



Memorandum

MAY 25 1992

Date

From

Richard P. Kusserow
Inspector General &*Bryan Mitchell*

Subject

Opportunities for Improved Management Efficiency of the
Head Start Program, Attendance Goals and Nonfederal
Resources (A-04-90-00010)

To

Jo Anne B. Barnhart
Assistant Secretary for
Children and Families

Attached for your information is the subject final audit report. The purpose of this report is to share with you the results of our audit of procedures used by the Administration for Children and Families (ACF) to ensure that established attendance goals are met and that waivers of nonfederal resource requirements for Head Start agencies are sufficiently justified.

We found that 58 center-based grantees (about 29 percent of the 200 grantees and delegates sampled) fell short of achieving the average daily attendance (ADA) goal of 85 percent of funded enrollment. In addition, our review disclosed that about 60 percent (18 of 30) of the sampled Indian and Migrant agencies did not meet their 20 percent nonfederal matching requirement.

This is the last in a series of three reports intended to provide information on ways the ACF can improve the management efficiency of the Head Start program. Earlier reports provided the results of our audit of: ACF's automated management information systems and our analysis of budgeted Head Start grant file data; and of ACF's performance evaluation methodologies and high risk determination.

Officials in your office disagreed with the conclusions and recommendations regarding ADA. However, the findings and conclusions regarding nonfederal resources were concurred with by your office. The complete text of the comments to a draft of this report has been incorporated as Appendix B.

Page 2 - Jo Anne B. Barnhart

We would appreciate your views and the status on any further actions taken or contemplated on our recommendations, within the next 60 days. If you have any questions, please call me or have your staff contact John A. Ferris, Assistant Inspector General for Human, Family and Departmental Services Audits, at (202) 619-1175.

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**OPPORTUNITIES FOR IMPROVED
MANAGEMENT EFFICIENCY OF THE
HEAD START PROGRAM, ALL-ENDANCE
GOALS AND NONFEDERAL RESOURCES**



**Richard P. Kusserow
INSPECTOR GENERAL**

A-04-90-00010

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To

Jo Anne B. Barnhart
Assistant Secretary for
Children and Families

This final report provides you with the results of our audit of procedures used by the Administration for Children and Families (ACF) to assure that established attendance goals are met and waivers of nonfederal resource requirements for Head Start agencies are sufficiently justified. The audit was performed to determine if: Head Start attendance goals established for center-based agencies were achieved; and ACF used adequate procedures to waive the nonfederal matching requirements of Head Start agencies.

Our review indicated that ACF did not ensure that center-based Head Start agencies maintained the average daily attendance (ADA) goal of 85 percent of funded enrollment and that some waivers of nonfederal matching requirements may have been inappropriate. The ACF policy states that 85 percent ADA is an expected goal and Federal regulations require that financial assistance shall not exceed 80 percent of the total cost of the program unless certain conditions have been met.

This is the last in a series of three reports intended to provide information on ways ACF can improve the management efficiency of the Head Start program. The first report, entitled "Performance Evaluation and High Risk Determination," was issued on February 20, 1991. This report provided the results of our review of ACF's performance evaluation methodologies and high risk determination. The second report entitled "Automated Management Information Systems," was issued on February 27, 1991. This report provided the results of our audit of the automated management information system maintained by ACF and our analysis of budgeted Head Start grant file data.

Background

Head Start was established under Title V of the Economic Opportunity Act of 1964, as amended. Head Start was reauthorized under the Human Services Reauthorization Act of 1986, which authorized Head Start funds for Fiscal Years (FY) 1987 through 1990. The program was reauthorized in 1991, for FYs 1991-1995.

Head Start is a national program providing comprehensive developmental services primarily to low-income preschool children, age 3 to the age of compulsory school attendance, and their families. To help enrolled children achieve their full potential, programs are required to provide comprehensive health, nutritional, educational, social and other services. In addition, programs are required to provide for the direct participation of parents of enrolled children in the development, conduct, and direction of local programs.

The FY 1991 budget requested the largest increase in the program's history - \$500 million or a 36 percent increase, to serve up to 180,000 additional children. This increase in the Head Start budget is a key component in achieving the readiness of all children to start school, which was one of the national education goals outlined at the President's 1989 Education Summit.

