFR 1304.51(g) states that grantees and delegate agencies must establish and maintain an efficient and effective record-keeping system to provide accurate and timely information regarding children, families, and staff and to provide documentation that agencies are meeting program requirements. We maintain that the grantee did not demonstrate through such means as written plans, case notes, or tape recordings that families of 13 of the children sampled were offered opportunities to develop an FPA.

Shared and Effective Governance

New Haven Board of Education Comments: The Grantee said that, although it implemented a new process for shared and effective governance on August 24, 2009, it had adequately monitored Head Start programmatic and fiscal issues since it began receiving Head Start funds. The Grantee outlined its new process, which it said adds a layer of communication.

Office of Inspector General Response: At the time of our field work, the Grantee did not have policies and practices in place to ensure that the Board and Policy council received program and financial reports on a regular basis.

Arbitrary and Inadequate Time Period for Grantee To Respond to Draft Report

New Haven Board of Education Comments

The Grantee stated that we had not provided an adequate amount of time for it to respond to our draft report. Specifically, it said that we had given it only 5 days total, of which 2 were not business days, to comment on our draft report. The Grantee noted that the “OAS Policies and Procedures Manual” specifies that the response time for a draft report is 30 days.

Office of Inspector General Response

The “OAS Policies and Procedures Manual” manual does not set forth a requirement that all auditees must have 30 days to provide their response. In fact, one of the passages from the manual that the Grantee quotes in its comments states: “On occasion, however, the auditee may be instructed to respond in less than the usual 30 days.”

Furthermore, we disagree with the Grantee’s assertion that it had only 3 business days to prepare its response. We informed the Grantee of the audit results at the exit conference on August 6, 2009, and the Grantee agreed with our findings and recommendations. To facilitate the Grantee’s response, we provided written details on all findings to the Grantee on September 1, 2009. The draft report was then issued to the Grantee on October 29, 2009, with a requested response date of November 6, 2009 (5 business days). The draft findings did not differ

materially from the detailed findings provided to the Grantee on September 1. In reality, the Grantee had over 60 days, from September 1 to November 6, to formulate its response.

APPENDIX

VIA E-MAIL

Mr. Michael J. Armstrong
U.S. Department of Health and Human Services
Regional Inspector General for Audit Services
Office of Audit Services
Region I
John F. Kennedy Federal Building
Room 2425
Boston, MA 02203

Re: Response to "Results of Limited Scope Review at New Haven Board of Education for the Period July 1, 2008, Through June 30, 2009" (Report Number:A-01-09-02509)

Dear Mr. Armstrong:

On behalf of the New Haven Board of Education (NHBOE), please find enclosed NHBOE's response of the to the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) draft report, entitled "Results of Limited Scope Review of New Haven Board of Education for the Period July 1, 2008, Through June 30, 2009" and exhibits. If you have any questions, please contact me at (202) 965-3652 or cporter@bruman.com. Thank you for your attention to this matter.

Sincerely,



Christopher Porter

cc: Mr. George Nedder, Audit Manager,
U. S. Department of Health and Human Services
Dr. Reginald Mayo, Superintendent
New Haven Board of Education

New Haven Board of Education
Response to Draft Report:
Results of Limited Scope Review of New Haven Board of Education for the
Period July 1, 2008, Through June 30, 2009
(Report Number: A-01-09-02509)

Submitted to:
Michael J. Armstrong
U.S. Department of Health and Human Services
Regional Inspector General for Audit Services
Office of Audit Services
Region I
John F. Kennedy Federal Building
Room 2425
Boston, MA 02203

This is the response of the New Haven Board of Education (NHBOE) to the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) report, entitled "Results of Limited Scope Review of New Haven Board of Education for the Period July 1, 2008, Through June 30, 2009." As demonstrated below, the report erroneously concludes that the NHBOE did not properly administer Head Start funds expended in fiscal year (FY) 2008-2009. OIG did not review all relevant documentation and cited cost allocation requirements that do not apply to NHBOE's Head Start program. In addition, OIG has not given NHBOE an adequate period of time to respond to the OIG's report. OIG provided NHBOE only 5 days from the date of the report, October 29, 2009, to respond to its findings. NHBOE's response below, based on each report finding, addresses the overarching flaws in audit methodology, the inaccuracy of each of the rationales supplied for the finding, and provides supporting documentation.

