

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**THE CHILD DEVELOPMENT COUNCIL OF
ACADIANA, INC.'S, FINANCIAL
MANAGEMENT PRACTICES AND SYSTEMS
DID NOT ALWAYS MEET FEDERAL
REQUIREMENTS**

*Inquiries about this report may be addressed to the Office of Public Affairs at
Public.Affairs@oig.hhs.gov.*



Kay L. Daly
Assistant Inspector General

September 2012
A-06-11-00031

Office of Inspector General

<http://oig.hhs.gov>

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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

Title VI of the Omnibus Budget Reconciliation Act of 1981 established Head Start as a Federal discretionary grant program. The major objectives of the Head Start program are to promote school readiness and to enhance the social and cognitive development of low-income children by providing educational, health, nutritional, and social services.

Within the U.S. Department of Health and Human Services, the Administration for Children and Families (ACF), Office of Head Start (OHS), administers the Head Start program. In fiscal year (FY) 2010, Congress appropriated \$7.2 billion to fund Head Start's regular operations.

The American Recovery and Reinvestment Act of 2009 (Recovery Act), P.L. No. 111-5, provided an additional \$2.1 billion for the Head Start program during FYs 2009 and 2010. These funds were intended for activities such as expanding enrollment, funding cost-of-living wage increases for employees of Head Start grantees, upgrading centers and classrooms, and bolstering training and technical assistance.

The Child Development Council of Acadiana, Inc. (CDCAI), a nonprofit agency, operates a Head Start program that serves 3- to 5-year-old children and their families at locations in Opelousas, Louisiana, and surrounding cities. CDCAI is funded primarily through Head Start grants. During CDCAI's FY 2011 (February 1, 2010, through January 31, 2011), OHS provided Head Start grant funds to CDCAI totaling \$7,382,330, which included \$823,200 in Recovery Act funds. CDCAI also received funds from the U.S. Department of Agriculture.

OBJECTIVE

Our objective was to determine whether CDCAI's financial management practices and systems met Federal requirements.

SUMMARY OF FINDINGS

CDCAI's financial management practices and systems did not always meet Federal requirements. Specifically, CDCAI:

- claimed \$1,155,646 in unallowable expenditures for the construction of a new central office building without ACF's approval and did not accurately account for these expenditures;
- failed to file a Notice of Federal Interest with ACF for its central office building;
- improperly used the new central office building as collateral on two loans and failed to disclose in its 2009 and 2010 financial statements that the building was pledged as security for the first loan;

- claimed \$852,904 in unallowable goods, services, and donations as non-Federal share;
- overvalued and improperly documented in-kind non-Federal share; and
- claimed \$17,630 in unallowable expenditures that were not reasonable, allocable, and necessary to the overall operation of the Head Start program.

RECOMMENDATIONS

We recommend that OHS:

- require CDCAI to refund \$1,173,276 in unallowable construction expenditures (\$1,155,646) and unallowable operating expenditures (\$17,630) to the Federal Government;
- impose special award conditions to ensure that CDCAI maintains a financial management system that is able to provide accurate, current, and complete disclosure of financial results and records;
- work with CDCAI to identify any remaining unallowable construction-related expenditures;
- require CDCAI to file a Notice of Federal Interest for the central office building;
- ensure that CDCAI does not use Federal property as collateral for a future mortgage and that the current audited financial statements disclose that the building was pledged as security for the loan;
- work with CDCAI to determine the amount of any shortfall in non-Federal share contributions related to the \$852,904 in unallowable non-Federal share and the associated grant funds for which CDCAI would not have been eligible;
- ensure that goods, services, and donations that CDCAI claimed as non-Federal share are allowable;
- ensure that CDCAI values goods, services, and donations according to applicable requirements;
- ensure that CDCAI properly documents in-kind contributions; and
- ensure that CDCAI accounts for Head Start expenditures accurately and that the expenditures are allowable.

CHILD DEVELOPMENT COUNCIL OF ACADIANA, INC., COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, CDCAI disagreed with all six findings. However, CDCAI described corrective actions that it planned to take to address the findings. In addition, CDCAI stated that its board of directors and policy council will carefully review all of our recommendations and *Head Start Program Performance Standards* and other Federal regulations to determine what policies and procedures need to be revised and/or updated to comply with Federal requirements. CDCAI's comments are included in their entirety as Appendix A. Nothing in CDCAI's comments caused us to change our findings or recommendations.

OFFICE OF HEAD START COMMENTS

In written comments on our draft report, OHS concurred with all of our recommendations. OHS's comments are included in their entirety as Appendix B.

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INTRODUCTION

BACKGROUND

Head Start Program

Title VI of the Omnibus Budget Reconciliation Act of 1981 established Head Start as a Federal discretionary grant program. The major objectives of the Head Start program are to promote school readiness and to enhance the social and cognitive development of low-income children by providing educational, health, nutritional, and social services.

Within the U.S. Department of Health and Human Services (HHS), the Administration for Children and Families (ACF), Office of Head Start (OHS), administers the Head Start program. In fiscal year (FY) 2010, Congress appropriated \$7.2 billion to fund Head Start's regular operations.