Head Start is administered by the Administration for Children, Youth and Families within ACF. In FY 1991, Head Start funded about 1,900 agencies serving approximately 600,000 children.

The Secretary may designate any eligible local, public or private nonprofit agency to carry out program objectives as a Head Start grantee agency. A grantee agency may then delegate all or a part of its responsibility for operating a Head Start program to a public or private nonprofit organization, i.e., a delegate agency.

Additionally, Head Start services may be rendered through three different service delivery systems (either center-based or home-based, or both center-based and home-based) and six different organizational structures:

- o School System
- o Community Action Agency - Public
- o Community Action Agency - Private
- o Other - Indian and Migrant
- o Nonprofit
- o Local government

Scope

Our objectives were to determine if Head Start attendance goals, established for center-based agencies, were achieved and if ACF used adequate procedures to waive the nonfederal matching requirements of Head Start agencies.

Our review was performed at ACF Headquarters and regional locations nationwide. We obtained and reviewed various records, reports, and other documentation from a statistical sample of 200 Head Start agencies around the country. The sample of 200 was stratified by type of agency (See Appendix A). To calculate an estimated national dollar projection on the funds that could have been put to better use if all grantees were operating at the 85 percent average attendance level, we used the mid-point of the sample projection. The mid-point estimate for the universe of Head Start agencies that did not meet the 85 percent ADA goal was calculated to be \$13,441,464. The lower limit is \$9,319,068 and the upper limit is \$17,563,860 of a 90 percent two-sided confidence level. This projection was based on the difference estimator.

From data maintained at awarding Head Start regional and Headquarters offices, we performed computerized analyses of applications for grant awards, notifications of awards, statements of grant conditions and other supporting documentation related to the sampled agencies. We also contacted sampled agencies when data included in their grant files was incomplete or specific information needed for our review could not be obtained at the awarding offices. Additionally, we held discussions with ACF officials at Headquarters and regional offices.

During the audit, we reviewed the ACF National Report on Performance Indicators, "Enrollment and Attendance Policies", published in Federal Register, Volume 44, Number 214; Head Start Administrative Regulations Guide, published in Federal Register, Volume 52, Number 81; and the Objective Tracking System (OTS).

Our review and the ACF Program Information Report (PIR) is limited to agencies that operate programs that require children to attend group classes at one primary location (center-based). Agencies operating programs that require Head Start employees to visit the children in their home as the primary vehicle for service delivery (home-based programs) are not included because ACF's enrollment and attendance policy is not applicable.

In evaluating nonfederal matching requirements, we reviewed ACF procedures, Title 45 Code of Federal Regulation (CFR) 1301.20, Matching Requirements, and obtained ACF legislative history from the Office of General Counsel (OGC).

Our review was made in accordance with generally accepted Government auditing standards. Our review and analysis of 200 Head Start grants awarded under ACF's 1987 appropriation was performed from December 1989 to July 1990. No changes applicable to the areas we reviewed have been made by ACF since our field work ended. Therefore, we believe this report is representative of the current situation and that our results and recommendations are still valid.

Our sample included agencies that were budgeted for \$117 million of the \$1.1 billion dollars appropriated to ACF during FY 1987 for the Head Start program.

FINDINGS AND RECOMMENDATIONS

AVERAGE DAILY ATTENDANCE

Our analysis of a statistical sample of 200 agencies receiving \$117 million in Head Start grants revealed that 58 center-based grantees, or 29 percent, did not achieve the ADA goal of 85 percent of enrollment funded by the grant; 23 grantees fell below 80 percent. One grantee achieved 48 percent ADA. We calculate that the 58 grants were underutilized by about \$2.1 million a year. Although assistance from ACF staff enabled 29 of the 58 grantees to increase ADA to the expected goal over 3 years, we believe ACF needs to reevaluate its guidance in this area. To provide more meaningful information to management and to assure that effective actions are promptly taken to address ADA shortfalls, we are recommending that more explicit reporting instructions be promulgated and that more effective remedial actions be catalogued to increase consistency.

The Head Start enrollment and attendance policy indicated that agencies are expected to serve at least 85 percent of the children enrolled to assure that grant funds are utilized effectively (Federal Register, Volume 44, Number 214). Because this expected level of attendance was not maintained, we estimate that for FY 1987, Head Start funds totaling \$13.4 million (Exhibit II) have not been utilized effectively.