Financial Management System

OIG stated that NHBOE's financial management system did not always adequately manage and account for Head Start program funds in the areas addressed below. NHBOE notes that it recently completed its triennial review. A team of experienced and committed Head Start examiners from throughout the country was on-site in New Haven for the week of October 25th-30th, and completed extensive field work. The purpose of the review was to ensure that the funding for Head Start and Early Head Start programs is effectively employed and in compliance with Federal requirements. More specifically, there are more than 1,700 Federal mandates used for regulating the programs. The team used the 2010 PRISM protocol to assess compliance with these regulations. It reviewed all content areas, including Education, Special Services, Mental Health, Health, Safety and Nutrition, Family and Community Partnerships, as well as Program, and Design & Management, which included Human Resources, Fiscal and Governance (Board of Directors & Policy Council). The reviewer also interviewed the City of New Haven's controller, accounts receivable staff, and accounts payable staff. In the closing meeting, it was reported that there were no findings in the area of fiscal management.

I. Salaries and Related Fringe Benefits Costs

OIG found that NHBOE's payroll distribution system did not provide for an after-the-fact certification of the actual activity by salaried employees. NHBOE does have time and effort records for all of the employees in question, and is including them with its response.¹

OIG also estimated that NHBOE overcharged salary and related fringe benefits costs to the Head Start program in the amount of \$352,783, of which \$39,147 should have been charged to the Early Head Start program and \$313,636 should have been charged to Connecticut's School Readiness (SR) Grant. This finding specifically related to the salaries charged for 13 Head Start employees, as detailed immediately below. Based on its response, NHBOE requests that this finding be rescinded.

a) *Early Head Start Social Services Coordinator and 4 Teaching Assistants*

OIG found that NHBOE charged 100 percent of the salary expenditures and 48 percent of fringe benefits costs to the Head Start program for five staff members who did not expend any effort on Head Start. The individuals in question were the Early Head Start Social Services Coordinator and four Teaching Assistants at the Zigler Head Start Center. OIG stated that the Social Services Coordinator worked 100 percent on the Early Head Start program.

The Zigler Head Start Center enrolls 124 students, all of whom are Head Start-eligible. Head Start provides funding for 106 students; other students also benefit from the use of the SR Grant and the State Head Start Enhancement grant. These state grants lengthen the school day from 6 to 10 hours, and the school year from 41 to 50 weeks.

Under Sec. 640(b) of the Head Start Act of 2007, each Head Start program is to be funded, as follows:

Financial assistance extended under this subchapter for a Head Start program shall not exceed 80 percent of the approved costs of the assisted program or activities, except that the Secretary may approve assistance in excess of such percentage if the Secretary determines that such action is required in furtherance of the purposes of this subchapter. For the purpose of making such determination, the Secretary shall take into consideration with respect to the Head Start program involved--

- (1) the lack of resources available in the community that may prevent the Head Start agency from providing all or a portion of the non-Federal contribution that may be required under this subsection;
- (2) the impact of the cost the Head Start agency may incur in initial years it carries out such program;
- (3) the impact of an unanticipated increase in the cost the Head Start agency may incur to carry out such program;
- (4) whether the Head Start agency is located in a community adversely affected

¹ See Exhibit 1.

by a major disaster; and
(5) the impact on the community that would result if the Head Start agency ceased to carry out such program.

Non-Federal contributions may be in cash or in kind, fairly evaluated, including plant, equipment, or services. The Secretary shall not require non-Federal contributions in excess of 20 percent of the approved costs of programs or activities assisted under this subchapter.