The American Recovery and Reinvestment Act of 2009 (Recovery Act), P.L. No. 111-5, provided an additional \$2.1 billion for the Head Start program during FYs 2009 and 2010. These funds were intended for activities such as expanding enrollment, funding cost-of-living wage increases for employees of Head Start grantees, upgrading centers and classrooms, and bolstering training and technical assistance.

Child Development Council of Acadiana, Inc.

The Child Development Council of Acadiana, Inc. (CDCAI), a nonprofit agency, operates a Head Start program that serves 3- to 5-year-old children and their families at locations in Opelousas, Louisiana, and surrounding cities. CDCAI is funded primarily through Head Start grants. During CDCAI's FY 2011 (February 1, 2010, through January 31, 2011), OHS provided Head Start grant funds to CDCAI totaling \$7,382,330, which included \$823,200 in Recovery Act funds. CDCAI also received funds from the U.S. Department of Agriculture.

Federal Requirements

Pursuant to 45 CFR § 74.21, grantees are required to maintain financial management systems that contain written procedures for determining the allowability of costs. Grantees must maintain accounting records that are supported by source documentation and must maintain financial systems that provide for accurate and complete reporting of grant-related financial data. For nonprofit organizations, the provisions of 2 CFR part 230, Cost Principles for Non-Profit Organizations (Office of Management and Budget Circular A-122), are applicable.

Special Award Conditions

Pursuant to 45 CFR § 74.14, Head Start may impose additional requirements if a grant recipient has a history of poor performance, is not financially stable, does not have a financial management system that meets Federal standards, has not conformed to the terms and conditions of a previous award, or is not otherwise responsible.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether CDCAI's financial management practices and systems met Federal requirements.

Scope

We performed this review based on a request from OHS. We did not perform an overall assessment of CDCAI's internal control structure. We reviewed only those internal controls directly related to our audit objective. Our review period was CDCAI's FY 2011.

We performed our fieldwork at CDCAI's administrative office in Opelousas, Louisiana.

Methodology

To accomplish our objective, we:

- reviewed relevant Federal laws, regulations, and guidance;
- reviewed CDCAI's accounting, procurement, and financial reporting procedures and interviewed CDCAI officials to gain an understanding of those procedures;
- reviewed Federal Government grant award documentation to determine CDCAI's Head Start and Recovery Act funding;
- reviewed CDCAI's audited financial statements for FYs 2007 through 2010;
- reviewed CDCAI's general ledger, timesheets, invoices, bank reconciliations, and other supporting documentation for costs charged to Head Start grants;
- reviewed CDCAI's property records and performed a physical inventory of property valued at \$5,000 or more at its central office;
- reviewed documentation supporting CDCAI's non-Federal share amounts for FY 2011; and
- reviewed the composition of CDCAI's board of directors and the board meeting minutes.

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.

FINDINGS AND RECOMMENDATIONS

CDCAI's financial management practices and systems did not always meet Federal requirements. Specifically, CDCAI:

- claimed \$1,155,646 in unallowable expenditures for the construction of a new central office building without ACF's approval and did not accurately account for these expenditures;
- did not file, with ACF, a Notice of Federal Interest for its central office building;
- improperly used the new central office building as collateral on two loans and failed to disclose in its 2009 and 2010 financial statements that the building was pledged as security for the first loan;
- claimed \$852,904 in unallowable goods, services, and donations as non-Federal share;
- overvalued and improperly documented in-kind non-Federal share; and
- claimed \$17,630 in unallowable expenditures that were not reasonable, allocable, and necessary to the overall operation of the Head Start program.

CONSTRUCTION OF CENTRAL OFFICE BUILDING

Unapproved Construction Expenditures

Pursuant to 45 CFR § 1309.10, a grantee that proposes to use grant funds to purchase a facility must submit a written application to the responsible HHS official. Further, pursuant to 45 CFR § 1309.12, the responsible HHS official should promptly review and make final decisions regarding completed applications.

Federal regulations (45 CFR § 74.21 (b)) state:

Recipients' financial management systems shall provide for the following: (1) Accurate, current and complete disclosure of the financial results of each HHS-sponsored project or program in accordance with the reporting requirements set forth in § 74.52.... (2) Records that identify adequately the source and application of funds for HHS-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.

The cost principles at 2 CFR part 230, Appendix A, section A.2.g, state that to be allowable under an award, costs must "be adequately documented."

CDCAI spent at least \$1,155,646 in Federal grant funds to construct a new building for its central office without written approval from ACF. The total is composed of costs for

constructing the new building, preparing it for occupancy, and moving into it. CDCAI had submitted at least two applications for approval to use grant funds to construct a new building. However, ACF provided us a copy of the letter it sent to notify CDCAI that ACF would not fund CDCAI's request to use Head Start funds for construction of the new building. A CDCAI board member said that he was not aware that ACF had denied funding for the new central office building.

In addition, CDCAI did not accurately account for construction expenditures. Rather than include the construction costs in a construction account, CDCAI included them in other accounts, including the following: "maintenance and repair," "ARRA [American Recovery and Reinvestment Act] Early Head Start expenditures for classroom supplies," and "ARRA Early Head Start expenditures for minor repairs." CDCAI may also have included construction expenditures in other accounts. Therefore, there is no assurance that all construction-related expenditures have been identified.

