



Office of Audit Services, Region III  
Public Ledger Building, Suite 316  
150 S. Independence Mall West  
Philadelphia, PA 19106-3499

November 2, 2011

Report Number: A-03-11-00500

Mr. J. Gilbert Seaux  
Board Chairman  
Spotsylvania County Public Schools Head Start Program  
3140 Summit Crossing Road  
Fredericksburg, VA 22408

Dear Mr. Seaux:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Results of Review of Spotsylvania County Schools Head Start Costs Claimed for the Period August 2008 Through July 2010*. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

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

If you have any questions or comments about this report, please do not hesitate to call me, or contact Michael Walsh, Audit Manager, at (215) 861-4480 or through email at [Michael.Walsh@oig.hhs.gov](mailto:Michael.Walsh@oig.hhs.gov). Please refer to report number A-03-11-00500 in all correspondence.

Sincerely,

/Stephen Virbitsky/  
Regional Inspector General  
for Audit Services

Enclosure

**Direct Reply to HHS Action Official:**

Ms. Linda Savage

Regional Program Manager

Administration for Children and Families

U.S. Department of Health and Human Services

Region III

Public Ledger Building, Suite 864

Philadelphia, PA 19106

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**RESULTS OF REVIEW OF  
SPOTSYLVANIA COUNTY SCHOOLS  
HEAD START COSTS CLAIMED  
FOR THE PERIOD AUGUST 2008  
THROUGH JULY 2010**



Daniel R. Levinson  
Inspector General

November 2011  
A-03-11-00500

# *Office of Inspector General*

<http://oig.hhs.gov>

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# *Notices*

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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

## **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), Office of Head Start, administers the Head Start program.

The American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted February 17, 2009, provided an additional \$1 billion for the Head Start program during fiscal years 2009 and 2010. These funds were intended for activities such as expanding enrollment, funding cost-of-living wage increases for grantees, upgrading centers and classrooms, and bolstering training and technical assistance.

The School Board of the Spotsylvania County School District (Spotsylvania) Head Start program is a comprehensive preschool program promoting school readiness for eligible low income children and providing family support in the areas of medical care, housing, financial literacy, nutrition, education, and positive parenting. At the time of our audit, the Spotsylvania Head Start program had classrooms at 5 separate Spotsylvania locations and enrolled 121 preschool children.

The Spotsylvania Head Start program is funded primarily through Federal and local Government grants. For the period August 2008 through July 2010, ACF awarded regular grant funds totaling \$1,615,381 to the Spotsylvania Head Start program. On June 11, 2009, Spotsylvania also received \$60,117 in Recovery Act funding.

### **OBJECTIVES**

Our objectives were to determine whether Spotsylvania adequately supported Head Start program costs claimed on its Financial Status Reports and records and whether the costs were allowable, allocable, and reasonable, and to determine whether Spotsylvania operated its program in accordance with Federal regulations.

### **SUMMARY OF FINDINGS**

Based on our review, Spotsylvania adequately supported Head Start program costs claimed on its Financial Status Reports and records, and the costs were allowable, allocable, and reasonable. Spotsylvania operated its program in accordance with Federal regulations. However, our review identified control weaknesses related to Spotsylvania's in-kind contributions.

## **RECOMMENDATION**

We recommend that Spotsylvania improve procedures to ensure that in-kind contributions of transportation expenses are accurately documented and supporting records for volunteer services are verified.

## **SPOTSYLVANIA COUNTY SCHOOLS COMMENTS**

In its comments on our draft report, Spotsylvania concurred with all of our findings and identified steps it had taken or planned to take.

Spotsylvania's comments are included in their entirety in the Appendix.

# TABLE OF CONTENTS

	<u>Page</u>
<b>INTRODUCTION</b> .....	1
<b>BACKGROUND</b> .....	1
Head Start Program.....	1
Spotsylvania County Schools Head Start Program.....	1
Federal Requirements .....	1
<b>OBJECTIVES, SCOPE, AND METHODOLOGY</b> .....	2
Objectives .....	2
Scope.....	2
Methodology.....	2
<b>FINDING AND RECOMMENDATION</b> .....	3
<b>IN-KIND DOCUMENTATION AND REPORTING</b> .....	3
<b>RECOMMENDATION</b> .....	4
<b>OTHER MATTER: IN-KIND SERVICES AND FACILITIES</b> .....	4
<b>SPOTSYLVANIA COUNTY SCHOOLS COMMENTS</b> ... ..	4



## **INTRODUCTION**

### **BACKGROUND**

#### **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), Office of Head Start, 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.