The ADA is calculated by dividing the total number of children present at the center plus other children enrolled but receiving ancillary services at other locations, by the number of children which the agency has been funded to serve. All absentees, both excused and unexcused, are currently excluded from ADA calculations.

One of the ACF FY 1989 objectives was to contact and work with all Head Start agencies whose 1988-89 PIR indicated that their ADA was less than 85 percent of funded enrollment. The ACF's 10 regional offices and 2 Headquarters divisions (Indian and Migrant) reported the status of their efforts through the OTS, a self-assessing mechanism for evaluating the degree to which regional and Headquarters offices obtained annual program objectives. Some reasons reported in the OTS as to why the 85 percent ADA was not attained were communicable diseases, dysfunctional families, social problems, weather conditions and transportation problems.

Our review showed that the information reported to Headquarters officials through the OTS was inconsistent. We found that six of the regional offices and the Migrant Headquarters' division did not indicate the number of agencies contacted or the status of reviews. The remaining four regional offices and Indian Headquarters' division showed the number of agencies contacted, described the type of contact and provided a brief status statement. In addition, the efforts to work- with and contact these agencies ranged from a telephone conversation to providing technical assistance and performing on-site visits.

Our statistical sample of 200 grantee and delegate agencies included 147 center-based agencies. Of the 147 center-based agencies, 58 or (39 percent) are operating programs with an ADA of less than 85 percent of funded enrollment (Exhibit I); for these 58, the average ADA was 79.5 percent. The lowest ADA identified was 48 percent. The following is a distribution of the 58 agencies, by type:

- School Systems	5
- Community Action Agency-Public	12
- Community Action Agency-Private	8
- Indians and Migrants	9
- Nonprofits	14
- Local governments	10

The ACF Head Start Administrative Regulations Guide, published in the Federal Register, Volume 52, Number 81, states that the enrollment and attendance policies do not mandate that agencies maintain 85 percent ADA. Instead, the policies set 85 percent as an expected goal.

Recognizing the limitations of the information reported in the PIR system, we evaluated the ADA reported in the PIR for FY 1987 through FY 1989 to determine if any measurable progress was made in the 58 centers. We found that 14 (24 percent) of the 58 agencies having attendance problems in FY 1987 increased their attendance to the expected 85 percent level in FY 1988. In 1989, attendance was increased to the expected levels in 15 of the 58 agencies originally having attendance problems. For the 2 FYs 1988 and 1989, 29 of the 58 (50 percent) agencies with attendance problems increased their attendance to the expected 85 percent level. While it is apparent that ACF made good progress in bringing 50 percent of these agencies into compliance with program goals, it is also apparent that the actions taken were not sufficient to correct the attendance problems at all 58 centers in a timely manner.

The ACF enrollment and attendance policies, published in the Federal Register, Volume 44, Number 214, page 63481, stated that when the ADA rate drops below 85 percent, a Head Start program must analyze the causes for absenteeism and initiate action based on the analysis. The Federal Register, page 63479 also states that grant funds may be reduced, and in cases of flagrant or continued failure of a grantee to meet funded enrollment, denial of refunding may be considered on the basis of ineffective use of Federal funds.

WAIVER OF NONFEDERAL MATCHING REQUIREMENTS

Our review showed that Federal financial assistance granted Indian and Migrant Head Start agencies often exceeded 80 percent of total program costs. Federal regulations provide that Head Start agencies may be funded in excess of 80 percent if conditions warrant or if the agencies received funding in excess of 80 percent during either FY 1973 or 1974 (45 CFR 1301.20). The ACF officials were not able to provide any documentation and/or explanations that would explain the significance of these FYs. The ACF officials indicated that many Indian and Migrant agencies are unable to meet their nonfederal matching requirement because they have very few outside resources at their disposal. Additionally, ACF officials indicated that many Indian and Migrant Head Start agencies received funding in excess of 80 percent

during previous years and are routinely funded at the previously funded levels. We found that the procedures ACF used to establish the level of Head Start funding for Indian and Migrant agencies were often insufficient to determine whether the agencies could meet their 20 percent nonfederal matching requirement.