Head Start funds are used exclusively for Head Start-eligible students, and School Readiness funds are used to serve Head Start students, but the two funding sources are not commingled. Although Head Start programs are required to contribute 20 percent of the Head Start costs, HHS's Administration for Children & Families (ACF) does not require a cost allocation plan.² However, OIG wrongly concluded that NHBOE incorrectly allocated its FY 2008-2009 Head Start funding. NHBOE relied upon HHS's Information Memorandum (IM) ACYF-IM-HS-01-13 with regard to cost allocation between its Head Start and its partnership arrangements.³ That memorandum states the following:

COST ALLOCATION CONSIDERATIONS

Some grantees mistakenly believe that all costs in a partnership arrangement must be allocated and that cost allocation is a complex and burdensome requirement. In addition, some grantees appear to be confusing the process of formulating a budget that includes child care reimbursement with cost allocation. A partnership arrangement does not automatically lead to a requirement for cost allocation. **Cost allocation--and the development of a cost allocation plan--is required only in situations in which Head Start resources (funds, space, personnel) are shared with another program which is not Head Start. This would include a program which may be similar to Head Start, but is not providing the full range of Head Start services.** The purpose of cost allocation is to ensure that every program which benefits from the shared use of resources is paying its fair share of the costs of that resource.

In the example on page 4, services are being expanded to eligible children. In this case, no cost allocation would be required. However, if the grantee is expanding services to include non-eligible children, then costs associated with those children must be allocated to each funding source, as appropriate. (Emphasis supplied).

Based upon this memorandum, NHBOE did not create a cost allocation plan. As noted above, all of the 124 students at Zigler Head Start Center were Head Start-eligible. The SR Grant and the State Head Start Enhancement grant provide identical services to the Head Start grant. Because all of the students are Head Start-eligible and the State grants at Zigler Head Start

² NHBOE has exceeded the 20% matching requirement. See Exhibit 2, NHPS's Financial Status Report, which demonstrates that NHBOE has met the matching requirement.

³ See Exhibit 3, Information Memorandum ACYF-IM-HS-01-13, p. 4, also located at: http://eclkc.ohs.acf.hhs.gov/hslc/Program%20Design%20and%20Management/Head%20Start%20Requirements/IMS/2001/resour_ime_00412a_020806.html.

Center provided the full range of Head Start services, NHBOE did not create a cost allocation plan for this facility.

NHBOE also notes that although it was not required to create a cost allocation plan, OIG's assertion, in its preliminary results items, that the Early Head Start Social Services Coordinator "worked 100 percent" of her time on the Early Head Start program is incorrect. The employee in question is actually the Basic Head Start Social Worker, who worked approximately 80 percent of her time on the Head Start program and 20 percent on the Early Head Start program.

b) *Head Start Director; 2 Administrator Assistants; Fiscal Director; Head Start SWC*

OIG found that NHBOE charged 100 percent of the salary expenditures and fringe benefits costs to the Head Start program for five staff members whose responsibilities and actual efforts included the SR program. The individuals in question were the Head Start Director, 2 Administrator Assistants, Fiscal Director and the Head Start SWC; they worked at the following five Head Start centers: Grant, Hill, Martinez, Truman, and Zigler. OIG determined that SR classroom hours represented 15.1 percent of the individuals' efforts.

Again, based upon HHS's IM ACYF-IM-HS-01-13, NHBOE did not create a cost allocation plan for these individuals. All of the children at the five Head Start centers in question (Grant, Hill, Martinez, Truman, and Zigler) were Head Start-eligible. As noted above, the SR Grant and the State Head Start Enhancement grant provide identical services to the Head Start grant. Because all of the students at the five Head Start centers were Head Start-eligible and the State grants at the centers provided the full range of Head Start services, NHBOE did not create a cost allocation plan for these facilities.

c) *Education Coordinator and 2 Social Workers*

OIG found that NHBOE charged 100 percent of the salary expenditures and fringe benefits to the Head Start program for three staff members whose responsibilities and actual efforts included the SR program. The individuals in question were the Education Coordinator and two social workers at Zigler Head Start center. OIG determined that SR classroom hours represented 40.5 percent of the individuals' efforts.

