Wateree Community Actions, Inc., Made Improvements but Still Requires Monitoring

What OIG Found
Wateree continued to experience financial management problems related to its Federal programs because it misallocated funds or claimed duplicate Head Start program costs in violation of Federal requirements, did not meet its non-Federal match requirement for Head Start, and continued to file Federal and non-Federal reports inaccurately or late. However, Wateree resolved one prior OIG audit finding and improved its financial condition.

These deficiencies occurred because Wateree did not have adequate cash management or other controls. As a result, Wateree mismanaged $354,597 in Federal funds, is subject to a Federal funds disallowance of $252,591, and may incur other administrative actions from the Administration for Children and Families (ACF).

Since the end of our audit period, Wateree has taken steps to improve its cash management system. Specifically, Wateree has instituted a new accounting system, which it believes will provide better accountability. After the initiation of our audit and our discussion of the $354,597 of unallowable Head Start costs with both ACF and Wateree officials, Wateree repaid the unallowable amount.

What OIG Recommends and Wateree Comments
We recommend that Wateree monitor the non-Federal match it is receiving throughout the budget year and, if needed, either request a waiver from ACF immediately upon determining that it cannot meet its match requirements or adjust its Federal funds grant expenditures accordingly and ensure adequate controls are in place to prevent invoicing both Head Start and the U.S. Department of Agriculture’s Child Nutrition programs for the same expenses. We also made two procedural recommendations.

In written comments on our draft report, Wateree described actions taken or processes implemented to address our recommendations. Wateree added that it had developed a corrective action plan to prevent recurrence of the financial management problems identified in this audit.

The full report can be found at https://oig.hhs.gov/oas/reports/region4/41908069.asp.