Section 1301.20 of the regulations state that financial assistance granted for Head Start programs should not exceed 80 percent of the total cost of the program unless: (1) written applications and supporting evidence show that a reasonable effort has been made to meet the requirement and the agency is either located in a county that has a per capita income of less than \$3,000 or a county has been involved in a major disaster, or (2) the grantee received financial assistance in excess of 80 percent during the budget periods falling within FYs 1973 and 1974.

In our statistical sample of 200 Head Start agencies, 30 were Indian and Migrant. Our review showed that 60 percent (18 of 30) of the sampled Indian and Migrant agencies received Federal financial assistance that exceeded 80 percent of total program costs. These agencies' nonfederal requirements were waived in total or in part by ACF. In contrast, we noted that approximately 8 percent (13 of 170) of all other types of Head Start agencies included in our sample received funding in excess of 80 percent of total program costs. We limited our review to Indian and Migrant Head Start agencies because their percentage of funding in excess of 80 percent was significantly higher than that of other types of Head Start agencies.

To determine the reason for the large difference in the percentage of Indian and Migrant Head Start agencies whose nonfederal share was waived as compared to other Head Start agencies, we held discussions with ACF officials. These officials stated that because some agencies are located in rural areas, nonfederal contributions are minimal. In addition, ACF officials stated that Head Start agencies that received Head Start funds in excess of the 80 percent limitation in FYs 1973 and 1974 are, therefore, entitled to funding at the increased level for subsequent years.

We contacted ACF Headquarters officials to identify procedures used to determine if an agency's nonfederal matching requirements should be waived and to determine how often these determinations are made. We found that

predetermined lists were used to make funding determinations for some Indian and Migrant agencies. Additionally, a wavier justification procedure was used to establish funding levels for some Migrant agencies. The ACF officials stated that a list of Indian Head Start agencies that were funded in 1973 and 1974 was used to determine the current funding levels of some agencies. The list was prepared by reviewing the Indian Head Start grant files for those agencies that received excess funding in FYs 1973 and 1974. We were also told that in 1974 only one site visit was made to one Indian Head Start agency to determine whether the condition still existed to warrant excess funding. The result of this on-site visit showed that the condition still existed and that the agency could not meet the nonfederal matching requirement.

Following this lone visit, ACF officials reviewed the files of Indian Head Start agencies to determine funding levels for 1973 and 1974; once the review was completed, the list of Indian Head Start agencies that could receive excess funding was prepared. Thus, for purposes of determining funding for all Indian agencies, we believe one agency site visit is inadequate and does not show that the FYs 1973 and 1974 conditions still existed for all Indian agencies listed.

Additionally, we found that just like Indian Head Start agencies, ACF also used a predetermined agency list and a waiver justification to determine Migrant Head Start agencies' funding levels. This list shows Migrant agencies that automatically receive Head Start funds in excess of the 80 percent limitation. We could not readily determine the criteria used to establish the list of Migrant Head Start agencies: however, Head Start officials indicated that the listing was based on a 1981 United States Department of Agriculture (USDA) economic report.

For the Migrant agencies that did not receive automatic Head Start funding in excess of 80 percent, a waiver justification was prepared by ACF to support awarding the excess funds. This waiver justification makes reference to the previously mentioned 1981 USDA economic report. This report states that migrants average \$5,381 each in wages. The ACF used USDA's figure of 1.4 wage earners per household and an average of 4.8 persons per household to compute per capita income of \$1,345. This per capita income of \$1,345 is less than the \$3,000 per capita income referred to in the Federal regulations. We believe that the use of an 11-year old report may not

properly reflect the current conditions of all Migrant agencies or properly reveal the level of nonfederal funding that can be obtained.

Our review showed that: The ACF based its decision on whether to waive the nonfederal requirements of Indian and Migrant Head Start agencies on "dated" information: ACF's waiver of the nonfederal matching requirements for some Indian Head Start agencies was based on an 18-year old condition; and the Migrant waiver was based on a 11-year old condition. The current Federal regulation permits ACF to indefinitely fund these agencies in excess of the required 80 percent limitation without substantiating that their current conditions are the same as they were in previous FYs. We believe this condition warrants a review by ACF to determine if a regulatory change is needed to improve their grant waiver process.