Notice of Federal Interest in Real Property Not Filed

Federal regulations (45 CFR § 1309.21(a)) state that the Federal Government has an interest in all real property and equipment acquired (purchased or constructed in whole or in part with Head Start grant funds) or upon which major renovations (e.g., structural changes to foundations, roofs, floors) have been undertaken with grant funds for use as a Head Start facility. Further, 45 CFR § 1309.21(d)(2) states that, except for certain modular units, "... the grantee must record the Notice of Federal Interest in the appropriate official records for the jurisdiction where a facility is or will be located immediately upon: purchasing a facility or land on which a facility is to be constructed; receiving permission to use funds to continue purchase of a facility; commencing major renovation of a facility or construction of a facility."

By the end of our fieldwork, CDCAI had not filed a Notice of Federal Interest for its central office building as required. Because CDCAI did not file a Notice of Federal Interest for property that the Federal Government holds an interest in, the property could be transferred or sold to another party without the written permission of the responsible HHS official.

Improper Use of Federal Property as Collateral and Lack of Disclosure

Federal regulations (45 CFR § 1309.21(b)) state that a grantee may not mortgage, use as collateral, or sell or otherwise transfer to another party, facilities acquired with grant funds, without the written permission of the responsible HHS official. In addition, the Statement of Financial Accounting Standards No. 5(18) requires entities to disclose in their financial statements assets pledged as security for loans.

In October 2009, CDCAI acquired a \$976,000 mortgage from which it could draw down funds until January 2011.¹ CDCAI used the newly constructed central office building as collateral without obtaining the written permission of the responsible HHS official. CDCAI did not disclose in its 2009 and 2010 financial statements that the building was pledged as security for the loan.

¹ CDCAI did not draw down any funds.

During our fieldwork, we told CDCAI officials that we would include in our report information about CDCAI's improper use of its central office building as collateral. Subsequently, in May, 2011, CDCAI acquired a new mortgage for \$100,000 and used these funds to pay off the remainder of the construction costs of the central office building. Again, CDCAI used the newly constructed central office building as collateral without written permission of the responsible HHS official, even though it was aware that doing so would violate Head Start regulations.

NON-FEDERAL SHARE

Unallowable Non-Federal Share

Federal regulations (45 CFR § 1301.20) require grantees to provide 20 percent of the total cost of the Head Start program through non-Federal share. Federal regulations (45 CFR § 74.23(a)) state that all cost sharing or matching contributions must be "necessary and reasonable for proper and efficient accomplishment of project or program objectives" and "allowable under the applicable cost principles."

According to OHS policy issuance ACF-PI-HS-07-04, issued June 27, 2007, the costs incurred in transporting children to and from a Head Start center are not counted as non-Federal share.

CDCAI initially met its required non-Federal share requirement. However, we found that CDCAI claimed \$852,904² for in-kind goods and services and cash donations that were unallowable because they were not necessary and reasonable for accomplishing Head Start program objectives. Local funds totaling \$745,010, which CDCAI used to pay for some of the central office building construction costs, were included in this total. The remaining \$107,894 in unallowable in-kind contributions included the parents' supervision of their own children, prior-period costs, and parents' cost of transporting children to school.

Overvalued In-Kind Contributions

Federal regulations (45 CFR § 74.23(d)) state that for volunteer services to be included as matching contributions, they must be necessary to the program. The rate should be consistent with that paid for similar work in the labor market plus fringe benefits.

CDCAI overvalued in-kind contributions for some volunteer-consultant services. CDCAI based the value of the services on what volunteer consultants would have been paid for performing their regular job duties, regardless of what services they provided at CDCAI. As a result, CDCAI overvalued its in-kind contributions for volunteer consultants who were not donating services related to their regular job duties. We did not disallow any overvalued in-kind amounts because CDCAI generally did not provide enough information about the services to revalue them.

² Without this \$852,904, CDCAI would not have met its non-Federal share requirement.

Insufficient Documentation of In-Kind Contributions

Federal regulations (45 CFR § 74.23(i)(1)) state: “Volunteer services shall be documented and, to the extent feasible, supported by the same methods used by the recipient for its own employees, including time records.”

CDCAI did not adequately document some volunteer services. CDCAI maintained in-kind documentation with the following issues:

- The In-Kind report, primarily used to document the donation of services by members of the community, did not always describe the donated services. In addition, the documentation did not always show the amount of time volunteers donated.
- The Parent Enrichment Activities at Home form did not include descriptions of the types of activities parents performed. In addition, the forms were prefilled with weekly dates covering several months and the number of hours that parents should perform each week. All that the form required of the parent was a signature. These forms were used at several schools throughout the year.

Because the in-kind documentation was inadequate, we were unable to determine what kinds of services were donated. Therefore, we were unable to determine the value of the contributions or whether they were allowable and reasonable.