The American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted February 17, 2009, provided an additional \$1 billion for the Head Start program during fiscal years 2009 and 2010. These funds were intended for activities such as expanding enrollment, funding cost-of-living wage increases for grantees, upgrading centers and classrooms, and bolstering training and technical assistance.

#### **Spotsylvania County Schools Head Start Program**

The School Board of the Spotsylvania County School District (Spotsylvania) Head Start program is a comprehensive preschool program promoting school readiness for eligible low income children and providing family support in the areas of medical care, housing, financial literacy, nutrition, education, and positive parenting. At the time of our audit, the Head Start program had classrooms at 5 Spotsylvania locations and enrolled 121 preschool children.

The Spotsylvania Head Start program is primarily funded through Federal and local Government grants. For the period August 2008 through July 2010, ACF awarded regular grant funds totaling \$1,615,381 to the Spotsylvania Head Start program. On June 11, 2009, Spotsylvania also was awarded \$60,117 in Recovery Act funding.

#### **Federal Requirements**

The Standards for Financial Management Systems (45 CFR § 92.20) establish regulations for grantees to maintain financial management systems. Grantees' financial management systems must provide for accounting records, including cost accounting records, that are supported by source documentation (45 CFR § 92.20(b)(6)). Grantees' financial management systems must also provide effective control over and accountability of all funds, property, and other assets so that recipients adequately safeguard all such assets and assure they are used solely for authorized purposes (45 CFR § 92.20(b)(3)).

Federal regulations (45 CFR § 92.24(b)(6)) require that all cash and third party in-kind contributions used to satisfy the cost sharing or matching requirements of the grant must be verifiable from the recipient's records.

The Head Start Program Performance Standards (45 CFR §§ 1301 through 1311) establish regulations applicable to program operations, administration, and grants management for all grants awarded under the Head Start Act. Section 1301 of the Performance Standards establishes regulations applicable to program administration and grants management for grantees, including non-Federal share requirements (§ 1301.20), administrative cost limitations (§ 1301.32), and employee background check requirements (§ 1301.31).

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

### **Objectives**

Our objectives were to determine whether Spotsylvania adequately supported Head Start program costs claimed on its Financial Status Reports and records and whether the costs were allowable, allocable, and reasonable, and to determine whether Spotsylvania operated its program in accordance with Federal regulations.

### **Scope**

We reviewed Spotsylvania's Head Start program claims for regular grant costs of \$2,849,799 (including costs totaling \$1,577,088 claimed against ACF regular grant awards) and Recovery Act costs of \$53,091 for the period August 2008 through July 2010. We performed this review in response to a March 9, 2011, request for audit from ACF and a subsequent request to provide information about in-kind services. Therefore, we did not perform an overall assessment of the Spotsylvania Head Start program's internal control structure. Rather, we reviewed only the internal controls that pertained directly to our objectives.

We performed our fieldwork at the Spotsylvania administrative offices in Fredericksburg, Virginia, from March 23 through April 1, 2011.

### **Methodology**

To accomplish our objectives, we:

- reviewed relevant Federal laws, regulations, and guidance, including Office of Head Start program and policy announcements;
- reviewed Spotsylvania's Head Start application and supporting documentation;
- reviewed Federal Head Start grant award documentation to determine the Spotsylvania Head Start program's total Head Start and Recovery Act Federal funding;
- interviewed Spotsylvania Head Start program personnel to gain an understanding of its internal controls and its accounting system controls;

- reviewed Spotsylvania’s program and fiscal policies and procedures;
- reviewed Spotsylvania’s Financial Status Reports (Standard Form-269) and supporting documentation;
- reviewed Spotsylvania’s audited financial statements;
- reviewed Spotsylvania’s background checks for all Head Start employees;
- reviewed Spotsylvania’s Board of Director meeting agendas and organizational chart; and
- identified the methodology Spotsylvania used to record in-kind services.

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 provides a reasonable basis for our findings and conclusions based on our audit objectives.

