



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services, Region V
233 North Michigan Avenue
Suite 1360
Chicago, IL 60601

October 2, 2009

Report Number: A-05-09-00046

Mattie B. James
President and CEO
Child Development Council of Franklin County, Inc.
300 E. Spring Street
Columbus, Ohio 43215

Dear Ms. James:

Enclosed is the U.S. Department of Health and Human Services, Office of Inspector General (OIG), final report entitled "Audit of Head Start Matching Costs for the Period November 1, 2006, Through October 31, 2008." We will forward a copy of this report to the HHS action official noted below.

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 direct them to the HHS action official. Please refer to report number A-05-09-00046 in all correspondence.

Sincerely,

/Marc Gustafson/
Regional Inspector General
for Audit Services

Enclosure

HHS Action Official:

Kent Wilcox
Regional Administrator
Administration for Children and Families
U.S. Department of Health and Human Services
Region V
233 North Michigan Avenue, Suite 400
Chicago, Illinois 60601

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AUDIT OF HEAD START
MATCHING COSTS FOR THE
PERIOD NOVEMBER 1, 2006,
THROUGH OCTOBER 31, 2008**

**CHILD DEVELOPMENT COUNCIL
OF FRANKLIN COUNTY INC.**



Daniel R. Levinson
Inspector General

October 2009
A-05-09-00046

Office of Inspector General

<http://oig.hhs.gov>

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The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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Department of Health and Human Services

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Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC

at <http://oig.hhs.gov>

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) administers the Head Start program.

The Head Start program provides grants to local public and private non-profit and for-profit agencies (local 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.

Federal regulations require local agencies to provide a 20-percent matching share of the total costs of their program. The matching share is from non-Federal sources which may be in the form of cash or in-kind contributions. A reduction in the matching share may be granted if the ACF Regional Office approves a waiver. The Head Start Act defines a waiver as a reduction in the required amount of grantee non-Federal share that is authorized by a Federal official in writing. The Child Development Council of Franklin County, Inc. (grantee) meets three of the required criteria defined in the Head Start Act, section 640(b)(1)-(5) for waiver of the non-Federal share; specifically:

- the impact of the cost the Head Start agency may incur in the initial years of the program,
- the impact of an unanticipated increase in the cost the Head Start agency may incur to carry out such a program, and
- the impact on the community that would result if the Head Start agency ceased to carry out the program.

The grantee reported Head Start costs totaling \$15,791,918 for its fiscal year (FY) 2007 (November 1, 2006, through October 31, 2007) and \$23,022,971 for FY 2008 (November 1, 2007, through October 31, 2008). Of these costs, the grantee reported in-kind contributions totaling \$2,736,532 for FY 2007 and \$5,018,541 for FY 2008 as part of its share of the required 20-percent match. The grantee requested and the ACF Region V office approved a partial waiver of the 20-percent match for FY 2007 on September 17, 2007.

OBJECTIVE

Our objective was to determine whether the grantee reported costs that met the Federal program requirements for the 20-percent matching share and allowable in-kind contributions reported for both FYs 2007 and 2008.

RESULTS OF AUDIT

The grantee reported costs that met Federal program requirements for the matching share and allowable in-kind contributions reported for FYs 2007 and 2008. The grantee reported allowable in-kind contributions for volunteer services, facility space, and other miscellaneous items that met the matching share requirement for both FYs 2007 and 2008. For FY 2007 the matching share requirement was met because the ACF Region V office approved a \$1,248,083 waiver that reduced the grantee's required amount of the matching share.

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INTRODUCTION

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.

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Federal regulations require local agencies to provide a 20-percent matching share of the total costs of their program. The matching share is from non-Federal sources which may be in the form of cash or in-kind contributions. A reduction in the matching share may be granted if the ACF Regional Office approves a waiver. The Head Start Act defines a waiver as a reduction in the required amount of grantee non-Federal share that is authorized by a Federal official in writing. The Child Development Council of Franklin County, Inc. (grantee) meets three of the required criteria defined in the Head Start Act, section 640(b)(1)-(5) for waiver of the non-Federal share; specifically:

- the impact of the cost the Head Start agency may incur in the initial years of the program,
- the impact of an unanticipated increase in the cost the Head Start agency may incur to carry out such a program, and
- the impact on the community that would result if the Head Start agency ceased to carry out the program.

The grantee reported Head Start costs totaling \$15,791,918 for its fiscal year (FY) 2007 (November 1, 2006, through October 31, 2007) and \$23,022,971 for FY 2008 (November 1, 2007, through October 31, 2008). Of these costs, the grantee reported in-kind contributions totaling \$2,736,532 for FY 2007 and \$5,018,541 for FY 2008 as part of its share of the required 20-percent match. The grantee requested and the ACF Region V office approved a partial waiver of the 20-percent match for FY 2007 on September 17, 2007.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the grantee reported costs that met Federal program requirements for the 20-percent matching share and allowable in-kind contributions reported for both FYs 2007 and 2008.

Scope

Our review included costs reported for the period November 1, 2006, through October 31, 2008. We did not review the overall internal control structure of the grantee. We limited our internal control review to obtaining an understanding of the procedures used by the grantee to document compliance with Federal requirements for the 20-percent matching share and allowable in-kind contributions.

We reviewed a sample of in-kind contributions totaling \$61,185 from FY 2007 and \$46,438 from FY 2008.¹ We reviewed volunteer services, facility space, and other miscellaneous items reported as in-kind contributions.

We conducted fieldwork at the grantee's office in Columbus, Ohio in January 2009.

Methodology

To accomplish the objective, we:

- reviewed applicable laws, regulations, and guidelines;
- reviewed the August 2007 ACF triennial review of the grantee;
- reviewed correspondence with the ACF Region V Office related to non-Federal matching costs;
- gained an understanding of the grantee's accounting system;
- reviewed sampled invoices, journal entries, and trial balances;
- reviewed costs reported and supporting documentation for sampled cost categories;
- reconciled the final financial status report to the grantee's accounting records; and
- reviewed sampled costs for allocability, reasonableness, and allowability.

¹The sample was selected from in-kind contributions claimed in November 2006; February and September 2007; and January, March and October 2008.

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 objective.

RESULTS OF AUDIT

The grantee reported costs that met Federal program requirements for the matching share and allowable in-kind contributions for both FYs 2007 and 2008. The grantee reported allowable in-kind contributions for volunteer services, facility space, and other miscellaneous items that met the matching share requirement for both FYs 2007 and 2008. For FY 2007 the matching share requirement was met because the ACF Region V office approved a \$1,248,083 waiver that reduced the grantee's required amount of matching share.

OTHER MATTERS

The grantee overstated in-kind space contributions by \$22,998 in both FYs 2007 and 2008, and was missing supervisor signatures for in-kind volunteer contributions valued at \$4,870 in FY 2007 and \$4,352 in FY 2008. We are not making a financial recommendation because the grantee provided in-kind matching contributions in excess of that required, which more than covered the amount of the overstatements and volunteer contributions.