OPERATING EXPENDITURES

The cost principles at 2 CFR part 230, Appendix A, section A.2.a, state that to be allowable under an award, costs must “be reasonable for the performance of the award and be allocable thereto under these principles.” The cost principles at 2 CFR part 230, Appendix A, section A.3, state that “a cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.” According to the cost principles, one of the factors that should be considered in determining reasonableness is whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award.

CDCAI claimed \$17,630 in unallowable costs for items that generally were not recognized as ordinary and necessary for the performance of the award. For example, CDCAI reimbursed parents for the cost of parent socials and for Christmas gifts that benefited individual children. These activities and gifts fall outside the program’s purposes.

RECOMMENDATIONS

We recommend that OHS:

- require CDCAI to refund \$1,173,276 in unallowable construction expenditures (\$1,155,646) and unallowable operating expenditures (\$17,630) to the Federal Government;

- impose special award conditions to ensure that CDCAI maintains a financial management system that is able to provide accurate, current, and complete disclosure of financial results and records;
- work with CDCAI to identify any remaining unallowable construction-related expenditures;
- require CDCAI to file a Notice of Federal Interest for the central office building;
- ensure that CDCAI does not use Federal property as collateral for a future mortgage and that the current audited financial statements disclose that the building was pledged as security for the loan;
- work with CDCAI to determine the amount of any shortfall in non-Federal share contributions related to the \$852,904 in unallowable non-Federal share and the associated grant funds for which CDCAI would not have been eligible;
- ensure that goods, services, and donations that CDCAI claimed as non-Federal share are allowable;
- ensure that CDCAI values goods, services, and donations according to applicable requirements;
- ensure that CDCAI properly documents in-kind contributions; and
- ensure that CDCAI accounts for Head Start expenditures accurately and that the expenditures are allowable.

CHILD DEVELOPMENT COUNCIL OF ACADIANA, INC., COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, CDCAI disagreed with all six findings. However, CDCAI described corrective actions that it planned to take to address the findings. In addition, CDCAI stated that its board of directors and policy council will carefully review all of our recommendations and *Head Start Program Performance Standards* and other Federal regulations to determine what policies and procedures need to be revised and/or updated to comply with Federal requirements. CDCAI's comments are summarized below and included in their entirety as Appendix A. Nothing in CDCAI's comments caused us to change our findings or recommendations.

Made Unallowable Expenditures for the Construction of a New Central Office Building

Child Development Council of Acadiana, Inc., Comments

CDCAI disagreed with our finding, explaining that it had constructed the new central office building because of serious health and safety issues at the previous facility. CDCAI stated that since 2003 it had submitted seven applications to ACF requesting funds to build the office facility but that none had been approved. In addition, CDCAI stated that it had never received a letter from ACF denying the funding request and that we had refused to give CDCAI a copy of a letter we had that denied funding. CDCAI said that it had submitted a proposal in 2011 asking for retroactive approval for funds that were used. Finally, CDCAI stated that it would never again build a facility using Federal dollars unless prior approval was granted.

CDCAI stated that its accounting system allows for a satisfactory audit trail for expenditures and that it had properly accounted for all funds used to construct the building. CDCAI also stated that officials made adjusting entries in its general journals to accurately account for funds. CDCAI stated that our audit and past independent audits of CDCAI support that its expenditures were allowable and accounted for properly.

Office of Inspector General Response

Although CDCAI stated that it did not receive a letter denying Federal funding for the new building, it admitted that it did not have prior approval to construct the building as required by regulations. During our field work, we shared the copy of the denial letter we had with the Head Start director and allowed the director to make a copy.

CDCAI did not accurately account for construction expenditures. Rather than include the construction costs in a construction account, CDCAI included them in other accounts, including a repairs and maintenance account and an account for classroom supplies. At the time of our review, CDCAI had not made adjusting entries in its general journals to accurately account for construction expenditures.

Did Not File a Notice of Federal Interest in Real Property

Child Development Council of Acadiana, Inc., Comments

CDCAI disagreed with our finding, stating that it will file a Notice of Federal Interest with ACF when OHS approves the use of Federal funds.

Office of Inspector General Response

Because CDCAI used Federal funds to pay for the construction of the new central office building, it was required to file a Notice of Federal Interest to ensure that the Federal Government's interest in the building was protected.

Improperly Used the New Central Office Building as Collateral for Two Loans and Did Not Disclose in Its 2009 and 2010 Financial Statements That the Building Was Pledged as Security for the Loan

Child Development Council of Acadiana, Inc., Comments

CDCAI disagreed with our finding, stating that the \$976,000 loan was not disclosed in the financial statements for 2009 and 2010 because funds from the loan were not used. CDCAI stated that it cancelled its letter of credit at the request of OIG auditors. Further, CDCAI stated that the current \$100,000 loan was negotiated in response to our questions about how the balance owed on the building was going to be paid.

Office of Inspector General Response

CDCAI did not address the fact that it used the newly constructed central office building as collateral on loans without obtaining the written permission of the responsible HHS official. Although CDCAI had not drawn down any funds on the \$976,000 loan, the loan represented a significant potential liability for CDCAI and should have been disclosed in its financial statements.

