



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

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

January 29, 2010

Report Number: A-05-09-00047

Ms. Kellie Ailes
Executive Director
Community Action Program Committee of Lancaster Fairfield County Area
1743 East Main Street
Lancaster, OH 43130

Dear Ms. Ailes:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled "*Audit of Head Start Matching Costs for the Period January 1, 2007, Through December 31, 2008.*" 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 Mike Barton, Audit Manager, at (614) 469-2543 or through email at Mike.Barton@oig.hhs.gov. Please refer to report number A-05-09-00047 in all correspondence.

Sincerely,

/Stephen Slamar/
Acting Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

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

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AUDIT OF HEAD START
MATCHING COSTS FOR THE
PERIOD JANUARY 1, 2007,
THROUGH DECEMBER 31, 2008**

**COMMUNITY ACTION PROGRAM
COMMITTEE OF LANCASTER FAIRFIELD
COUNTY AREA**



Daniel R. Levinson
Inspector General

January 2010
A-05-09-00047

Office of Inspector General

<http://oig.hhs.gov>

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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 & Human Services, the Administration for Children and Families 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.

The Head Start Program Performance Standards, found at 45 CFR §§ 1301 through 1311, establish regulations applicable to program operations, administration and grants management for all grants awarded under the Head Start Act. 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.

The Community Action Program Committee of Lancaster Fairfield County (grantee) reported Head Start costs totaling \$2,190,268 for 2007 (January 1, 2007 through December 31, 2007) and \$2,168,438 for 2008 (January 1, 2008 through December 31, 2008). Of these costs, the grantee reported in-kind contributions totaling \$510,798 for 2007 and \$490,061 for 2008 as part of its share of the required 20-percent match. Based on the grant award, the 20-percent matching requirement is \$419,868 for 2007 and \$419,594 for 2008.

OBJECTIVE

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

SUMMARY OF FINDINGS

The grantee did not meet the Federal 20-percent matching requirement for the 2-year audit period. Of the \$839,462 required to meet the Federal matching requirement, the grantee reported \$453,841 of allowable contributions for volunteer services, facility space, and donated items. However, the grantee claimed \$547,019 for Head Start and Early Head Start home visit space that is not considered a reasonable in-kind contribution.

RECOMMENDATIONS

We recommend the grantee:

- work with Office of Head Start officials to determine the appropriate amount of in-kind matching for home visit space for 2007 and 2008; and
- revise its method of computing in-kind matching for home visit space.

GRANTEE COMMENTS

In written comments on our draft report, the grantee stated it is working with Office of Head Start officials to determine the appropriate amount of in-kind matching for home visit space for 2007 and 2008 and to ensure full compliance with its non-Federal share obligation for the 2010 program year.

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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 & 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.

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The Community Action Program Committee of Lancaster Fairfield County (grantee) reported Head Start costs totaling \$2,190,268 for 2007 (January 1, 2007 through December 31, 2007) and \$2,168,438 for 2008 (January 1, 2008 through December 31, 2008). Of these costs, the grantee reported in-kind contributions totaling \$510,798 for 2007 and \$490,061 for 2008 as part of its share of the required 20-percent match. Based on the grant award, the 20-percent matching requirement is \$419,868 for 2007 and \$419,594 for 2008.

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 are allocable, reasonable and allowable in-kind contributions claimed for 2007 and 2008.

Scope

Our review included costs reported for the period January 1, 2007 through December 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 of costs and in-kind matching contributions.

We reviewed 6-month periods of in-kind contributions totaling \$275,762 from January 1, 2007 through June 30, 2007 and \$240,328 from July 1, 2008 through December 31, 2008. In the selected 6-month periods, we reviewed volunteer services, transportation, facility space, home visit space, and donated items.

We conducted field work at the grantee's office in Lancaster, Ohio in April 2009.

Methodology

To accomplish the objective, we performed the following:

- reviewed applicable laws, regulations and guidelines;
- reviewed the 2006 and 2007 OMB Circular A-133 audits of the grantee;
- reviewed correspondence with the ACF Region V Office related to non-Federal matching costs;
- reviewed costs claimed and supporting documentation for sampled cost categories; and
- reviewed sampled costs for allocability, reasonableness, and allowability.

We conducted the audits 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.