To determine the appropriateness of the Federal Regulation (1301.1) to waive the nonfederal requirements of Head Start agencies, we asked the OGC to research the relevant legislative history, and the history of this regulation. Specifically, we requested OGC to determine: (1) how the 1973 and 1974 base years were determined; and (2) why time limitations were not set in the regulation when providing financial preferences to Head Start agencies that were receiving excess funding in FYs 1973 and 1974. The OGC concluded that neither the preamble to the Notice of Proposed Rule Making nor the final rule stated why the waiver was based on 1973 and 1974 funding levels or why the waiver was not phased out over time or why updates of conditions were not required.

RECOMMENDATIONS:

We recommend that ACF:

1. Establish and implement procedures to assure consistent information is submitted through the OTS .
2. Establish and implement procedures to assure that Head Start agencies attain their expected attendance goal of 85 percent of funded enrollment.
3. Seek a regulatory change to require that an agency's funding level be based on current conditions, not on funding levels approved during 1973 and 1974.

4. Require Head Start agencies to submit current documentation to support requests for waiver of nonfederal requirements.
5. Establish and implement policies and procedures to re-program funds not being utilized to service children and establish account receivables when appropriate.

AUDITEE COMMENTS AND OIG RESPONSE

ACF Response - Attendance Goals

The ACF indicated that they would not comment on our recommendation regarding the OTS dealing with ADA because the system is undergoing major changes that will improve internal reporting procedures in the future.

The ACF did not agree with our conclusion and recommendation regarding ADA. The ACF further stated that the draft report concluded that: (1) ADA is a direct indication of the quality of services provided by Head Start grantees; and (2) ADA rates of less than 85 percent suggest an inefficient utilization of Head Start funds. The ACF indicated disagreement with these conclusions.

They stated that an ADA of 85 percent is a service goal, not a requirement of Head Start grantees. The ACF indicated that the 85 percent ADA was introduced as a threshold below which program staff must analyze the causes of absenteeism. The ACF stated that the purpose of having a threshold for ADA is to trigger a prescribed intervention process directed at familial or other problems affecting a child's attendance. The ACF also indicated that if programs adhere to this process, they will be operating in full compliance with Head Start policy even though they may fail to achieve 85 percent ADA.

Also, the ACF indicated their focus with respect to ADA is not on absenteeism per se, but on how the grantee, given the needs of the families enrolled, ensures: (1) the highest level of ADA possible; and (2) that enrollment slots do not remain "vacant" for extended periods of time, thereby creating an underenrollment situation. Therefore, the ADA is used as a "performance indicator" to identify for Federal managers those grantees which need follow-up to determine if they are complying with prescribed procedures.

OIG Comments - Attendance Goals

It was not the draft report's conclusion that the ADA is a direct indicator of the quality of services provided by Head Start grantees. However, the ADA does measure the effectiveness of the Head Start centers in providing required services to Head Start enrollees.

In addition it was not within the scope of our review to determine the steps or procedures taken by Head Start agencies to increase their ADA. Although the draft report did not address the issue of compliance with Head Start policy, we agree that a Head Start agency may have an ADA below the expected goal of 85 percent and still be in compliance.

Our conclusion that approximately \$13.4 million of Head Start funds were underutilized was based on an analysis of ADA data during a 3-year period. If proper steps were performed by the Head Start agencies, we believe that 3 years is an adequate amount of time to assure that the ADA expected goal of 85 percent is attained.

We believe that ACF should establish and implement procedures to assure that Head Start agencies attain their expected attendance goal of 85 percent of funded enrollment.

ACF Response - Waiver of Nonfederal Matching Requirement

The ACF agreed that the bases for waivers are old and may not be currently valid. The ACF stated that they were currently reviewing Head Start's procedures to institute better ways to assure that the waivers for nonfederal matching were being granted based on current data and statements of need.

OIG Comments - Waiver of Non-Federal Matching Requirement

Since the ACF agreed with the finding, as presented, we have no further comments.