We never requested that CDCAI cancel its \$976,000 letter of credit. Instead, we asked whether any of the funds had been accessed to pay for the remaining balance owed on the building and other building expenditures and were told that the loan had been cancelled. CDCAI provided a letter showing that it had cancelled the \$976,000 loan in January 2011 and loan documents that showed it had obtained a loan of \$100,000 in May 2011. CDCAI used the newly constructed central office building as collateral on both loans without obtaining the required permission.

Claimed Unallowable Goods, Services, and Donations as Non-Federal Share

Child Development Council of Acadiana, Inc., Comments

CDCAI disagreed with our finding, stating that the \$745,010 in local funds used to pay for the new central office building was properly documented and necessary. CDCAI further stated that the remaining \$107,894 was allowable because parents supervised not only their own children but also other children.

Office of Inspector General Response

CDCAI did not have approval for the construction of the new central office building; therefore, the \$745,010 in local funds that was used to pay for some of the construction costs was not allowable as non-Federal share.

CDCAI claimed \$107,894 as non-Federal share for parents' supervision of their own children, prior-period costs, and parents' cost of transporting children to school. We understand the role that parents play in the program, including assisting with supervision, but the costs for these activities are not allowable costs. For example, while graduation is an acceptable activity under

the Head Start program, Head Start grant funds may not be used to cover any of its costs, and such activities cannot be claimed as non-Federal share.

Overvalued and Improperly Documented In-Kind Non-Federal Share

Child Development Council of Acadiana, Inc., Comments

CDCAI disagreed with our finding, stating that volunteer consultants were performing their regular job duties when in Head Start centers. In addition, CDCAI stated that it developed in-kind activities based on *Head Start Program Performance Standards* and that its forms documented those activities. CDCAI stated that it is currently reviewing those forms to ensure that policies and procedures give specific information on valuation of volunteer and in-kind donations. CDCAI also stated that it will be providing training on completing forms and evaluating volunteer and in-kind contributions.

Office of Inspector General Response

CDCAI officials told us during our audit that they based the value of the services on what volunteer consultants would have been paid for performing their regular job duties, regardless of what services they provided at CDCAI. When reviewing volunteer consultant services, we identified instances in which some of the consultants were not performing their regular job duties, but performed services that CDCAI had valued at a rate consistent with what the volunteer consultants were probably paid for performing their regular job duties. Additionally, according to 45 CFR § 74.23(a)(1), to be accepted, all cost sharing or matching contributions must be verifiable in recipients' records. CDCAI's records should have contained sufficient evidence to determine what service was donated, the basis for the valuation of the service, and the amount of time that was donated.

Made Unallowable Expenditures

Child Development Council of Acadiana, Inc., Comments

CDCAI disagreed with our finding, stating that the expenditures were allowable and necessary and that the CDCAI staff was working with the parents to ensure active involvement and participation. CDCAI also stated that the gifts and other items purchased for the children could be used in the classrooms. CDCAI added that it will request written guidance from the Dallas Regional Office.

Office of Inspector General Response

The expenditures in question were for items that generally are not recognized as ordinary and necessary for the performance of the award, including the costs for parent socials and gifts that benefited individual children. While parents' involvement and participation in the Head Start program are critical, we were not provided with any information about how these parent socials benefitted the Head Start program. In addition, while the gifts could be used in the classroom, we were told during our audit that the gifts were for individual children. These activities and gifts fall outside the program's purposes.

OFFICE OF HEAD START COMMENTS

In written comments on our draft report, OHS concurred with all of our recommendations. OHS's comments are included in their entirety as Appendix B.

APPENDIXES

**APPENDIX A: CHILD DEVELOPMENT COUNCIL OF ACADIANA, INC.,
COMMENTS**

CHILD DEVELOPMENT COUNCIL OF ACADIANA, INC.

St. Landry Parish

Head Start - Early Head Start Program



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June 14, 2012

Office of Audit Services, Region VI
Attn: Ms. Patricia Wheeler, Regional Inspector General
For Audit Services
1100 Commerce Street, Room 632
Dallas, TX 75242

RE: Report Number – A-06-11-00031

Dear Ms. Wheeler:

Enclosed you will find Child Development Council of Acadiana, Inc., responses to the Office of Audit Services, Region VI – Draft Report #A-06-11-00031.

CDCAI's Board of Directors does not concur with any of the six (6) findings contained in the OIG Report. The details, explanations, and rebuttals for the Board's nonconurrence are included in the responses following each of the six (6) findings.

Sincerely,

A handwritten signature in black ink that reads "Clifton Lemelle, Sr." in a cursive script.

Clifton Lemelle, Sr.
President

Working to Improve the Quality of Life for Children and Families of St. Landry Parish

Child Development Council of
Acadiana, Inc.