As noted above, based upon HHS's IM ACYF-IM-HS-01-13, NHBOE was not required to create a cost allocation plan for these individuals. All of the 124 children at Zigler were Head Start-eligible. As noted above, the SR Grant and the State Head Start Enhancement grant provide identical services to the Head Start grant. Because all of the students at Zigler were Head Start-eligible and the State grants at the centers provided the full range of Head Start services, NHBOE did not create a cost allocation plan for these facilities.

II. Classroom Materials and Supplies

OIG found that NHBOE overcharged its Head Start program for classroom materials and supplies identified to its SR program. As evidence that it overcharged the Head Start program, OIG points to an invoice totaling \$10,046 for materials and supplies delivered to and received at

the Columbus facility that did not house any HS classes. OIG's assertion that Head Start funds were used to purchase materials and supplies that were used at the Columbus is incorrect. The transaction in question, regarding the invoice for \$10,046, involved materials and supplies that were never sent to Columbus, but were sent to the Truman School, which does operate a Head Start program.⁴ OIG erroneously relied upon an incorrect document produced by the vendor, Little Scientists, which mistakenly stated that a shipment went to Columbus, when it actually went to Truman, as planned. NHBOE has provided documentation supporting its assertion that the goods in question were received at Truman, not Columbus.

Specifically, NHBOE is providing a purchase order (No. 95279003 HS), entered into NHPS's system on August 26, 2008. The purchase order specifies that the goods were to be delivered to Truman School. NHBOE is also providing the requisition, from the City of New Haven, dated August 29, 2008, with the same purchase order number; the requisition also denotes that the vendor must ship the goods to the Truman School. NHBOE is providing the invoice from Little Scientists, which is signed and dated October 14, 2008, denoting that the goods were received at the Truman School. This document functions as NHPS's receiver copy. NHBOE is also providing the vendor's delivery receipt, dated October 10, 2008, which erroneously states that the goods were delivered at Columbus. This document is produced and used by the vendor. It is not a document that NHPS produced or relied upon. OIG erroneously concluded, based upon this document, that the goods were delivered to the wrong site, when they were not. As a result, NHBOE requests that this finding be rescinded.

OIG also found that for FY 2008-2009, NHBOE charged \$91,259 in classroom materials and supplies to the Head Start program or an average actual cost of \$126 per enrolled child (based on 726 Head Start-enrolled children). OIG found that, during the same period, materials and supplies were charged to the SR program at only \$1,964, or \$4 per enrolled child.

OIG's analysis fails to recognize some of the unique aspects of Head Start. As mentioned above, NHBOE does not use a cost allocation plan because of its reliance upon HHS's IM ACYF-IM-HS-01-13. That HHS IM also states the following with regard to Head Start per child costs:

COST PER CHILD

One of the perceived barriers to partnerships between Head Start and other child care programs is the concept of "cost per child." The perception is that because the cost per child in Head Start is so much higher than in child care programs, a partnership is not possible. Therefore, it is important to put this concept in perspective. "Cost per child" in Head Start is an after-the-fact calculation, not a beginning point in the budget process. Only after the budget has been developed is the concept relevant or appropriate. Cost per child is merely a number calculated by dividing a budget by the number of children served. For example, the national cost per child is calculated in this manner and can be useful in comparing the cost of Head Start with the cost of other Federally-funded programs. However, one must be careful to understand the widely varying service and related cost components of the programs; otherwise one will be "comparing apples and

⁴ See Exhibit 4, purchase orders, invoices and receiving documents related to the relevant transaction with Little Scientists.

oranges."

In analyzing a grantee's proposed budget, "cost per child" has limited utility. It can be a flag which causes a budget analyst to look closely at costs which vary widely from one grantee to another, or as a way to compare a grantee's cost in one budget period with another. But it is essential that the reason for the varying cost per child be identified. For example, donated versus leased space may be a major difference in the cost per child of two grantees otherwise similarly situated. Inappropriate use of the "cost per child" beyond these obvious purposes can seriously distort discussions about budgets between 1) grantees and their funding office, 2) grantees and their delegate agencies, and 3) grantees and potential child care partners. An analysis of the proposed budget must consider all of the major costs of providing services as they actually exist for the grantee, and should ensure that costs are reasonable compared to other entities in the relevant geographic area.