DHHS/OIG-OAS
 OPPORTUNITIES FOR IMPROVED MANAGEMENT EFFICIENCY OF
 THE HEAD START PROGRAM

REVIEW OF ATTENDANCE GOALS AND NON-FEDERAL MATCHING REQUIREMENTS
 UNDERUTILIZED HEAD START FUNDS BASED ON ADA OF 58 CENTER-BASED AGENCIES

	COL. 1	COL. 2	COL. 3	COL. 4
SAMPLE NO.	TOTAL AWARDED FEDERAL AMOUNT	AVERAGE DAILY ATTENDANCE ¹	85 PERCENT LESS COL. 2	FEDERAL AMT. UNDERUTILIZED
SCHOOL SYSTEMS:				
a	\$ 496,859	.83139	.01861	\$ 9,247
9	238,832	.83800	.01200	2,866
23	288,854	.84300	.00700	2,022
24	8653,717	.82000	.03000	259,612
29	<u>127,609</u>	<u>.84589</u>	<u>.00420</u>	<u>536</u>
SUBTOTAL	\$ 9,805,871	.82188	.02813	\$ 274,283
COMMUNITY ACTION AGENCY-PUBLIC				
1	\$ 403,429	.80500	.04500	\$ 18,154
3	698,954	.83000	.02000	13,979
5	346,410	.66061	.18939	65,607
6	270,830	.84295	.00705	1,909
a	186,367	.80000	.05000	9,318
11	955,542	.81000	.04000	38,222
12	384,990	.84100	.00900	3,465
14	287,944	.71000	.14000	40,312
15	356,780	.65140	.19860	70,857
20	285,564	.80690	.04310	12,308
27	392,800	.78000	.07000	27,496
28	<u>355,175</u>	<u>.68000</u>	<u>.17000</u>	<u>60,380</u>
SUBTOTAL	\$ 4,924,785	.77353	.07647	\$ 362,007
COMMUNITY ACTION AGENCY-PRIVATE:				
8	\$ 698,373	.76660	.08340	\$ 58,244
14	520,032	.65000	.20000	104,006
16	388,555	.83780	.01220	4,740
18	408,348	.73000	.12000	49,002
23	570,085	.78485	.06515	37,141
31	558,734	.84570	.00430	2,403
33	413,433	.83570	.01430	5,912
35	<u>748,138</u>	<u>.84479</u>	<u>.00521</u>	<u>3,898</u>
SUBTOTAL	\$ 4,305,698	.80083	.04917	\$ 265,346
OTHER:				
1	\$ 1,359,530	.80000	.05000	\$ 67,977
3	235,188	.52000	.33000	77,612
5	999,297	.71000	.14000	139,902
6	105,591	.83000	.02000	2,112
7	564,410	.77820	.07180	40,525
13	249,497	.84000	.01000	2,495
17	422,623	.82820	.02180	9,213
21	302,030	.84770	.00230	695
29	<u>96,263</u>	<u>.81940</u>	<u>.03060</u>	<u>2,946</u>
	\$ 4,334,429	.77704	.07296	\$ 343,477

¹ ADA number divided by funded enrollment

² Col. 1 (times) Col. 3

DHHS/OIG-OAS
 OPPORTUNITIES FOR IMPROVED MANAGEMENT EFFICIENCY OF
 THE HEAD START PROGRAM

EXHIBIT I
 2 OF 2

REVIEW OF ATTENDANCE GOALS AND NON-FEDERAL MATCHING REQUIREMENTS
 UNDERUTILIZED HEAD START FUNDS BASED ON ADA OF 58 CENTER-BASED AGENCIES