### **FINDING AND RECOMMENDATION**

Based on our review, Spotsylvania adequately supported Head Start program costs claimed on its Financial Status Reports and records, and the costs were allowable, allocable and reasonable. Spotsylvania operated its program in accordance with Federal regulations. However, our review identified control weaknesses related to Spotsylvania’s in-kind contributions.

### **IN-KIND DOCUMENTATION AND REPORTING**

Federal regulations (45 CFR § 92.24(b)(6)) require that all cash and third party in-kind contributions used to satisfy the cost sharing or matching requirements of the grant must be verifiable from the recipient’s records.

- Spotsylvania did not always verify its in-kind contributions in accordance with Federal regulations. Spotsylvania program officials provided documentation for in-kind transportation contributions that included budgeted amounts for monthly bus inspections, insurance, and maintenance. However, Spotsylvania did not reconcile the budgeted amounts to actual costs. Spotsylvania staff acknowledged the inadequacy of the documentation and indicated that they would revise the procedures to more accurately document in-kind transportation contributions.
- Spotsylvania did not adequately verify some in-kind volunteer hours. Forms used to support volunteer service in the classroom did not always have the necessary signature of the classroom teacher verifying the number of hours claimed.

Because Spotsylvania's contributions exceeded its matching requirement, revaluation of the in-kind contributions would not result in Spotsylvania failing to meet its 45 percent requirement.

## **RECOMMENDATION**

We recommend that Spotsylvania improve procedures to ensure that in-kind contributions of transportation expenses are accurately documented and supporting records for volunteer services are verified.

## **OTHER MATTER: IN-KIND SERVICES AND FACILITIES**

Spotsylvania provided in-kind volunteer and transportation services to meet its non-Federal contribution requirement. Spotsylvania also provided the use of facilities to the Head Start program. To determine the value of these facilities, which included classroom and office space, Spotsylvania procured the services of a licensed appraiser. The appraiser provided a summary appraisal report that calculated a current fair market value of the office and classroom space used by the Head Start program. The report also included an evaluation of market rent within the subject area. However, Spotsylvania did not claim the facilities costs or the appraisal as part of its matching requirement.

## **SPOTSYLVANIA COUNTY SCHOOLS COMMENTS**

In its comments on our draft report, Spotsylvania concurred with all of our findings and identified steps it had taken or planned to take.

Spotsylvania's comments are included in their entirety in the Appendix.

# **APPENDIX**

APPENDIX: SPOTSYLVANIA COUNTY SCHOOLS COMMENTS



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October 11, 2011

Office of Audit Services, Region III  
Public Ledger Building, Suite 316  
150 S. Independence Mall West  
Philadelphia, PA 19106-3499

Dear Mr. Walsh,

Please see below my response to the OIG's report – A-03-11-00500.

The school division concurs with the finding in that not all of the in-kind transportation expenses were supported with exact actual figures. Some of the in-kind numbers documented were based on averages, not necessarily budgeted numbers. With support from the division's Information Technology department, in-kind transportation expenses will be based on exact costs since it has been made clear by the OIG that costs based on averages is not acceptable. In order to derive the exact fuel expense, the Transportation Department has identified each Head Start bus and each time the Head Start buses are fueled at the pump station, these exact costs will be reported in the school division's subsidiary ledger and the applicable in-kind transportation monthly invoice. In order to derive the exact bus inspection or bus maintenance expenses, the Transportation department will receive exact numbers from the Fleet Services department for the Head Start buses in use. In order to obtain actual payroll costs for Head Start bus drivers, these costs will be pulled from the monthly payroll register. In order to compile the actual monthly insurance costs for Head Start buses, these costs will be extracted from the actual insurance vendor invoice. These corrective action procedures will ensure that all expenses on the in-kind transportation invoice are accurately reported and supported by actual vendor invoices and/or actual payroll registers.

The school division concurs with this finding in that supporting records for volunteer services were not being signed each time. This finding was corrected while the OIG auditors were on site. Every volunteer service document was verified and signed. In addition, procedures for determining and verifying volunteer in-kind contributions was drafted and implemented whereby all volunteer service documentation is verified and signed.

Sincerely,

A handwritten signature in blue ink that reads "LaShahn Gaines". The signature is written in a cursive, flowing style.

LaShahn Gaines, CPA, CPM  
Chief Financial Officer

cc: File