Head Start grantees are funded to meet the reasonable costs of providing needed quality services to children and families within the bounds of Federal funds appropriated for the program. **Head Start budgets are not premised on a "cost per child."** (Emphasis supplied).⁵

Based on HHS's interpretation, emphasis on per child costs within a Head Start program is misplaced.

OIG also fails to acknowledge that there is no separate SR program at most of the Head Start centers. The SR grant funds are used to lengthen the school day at Head Start programs, by serving all Head Start program children. These funds constitute part of the 20 percent matching requirement under the Head Start program, but do not require a cost allocation plan, despite OIG's assertions to the contrary. Therefore, NHBOE requests that this finding be rescinded.

III. Building Rent and Related Costs

OIG found that NHBOE overcharged its Head Start program for the costs of rent, custodial services, and real estate tax increases for the Zigler Head Start Center, in the amount of \$104,392, that should have been charged to the School Readiness program. OIG made this determination by finding that, based on the number of classroom hours for the Head Start and SR grant programs, that the SR classrooms represented 40.5 percent of the total classroom hours.

As noted above, based upon HHS's IM ACYF-IM-HS-01-13, NHBOE was not required to create a cost allocation plan for these charges related to Zigler Head Start Center. All of the 124 children at Zigler were Head Start-eligible. As noted above, the SR grant provides identical services to the Head Start grant. Because all of the students at Zigler were Head Start-eligible and the SR grant at the centers provided the full range of Head Start services, NHBOE did not create a cost allocation plan for these facilities.

⁵ See Exhibit 3, Information Memorandum ACYF-IM-HS-01-13, p. 2.

OIG also again fails to acknowledge that there is no separate SR program at most of the Head Start centers. The SR grant funds are used to lengthen the school day at Head Start programs, to serve all Head Start program children. These funds constitute part of the 20 percent matching requirement under the Head Start program, but do not require a cost allocation plan, despite OIG's assertions to the contrary.

Performance Standards

I. Child Health Screening Services

OIG stated that children in NHBOE's Head Start program were not always up-to-date in their scheduled preventative and primary health care due to nursing vacancies during the first half of the grant year. Specifically, OIG reviewed 30 Head Start children, ages 3 to 5, from the 2008-2009 grant year, and found that dental, vision and hearing screenings were not always up-to-date. Under 45 CFR 1304.20(a)(1)(ii)(A), the grantee and delegate agencies must assist parents in making the necessary arrangements to ensure that children who are not up-to-date on an age-appropriate schedule of well child care are brought up-to-date. In addition, under 45 CFR 1304.20(b)(1), in collaboration with each child's parent, and within 45 days of the child's entry into the program, the grantee and delegate agencies must perform or obtain linguistically and age appropriate screening procedures to identify concerns regarding a child's developmental, sensory (visual and auditory), behavioral, motor, language, social, cognitive, perceptual, and emotional skills.

New Haven Public Schools (NHPS) receives medical and nursing services from the City of New Haven Department of Health (NHDOH). New Haven adheres to a standard mandated by the State of Connecticut, the "Early and Periodic Screening, Diagnosis and Treatment" schedule. NHPS requires a current screening form for entry into the Head Start program, such that Head Start children have already been screened for vision and hearing problems when they enter the program. Upon entering the Head Start program, the child must have an Early Childhood Health Assessment Record to submit, which includes the child's screening information.⁶ These records include information from a parent questionnaire regarding the child's health, screenings for vision, hearing, lead exposure, TB, urinalysis, anemia, and developmental assessment, and immunization records. The records also include a determination of whether the child received dental care within the previous 12 months. Of the 30 children sampled, NHPS provided Early Childhood Health Assessment Record forms for 28 children.