Responses To

Office of Inspector General
Office of Audit Services, Region VI

Draft Report #A-06-11-00031

1. **FINDING**

- **Claimed \$1,155,646 in unallowable expenditures for the construction of a new central office building without ACF's approval and did not accurately account for these expenditures;**

1. **RESPONSE– (NONCONCURRENCE)**

The working definitions for expenditures being allowable and accountable are that they are (1) allocable, reasonable, and necessary; and, (2) the grantee's accounting system allows and permits a satisfactory audit trail for those expenditures. This OIG's audit, and all prior independent audits conducted of CDCAI, actually support that our agency's expenditures complied with those definitions. Also, all funds received by CDCAI for Head Start and Early Head Start Programs were spent entirely for Head Start and Early Head Start Program purposes – within the grantee's official service area and on behalf of, and for the benefits of, the enrolled children, their parents, the grantee's staff and other allowable and accountable purposes.

CDCAI has submitted seven (7) One Time Applications requesting funds to build an office facility. Agency began submitting applications in 2003. The applications submitted in 2003 and 2004 were submitted because of building becoming hazardous to the health of staff, children, families and others visiting facility. In 2005 emergency applications were submitted after Hurricane Rita's high winds and rain caused extensive damage to the building. Beginning September 2005, September, 2006, July 2007, October 2008 and October 2009, emergency applications were submitted.

The facility housed the central office staff and was also used by the children/parents for health screenings, socialization activities, and parent meetings. The facility was 75 plus years old and had multiple factors that posed serious risks to the health, safety and well being of all persons using this facility.

The building had multiple health and safety issues prior to Hurricane Rita. These health and safety issues were made even more serious after the roof was struck by high wind and rain. On September 24, 2005, Hurricane Rita hit in the Opelousas area bringing high winds and heavy rain which caused the roof to cave in on the facility. Water filled the building and caused extensive water damage to the entire facility. The water was pumped out of the building; however, the carpet began to smell – mildew formed and mold developed throughout the building - the entire building became a health hazard.

In September 4, 2008 Hurricane Gustav caused additional problems and more water due to the damaged roof continued to leak into the building.

Each time there was rain, additional water damage occurred and all of the supplies and equipment had to be moved to an area in the building that offered protection and security.

Mold-mildew and the awful smell continued to exist. Deodorizers were constantly put throughout the building to mask the smell, each time persons entered the door, they commented on the mold-mildew smell.

On October 12, 2007 a study was completed by Michael LeBas and Associates, Inc., to determine whether there were health risk factors. The study confirmed that there were indeed measurable and serious health risk factors.

On September 13, 2008 Hurricane Ike added to the already serious problems. The landlord attempted to repair the roof. Each time one leak was repaired, three others formed elsewhere.

October 30, 2008, another emergency proposal was submitted to the Regional Office with a copy of the study done by Michael LeBas and Associates, Inc.

Hurricane Katrina (August 29, 2005) was devastating to South East Louisiana and within a month Hurricane Rita (September 24, 2005) hit the St. Landry Parish areas. All eyes were on the New Orleans area and when Rita hit St. Landry Parish very little attention was given to our needs for financial assistance.

Three persons housed in this building have been diagnosed with cancer. The period of those diagnosis were November, 2007, January, 2009 and May, 2011.

Four (4) staff persons housed in this office are having serious health problems with sinus – breathing – skin rashes.

Every Monday morning upon arrival at the building, there was the smell of skunk having been in the building. Several snakes were killed in this building and rat traps and poison was constantly laid out to catch these.

St. Landry Parish is one of the poorest parishes in the State of Louisiana. No one agency here has money to give another and all of us are seeking the same dollars.

Since none of our Emergency Applications were approved and no one from the Regional Office who was working with relief efforts and awarding money for buildings after the Hurricanes would make a visit to see and verify our need for assistance, we submitted five emergency applications with pictures displaying the damage to the building – the mold – the mildew and the termites and other things that were visible throughout the building.

The staff-families-Board and community residents began raising money to help construct a facility. Beginning August of 2003 through June 2011, the agency was able to raise \$700,000 over a period of time to help construct this much needed facility.

As funds were raised beginning 2003, if there were repairs needed to centers for which the federal dollars were not available to pay, the grantee would use locally raised funds to pay the cost.

The building would have cost much less had the agency been able to build soon after Hurricane Rita before new building codes were put into effect. The agency was hoping to pay about a million dollars for a new facility.

When the agency let out a bid sheet on January 10, 2005 for this facility, the bid was \$2,500,000.00. The money we had could not pay the full cost of the facility.

The Board and staff asked the architect and the company submitting the bid to cut back on the size of the building and other items to reduce the cost. The cost to construct this building was reduced on September 2, 2009, from \$2,500,000.00 to \$1,700,000.00. As of February 10, 2011 CDCAI has contributed in excess of \$800,000.00 to construction cost-purchased the land and got persons, contractors and others to provide free services.

SUITABLE FACILITIES

A search committee looked for eight years (September 2000 through 2008) for a facility in the area to rent or lease. All buildings had similar problems as the one being leased. All buildings were old grocery stores-furniture stores, etc., that had been vacant for years.

This facility was built out of desperation and fear for the health, safety and well being of children, families and the ten staff persons who were housed on a full time basis in this facility. A third party verification survey completed by a licensed appraisal was submitted to the Regional Office verifying that no suitable facility was available for rent or lease in the area. Date copy of appraisal was submitted to Ms. Peggy Young at Regional Office was April 26, 2011.