FINDINGS AND RECOMMENDATIONS

The grantee did not meet the Federal 20-percent matching requirement for the 2-year audit period. Of the \$839,462 required to meet the Federal matching requirement, the grantee reported \$453,841 of allowable contributions for volunteer services, facility space, and donated items. However, the grantee claimed \$547,019 for Head Start and Early Head Start home visit space that is not considered a reasonable in-kind contribution.

Federal Regulations

Federal regulations at 45 CFR part 74 apply to all Head Start and Early Head Start grants. Cost sharing or matching requirements applicable to the program are found in 45 CFR 74.23. To be accepted, all cost sharing or matching contributions shall be (1) necessary and reasonable for proper and efficient accomplishment of project and program objectives, and (2) allowable under the applicable cost principles.

Home Visit Space

The grantee reported in-kind matching for home visit space associated with the center-based Head Start and home-based Early Head Start programs. The grantee claimed a total of \$547,019 for home visit space during the two-year audit period. For Head Start, the grantee claimed \$470,820 for home visit space that was based on an entire year's rental cost for each of the two required home visits. For Early Head Start, the grantee claimed \$76,199 for home visit space that was based on an entire year's rental cost for every family enrolled in home-based Early Head Start for each 6-month school term.

The ACF/Office of Head Start in-kind contributions guidance allows the use of the parent's home to be valued as in-kind for the time of the home visits. The valuation should be based on a general calculation of the hourly portion of average monthly housing costs. Using ACF/Office of Head Start guidance, a reasonable valuation of the home visit space is about \$5,144 for the 2-year audit period.

Although ACF/Office of Head Start guidance to estimate in-kind matching for home visit space was not available to the grantee, the allocation methodology used did not meet the test of reasonableness. Reducing the allowable in-kind matching contribution from \$547,019 to a reasonable amount causes the grantee to fall below the 20-percent matching requirement for the 2-year audit period.

RECOMMENDATIONS

We recommend the grantee:

- work with Office of Head Start officials to determine the appropriate amount of in-kind matching for home visit space for 2007 and 2008; and
- revise its method of computing in-kind matching for home visit space.

GRANTEE COMMENTS

In written comments on our draft report, the grantee stated it is working with Office of Head Start officials to determine the appropriate amount of in-kind matching for home visit space for 2007 and 2008 and to ensure full compliance with its non-Federal share obligation for the 2010 program year.

APPENDIX

APPENDIX: AUDITEE COMMENTS



Lancaster - Fairfield Community Action Agency

Michael K. Oatney
Board President

Kellie Ailes
Executive Director

December 22, 2009

Office of Inspector General
Office of Audit Services, Region V
233 North Michigan Avenue
Suite 1360
Chicago, Illinois 60601

RE: A-05-09-00047

To Whom It May Concern:

The Community Action Commission of the Lancaster-Fairfield County Area, Inc. (LFCOA) has received the U.S. Department of Health and Human Services, Office of Inspector General (OIG) draft report dated December 2, 2009.

The OIG office reviewed the programs non-federal share for the years of 2007 (January 1, 2007 through December 31, 2007) and 2008 (January 1, 2008 through December 31, 2008). The review determined that the calculation used for Head Start and Early Head Start home visit space was not considered reasonable.

According to the report, it has been advised that LFCOA work with the Office of Head Start officials to determine the appropriate amount of in-kind matching for the home visit space for 2007 and 2008 and revise its method of computing in-kind matching for home visit space.

In regards to the previous program years of 2007 and 2008, we are working with Regional Office to make any needed adjustments to our non-federal share report.

Adjustments to our floor space calculation have been implemented effective immediately upon notification from the Regional Office for the current 2009 program year. We are anticipating that this adjustment will greatly reduce our non-federal share contribution and have requested a waiver for 2009.

We have identified additional resources and have submitted our new calculation of home visit floor space to ensure our full compliance in meeting our non-federal share obligation for the 2010 program year. The 2010 non-federal share budgets including calculations and contributions have been approved by the Regional Office of Head Start.

If you should have any further questions regarding this response, please contact me at 740.653.4146 Ext. 8001.

Sincerely,

/s Kellie Ailes/
Kellie Ailes
Executive Director of Community Action Program Commission
of the Lancaster-Fairfield County Area, Inc.