Beginning in the 2008-2009 school year, NHPS has strengthened its collaboration with NHDOH and begun to better staff its program with medical staff needed to conduct all screenings. To date, for this program year, NHPS is in full compliance, and up to date on screenings. The October 25th-30th triennial review confirmed NHPS's compliance. NHPS has screened 100% of Head Start children and implemented an improved tracking system.

In addition to using NHDOH's services, NHPS, beginning in the 2008-2009 school year, began its own vision test screenings, through a partnership with "Prevent Blindness Tri-State." Prevent

⁶ See Exhibit 5, a sample of Connecticut's "Early Childhood Health Assessment Record" and related documents.

Blindness Tri-State a leading volunteer eye health and safety organization, operating in Connecticut, New York, and New Jersey, that is dedicated to fighting blindness and saving sight. Prevent Blindness Tri-State is focused on promoting a continuum of vision care. NHPS also entered into a contract with an audiologist to conduct hearing screenings. These vision and hearing screenings are continuing for the 2009-2010 school year. In addition, NHBS routinely conducts language, behavioral, motor, social, cognitive, perceptual, emotional screens, using tools such as TABS and ESY.

NHPS also has taken additional actions to improve its health services. Specifically, NHPS hired a health consultant to oversee its health services and 4 nurses. NHPS also completed a review of its health services and implemented a plan; NHPS is currently in full compliance with all screenings – vision, hearing and dental. As a result, NHBOE requests that this finding be rescinded.

II. Family Partnership Agreements

OIG stated that NHBOE did not always document instances in which families were unwilling to assist in developing Family Partnership Agreements (FPAs). Specifically, OIG stated that, of the 30 children it sampled, 13 did not have documented FPAs; of the remaining 17 children, only 9 had timely FPAs. Under 45 CFR 1304.40(a)(2), the grantee and delegate agencies must offer parents opportunities to develop and implement individualized family partnership agreements that describe family goals, responsibilities, timetables and strategies for achieving these goals as well as progress in achieving them. Families are not required to enter into an FPA. NHBOE's policies do require that each Head Start family be offered the opportunity to participate in forming a written FPA. For families that agree to participate in this process, the Family and Community Partnership (FCP) staff works with the families to develop FPAs. However, an FPA is not required for families that do not want an FPA; in fact, there are many families that are not willing to participate in establishing an FPA. NHBOE is providing its policies and procedures that address the Family Partnership Agreement requirements.⁷

Although OIG states that this refusal must be documented, the "Head Start Program Performance Standards," regarding documentation of effort to form a written FPA, does not place emphasis on the documentation, but rather the process of relationship building. NHBOE has incorporated this guidance into its policies; the guidance states:

The emphasis here is on the process of relationship building, **and not on the agency's system of keeping family records**. Because the family partnership agreement process is family driven, plans will vary across families, and, in some cases, may not be written documents. In order to help families document the agreement process and progress towards achievement of their goals, methods such as written plans, case notes, tape recordings, or other means are used. (Emphasis added).⁸

⁷ See Exhibit 6, NHBOE's Family and Community Partnerships Policies and Procedures.

⁸ See Exhibit 7, p. 1.

The purpose of the FPA is to establish and maintain a relationship over time that facilitates interactions that will eventually produce family-generated goals. For NHBOE to require that participating Head Start families sign a document that demonstrates their unwillingness to create a partnership would conflict with the Head Start Performance Standards, as well their intent.

NHPS also notes that it has added staff, such that it is now fully staffed, and is providing technical assistance with regard to compliant FPAs. NHPS is also reviewing its FPAs to ensure compliance.

For the aforementioned reasons, NHBOE requests that this finding be rescinded.

III. Shared and Effective Governance

OIG stated that NHBOE “did not comply with Federal requirements to establish and maintain a formal structure of shared governance through which parents can participate in policy making or other decisions about the Head Start program.” Under 45 CFR 1304.51(d)(3), Head Start grantees and delegate governing bodies must ensure that program and financial reports are provided regularly to their grantee and delegate governing bodies and to members of their policy groups.