RESULTS OF STAFF BEING HOUSED IN UNSAFE - UNHEALTHY FACILITY

To date three of the persons who were full time employees and housed in this facility have been diagnosed with cancer. Two have had treatment-one had surgery and one is currently in treatment. All three are still seeing doctors on a regular basis.

Through our written emergency applications submitted we tried to impress upon ACF Officials our concerns of the three of ten staff persons having cancer, but even though we were alarmed ACF did not respond about the thirty percent cancer occurrence and or other possible long term health risks that this environment posed to staff, children, parent and others who frequented this facility.

Employees who had breathing problems continue to have these breathing problems.

OTHER PERSONS EXPOSED TO HEALTH RISK FACTORS

Persons entering the building would always comment about the smell and odor and would soon leave the building.

DECISION TO NOT CONTINUE HEALTH RISK OF CHILDREN

In 2009 a decision was made not to have children in the building because of fear for health and safety reasons.

ASSISTANCE REQUESTED SEVEN TIMES FROM REGIONAL OFFICE

The Program Specialist from the Regional Office would submit CDCAI one time emergency applications for funding; however, no written response was received from any responsible HHS Official.

The Program Specialists had visited our agency and knew of our needs and pleaded for help on our behalf.

WORRYING ABOUT FUTURE LIABILITY AGENCY COULD FACE

Currently the Board of Directors are hoping that no one attempts to seek damages for health issues that may be contributed to their being housed in this facility. We feel that based upon our continued efforts to seek the means to improve the work environment and ACF's Officials lack of willingness to assist us they are also legally culpable.

ALL SERVICES PROVIDED

From September 2010 through July of 2012 all services were provided satisfactorily to the 917 children and their families and full enrollment was maintained throughout the entire enrollment period.

FUTURE USE OF FACILITY

There are no suitable facilities available in this area for use by the Grantee to house the Agency's administrative operation. Therefore, if Grantee is required to pay all funds back, the building will be owned by the Grantee. There will be no need for the Grantee to file Notice of Interest Federal Form.

PROGRAM SPECIALIST ACTION

The Regional Office Program Specialist who pleaded CDCAI case from 2003 through 2007 for funds needed to build an office facility is still employed at the Regional Office and can attest to his actions on CDCAI's behalf.

In addition – Grantee Head Start Director asked OIG auditors to visit the old (still vacant) office building – they declined the request. This would have given them a better understanding of just how in peril we were with this facility.

LETTER THAT AGENCY DID NOT RECEIVE

The letter that OIG auditors shared with the CDCAI personnel during their investigation process denying the request for funding has never been received by the CDCAI Agency. The auditors let the Director read the letter, but refused to give her a copy of the letter. As correspondence is received by CDCAI it is stamped with a date stamp and initialed by the person who received the correspondence. In reviewing the books where all correspondence is filed, the Agency has no such letter on file.

MANAGEMENT OF DOLLARS

CDCAI was able to build this facility because of the grantee's extreme fiscal austerity measures that allowed cost savings, without sacrificing required services to children and their families.

It is our sincere belief that our action provided the best and safest environment for the staff to work, children to receive services and families to participate in training activities to best prepare for their children's future.

The Regional Office Personnel have always said that applications submitted requesting funds due to health and safety reason would be given careful consideration and priority for funding.

CDCAI submitted seven (7) one-time applications requesting funds to build this facility – we could only conclude that the responsible HHS officials who made those decisions did not care about the health, safety and well being of children, staff and families in St. Landry Parish. We could only conclude that any reasonable person would have shown more concern for a healthy environment.

ATTACHMENT I - E-MAIL RECEIVED FROM REGIONAL OFFICE PROGRAM SPECIALIST - DEAN CAMPBELL, DATED MONDAY, JULY 30, 2007, GIVING AN UPDATE ON ONE TIME SUPPLEMENTAL APPLICATIONS SUBMITTED TO REGIONAL OFFICE

This document gives information on bottom of Page 1 and top of Page 2 for funds requested to construct this office – the document also highlights the condition of the building and the health risk factors.

This e-mail was sent to all three Regional Program Managers, Susan Johnston, George Campbell and Carlton Reid with a carbon copy to Ray Bishop, Debra Drake, Dean Campbell, Kimberly, Chalk, Alfredo Huerta, Lillioanna Ferrell, Janice Pruitt, Michelle Helmke, and Mike Arredondo. The e-mail was sent from Peggy Young, who is the Grant Analyst for CDCAI. Therefore all were aware of CDCAI desperate need for financial assistance..

CDCAI'S REQUEST FOR RESOLVING CONSTRUCTION ISSUES

On April 12, 2011, the Board of Directors submitted a proposal to the Dallas Regional Office asking for retroactive approval for funds used to construct facility.

On Wednesday, April 20, 2011, Attachment 2 from the Grant Analyst was received asking for additional information on the Retroactive Application submitted. This information was sent to the Grant Analyst, Peggy Young on Tuesday, April 26, 2011.

On May 13, 2011, a letter was received from the Acting Regional Program Manager, Debra Drake, denying the request for funding.