	COL. 1	COL. 2	COL. 3	COL. 4
SAMPLE NO.	TOTAL AUARDED FEDERAL AMOUNT	AVERAGE DAILY ³ ATTENDANCE	85 PERCENT LESS COL. 2	FEDERAL AMT. ⁴ UNDERUTILIZED
NON PROFIT:				
4	\$ 699,729	.74000	.11000	\$ 76,970
7	290,989	.79000	.06000	17,459
a	521,844	-72000	.13000	67,840
9	1,075,841	.76700	.08300	89,295
10	568,717	.81850	.03150	17,915
12	149,768	.78380	-06620	9,915
13	913,375	.84000	.01000	9,134
15	214,831	.83000	.02000	4,297
19	731,199	.83500	.01500	10,968
26	167,770	.79400	.05600	9,395
31	1,535,408	.84020	.00980	15,047
36	1,818,009	.81940	.03060	55,631
37	122,588	.56000	.29000	35,551
40	<u>293,162</u>	<u>.67708</u>	<u>.17292</u>	<u>50,694</u>
SUBTOTAL	\$ 9,103,230	.79294	.05706	\$ 470,111
LOCAL GOVERNMENT:				
11	\$ 379,246	.00000 ⁵	.00000	\$ 0
4	406,391	.72000	.13000	52,831
6	524,426	.83000	.02000	10,489
a	2,337,358	.83900	.01100	25,711
9	765,587	.83990	.01010	7,732
10	1,658,969	.79000	.06000	99,538
18	59,525	.81100	.03900	2,321
20	577,572	.81850	.03150	18,194
24	1,514,498	.80805	.04195	63,533
30	<u>179,025</u>	<u>.48000</u>	<u>.37000</u>	<u>46,234</u>
SUBTOTAL	\$ 8,402,597	.77160	.07840	\$ 346,583
TOTAL	<u>\$40,876,610</u>	<u>79533</u>	<u>.05467</u>	<u>\$ 2,061,807</u>

³ Based on the PIR's methodology, the individual, subtotal and total ADA amounts are computed by dividing the ADA number by funded enrollment. Therefore, the individual subtotals in the separate category of Head Start agencies would not be accurately calculated to show actual average of the subtotal.

⁴ Col. 1 (times) Col. 3

⁵ ADA not reported per PIR

DHHS/OIG- OAS
 OPPORTUNITIES FOR IMPROVED MANAGEMENT EFFICIENCY OF
 THE HEAD START PROGRAM

EXHIBIT II

REVIEW OF ATTENDANCE GOALS AND NON-FEDERAL MATCHING REQUIREMENTS

PROJECTION OF ADA UNDERUTILIZATION FOR POPULATION OF CENTER-BASED
 HEAD START AGENCIES FOR FISCAL YEAR 1987

<u>TYPE</u>	<u>AMOUNT AWARDED FOR SAMPLE UNITS</u>	<u>AMOUNT UNDERUTILIZED FOR SAMPLE UNITS¹</u>	<u>AMOUNT UNDERUTILIZED FOR SAMPLE UNIVERSE²</u>
SCHOOL SYSTEMS	\$ 17,848,749	\$ 0 ³	\$ 0
COMMUNITY ACTION AGENCY- PUBLIC	13,273,355	362,007	2,603,666
COMMUNITY ACTION AGENCY- PRIVATE	20,847,921	265,346	2,893,535
OTHER	11,080,944	343,477	1,396,806
NON- PROFIT	25,557,220	470,111	5,935,151
LOCAL GOVERNMENT	<u>27,973,874</u>	<u>346,583</u>	<u>612,305</u>
TOTAL	<u>\$116,582,063</u>	<u>\$1,787,524</u>	<u>\$13,441,463</u>

¹ See Exhibit I for sample estimate

² The point estimate for the universe of Head Start agencies that did not meet the 85 percent ADA goal was calculated to be \$13,441,463. This projection was based on the difference estimator.

³ Based on the Office of Audit Services' policy, this strata (School Systems) has been eliminated from the projection because this strata does not have at least six errors.

SUMMARY OF STATISTICAL SAMPLING PLAN

Universe: Our sample was drawn from ACF Head Start Cost System (HSCOST), a data base of information on Head Start grantees and delegate agencies. This data base contains budget data on approximately 1599 grantees and delegates and includes entries from all regions including the Indian and Migrant Headquarters divisions. The data base includes Head Start data for the years 1982 through 1988. An extract of this data base was maintained as our sampling frame. The number of grantees and delegates are listed by category below.

<u>Category</u>	<u>Number of Grantees</u>	<u>Number of Delegates</u>	<u>Total</u>
Community Action Agency Public (PU)	170	17	187
Community Action Agency, Private (PR)	425	33	458
School System (SS)	136	138	274
Private Non-Profit (NP)	260	245	505
Local Government Agency (LG)	43	10	53
Other (OT)	<u>111</u>	<u>11</u>	<u>122</u>
TOTAL	<u>1,145</u>	<u>454</u>	<u>1,599</u>

Sample Size: A stratified random sample of 200 Head Start agencies was used to perform our analysis. The size of the universe and the number of sampling units for each are as follows:

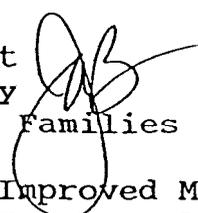
<u>Strata</u>	<u>Universe</u>	<u>No. Sample Units</u>
PU	187	30
PR	458	40
ss	274	30
NP	505	40
LG	53	30
OT	<u>122</u>	<u>30</u>
Total	<u>1,599</u>	<u>200</u>



November 27, 1991

ADMINISTRATION FOR CHILDREN AND FAMILIES
Office of the Assistant Secretary, Suite 600
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

TO: Richard P. Kusserow
Inspector General

FROM: Jo Anne B. Barnhart 
Assistant Secretary
for Children and Families

SUBJECT: Opportunities for Improved Management Efficiency
of the Head Start Program, Attendance Goals and
Nonfederal Resources (A-04-90-00010)

Thank you for the opportunity to respond to your draft report regarding Head Start attendance goals and the non-Federal share requirement for Indian and Migrant programs.

We are very concerned with the section of the report dealing with average daily attendance. The report highlights as a major finding the contention that the Administration for Children and Families (ACF) has not ensured that Head Start agencies maintain the Average Daily Attendance (ADA) goal of 85 percent. Implicit in this finding and the accompanying discussion are the conclusions that 1) ADA is a direct indicator of the quality of services provided by Head Start grantees; and 2) ADA rates of less than 85 percent suggest an inefficient utilization of Head Start funds. We do not agree with either of these conclusions,

First, an ADA of 85 percent is a service goal, not a requirement of Head Start grantees. The 85 percent ADA was introduced as a threshold below which program staff must analyze the causes of absenteeism. Current ACF policy regarding actions which grantees must take when ADA falls below 85 percent, published in the April 28, 1987 Federal Register, states in part:

"If the absences are due to illness or other conditions which require closing a center or if the absences are a result of well documented excused absences, no special action is required. If, however, the absences result from other factors, including temporary family problems or other circumstances that affect a child's regular attendance, the program must institute appropriate family support procedures... ."

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The purpose of having a threshold level for ADA is to trigger a prescribed intervention process directed at familial or other problems affecting a child's attendance. If programs adhere to this process, they will be operating in full compliance with Head Start policy even though they may fail to achieve 85 percent ADA. Compliance issues related to ADA arise when programs fail to carry out the specified procedures. When this is the case, i.e., when a grantee's low ADA rate is due to poor management and not to circumstances beyond its control, we support the argument expressed in the report of taking remedial action with respect to the grantee. Our focus with respect to ADA is not on absenteeism per se, but on how the grantee, given the needs of the families enrolled, ensures 1) the highest level of ADA possible, and 2) that enrollment slots do not remain "vacant" for extended periods of time, thereby creating an underenrollment situation. In this regard, ADA is used as a "performance indicator" to identify for Federal managers those grantees which need followup to determine if they are indeed complying with prescribed procedures.

For these reasons, we do not agree with the suggestion that all grantees with an ADA of less than 85 percent are underutilizing Federal funds. The 85 percent ADA is not a compliance issue and should not be treated as one. In this regard, the dollar calculation of "underutilization" of grant funds based on ADA is spurious, particularly as the report makes no attempt to differentiate the reasons for an ADA of less than 85 percent.

Finally, we are seeing an increase in the number of families served by Head Start which have problems related to substance abuse, child and spouse abuse, unemployment, and homelessness. These are the families which, in many cases, have the greatest need for Head Start services. They are also the families whose children are likely to have high rates of absenteeism, Head Start's responsibility is to reach out and serve these families, even though attendance goals may be more difficult to achieve.

We have no disagreement with the second finding of your report regarding grantee matching requirements. We agree that the bases for waivers to this requirement are old and may not be currently valid. The Administration on Children, Youth and Families is reviewing Head Start's procedures in order to institute better ways to assure that the waivers being granted are based on current data and statements of need.

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We have not addressed comments related to the Objective Tracking System (OTS) objective dealing with ADA. The objective was in the OTS for only one year, and the system itself is undergoing major changes which will improve internal reporting procedures for such activities in the future.

If I can be of further assistance to you in clarifying these comments on your draft report, please feel free to contact me.