In fact, NHBOE’s policies and practices ensure that the Supervisor of Early Childhood Education facilitates communication of information between Head Start Director and NHBOE.⁹ The Head Start Director provides a written program update report for both the grantee and delegate sites to the Superintendent for inclusion in the NHBOE packets on a monthly basis, and the Fiscal Officer provides a written financial update on a monthly basis. NHBOE reviews both reports at the second board meeting of each month.

NHBOE receives regular, scheduled programmatic and fiscal reports regarding Head Start through a committee structure, as is the case for other Federal grant programs. NHBOE changed the format in which Head Start information is shared with the Board, effective August 24, 2009.¹⁰ The Curriculum Committee receives all requests for approval of all grants and other funds, along with a description of how the funds will be utilized and the requirements of the grant. The Committee requires a presentation, in person, by the Department Head responsible for the grant (here the Head Start Director). All monetary transactions are received by the Administration and Finance Committee, and also require a presentation from the Department Head. Both committees provide minutes, which are reviewed and voted on by the full NHBOE. This has been the process within the school district since it has operated a Head Start program and has not been questioned or cited by HHS staff in previous Head Start program reviews. The new process, instituted in August 2009, adds a layer of communication, but NHBOE members have adequately monitored Head Start programmatic and fiscal issues for the duration of the time period that New Haven has reviewed these grants.

Arbitrary and Inadequate Time Period for NHBOE to Respond to OIG Draft Report

⁹ See Exhibit 8, protocol for sharing information is shared with NHBOE.

¹⁰ See Exhibit 9, a sample of the new format for reporting to NHBOE, as well as sample meeting minutes and related documentation.

OIG has not given NHBOE an adequate period of time to respond to the OIG's report. OIG provided NHBOE only 5 days from the date of the report, October 29, 2009, to respond. However, under Section 30-03-40 of the "OAS Audit Policies and Procedures Manual," OIG staff is normally required to give auditees 30 days to respond to its reports. Section 30-03-40, entitled "Instruction for Requesting Auditee Response," states the following:

Transmittal Memorandums and letters should contain instructions for the auditee's response to the report.

The response instructions should tell the auditee to whom its response should be directed, to respond within 30 days, and to refer to the Report Number in all report-related correspondence. On occasion, however, the auditee may be instructed to respond in less than the usual 30 days.¹¹

In addition, OAS Audit Policies and Procedure Manual Exhibit 6-30-03-A, "Summary of Selected Transmittal Requirements," states that auditees should be given 30 days to respond to an OIG Audit Report.¹²

Here, there has been no justification for requiring NHBOE to respond in fewer than 30 days. Instead, OIG has provided NHBOE with an inadequate amount of time, prejudicing its ability to comprehensively respond to the draft report. In addition, NHBOE did not receive the report until Friday afternoon, October 30, 2009, with the response due Tuesday, November 2, 2009. Therefore, NHBOE was allowed fewer than 3 full weekdays to respond to the draft report. NHBOE has provided three examples of other grantees that received OIG reports, and notes that in each case, the grantee was allowed 30 days to respond.¹³

In addition, OIG provided preliminary result items for NHBOE to have a general conception of the substance of its findings in October 2009. OIG told NHPS staff that this would allow NHBOE and NHPS adequate time to respond to the draft report. However, there are clear substantive differences between those preliminary results and the draft report findings, both with regard to categories of findings and the monetary amounts of the findings. Therefore, allowing such a short time period for NHBOE to respond is also unfair.

For all of the above mentioned reasons, by allowing such a small amount of time to respond, OIG has acted arbitrarily and unfairly toward NHBOE.

Conclusion

In closing, NHBOE respectfully disagrees in whole with OIG's findings and requests that the findings be reconsidered, revised, and that the recommendations be withdrawn before the issuance of a final report. The serious flaws in methodology led to obvious errors in the draft

¹¹ See Exhibit 10, p. 4.

¹² See Exhibit 10, p. 8.

¹³ See Exhibit 11.

report and bring into question the management of the audit as a whole, such that the findings and recommendations should be reviewed and withdrawn.