On June 6, 2011, the Board of Directors discussed at a meeting all matters pertaining to facilities and funds to pay for any repairs.

CDCAI shall never again build a facility using federal dollars unless prior approval has been granted.

The Board has always received copies of correspondence from funding sources, however, the Board now reviews and discuss correspondence in meetings. On June 6, 2011, Board members and Policy Council members - parents, along with staff did an in-dept review of the Annual Self Assessment. During this discussion health and safety issues were the major topic and any health risk factors that may exist that needed immediate attention.

The conclusion of this discussion was that with the move into the office - all facilities meet health approval - the environments are safe and free of any health risk factors. There are no major repairs needed at any facility. As minor repairs are needed they are done, and unsafe supplies and/or equipment are immediately removed.

Board also requested that they be informed immediately if Director and/or staff feel that Agency cannot comply with regulations or provide services as required.

The Self Assessment also assured Board of Directors and Policy Council that funded enrollment had been maintained the entire school year and that all required services had been provided.

Parents who were present could attest to services provided and centers being operational with all needed and necessary supplies, materials and equipment.

CDCAI REQUEST FROM OFFICE OF HEAD START

The Board is requesting (Wednesday, June 13, 2012) retroactive approval or forgiveness, for cited fiscal expenditures which are allowable - except for not meeting "prior approval" stipulations.

We as a Board take our roles and responsibilities very seriously and have worked faithfully to ensure that a quality program of service is provided.

All funds are properly accounted for and the health and safety of children, staff, families and visitors are no longer being put at risk since the building in question was completed and occupied. We have had many sleepless nights worrying about this situation and this audit report.

During the last ten years, our Agency has had three federal on-site reviews and all reviews confirmed CDCAI's prudent management of finances and there were no findings reported in financial management except for the last audit that was conducted by an independent auditor.

Dates of Triennial Reviews

- January 24-29, 2010
- March 26-31, 2006
- March 31 - April 4, 2003

ACCURATE ACCOUNTING OF FUNDS

All funds have been accurately accounted for through adjusting entries having been made in the general journals. Proposals submitted to the Regional Office on April 12, 2011 (page 5) and resubmitted on January 12, 2012 give total amount of funds (page 6) paid for the building - federal-local and balance due on building.

CORRECTIVE ACTION

CDCAI will ensure that all records are identified adequately as current and complete disclosure of financial statements in accordance with the reporting requirements as set forth in § 74.52.

2. FINDING

- **Failed to file a Notice of Federal Interest with ACF for its central office building;**

2. RESPONSE- (NONCONCURRENCE)

The Federal Interest Form was filled out on April 12, 2011 and CDCAI is eagerly waiting to file form as soon as Office of Head Start gives approval or final disapproval for use of funds or the OK to file form.

If OHS disapproves of federal funds used, then CDCAI will be the sole owner.

No determination has been made about the ownership of this facility.

CDCAI has in excess of \$800,000.00 invested in this building in addition to local funds used to purchase land.

The land on which the building was constructed was purchased in 2004 with non federal dollars and therefore belongs to CDCAI.

Our view is that if HHS disapproves of Federal funds used, that sole ownership would belong to CDCAI.

CORRECTIVE ACTION

Notice of Federal Interest Form will be filed with the Federal Government upon approval for use of federal funds.

3. FINDING

- **Improperly used the new central office building as collateral on two loans and failed to disclose in its 2009 and 2010 financial statements that the building was pledged as security for the first loan;**

3. RESPONSE- (NONCONCURRENCE)

The loan was obtained to ensure construction of the building to get a safe-work environment for staff and safe facility for children and families to participate in program activities.

CDCAI took responsibility to acquire funds to construct a facility for health safety and well being of employees, children, families and all others using this facility.

The loan was set up but was not disclosed in the financial statement for 2009 and 2010 because no funds were drawn down; therefore, CDCAI had no liability concerning this loan.

ATTACHMENT 2 - E-MAIL SENT BY OIG AUDITORS ASKING FOR A LETTER STATING THE \$976,000 LOAN HAD BEEN CANCELLED.

ATTACHMENT 3 - LETTER FROM BANK SENT TO OIG AUDITOR STATING THAT THE \$976,000 LOAN HAD BEEN CANCELLED

CDCAI had not planned to cancel this loan until all issues and concerns had been worked out. An e-mail was received from [REDACTED] OIG Auditor on September 1, 2011, wanting proof that the loan had been cancelled.

THE LOAN WAS CANCELLED AT THE BANK

OIG Auditors asked for a copy of the loan papers and was given these papers and the letter verifying that no funds approved have been used.

This loan was obtained to assist with constructing the office building and since CDCAI did not know whether or not the funds would be needed – the loan was not cancelled, and the Letter of Credit shows that no funds had been used.

The Letter of Credit was cancelled at the request of OIG Auditors.

No funds were ever drawn down from this loan.

In further discussion with OIG Auditor, [REDACTED] she wanted to know how CDCAI was going to pay the balance – the \$100,000.00 loan was negotiated to verify how balance on building was going to be paid.

OIG Auditor, [REDACTED] wanted a copy of this loan agreement. This loan agreement was obtained to give a copy to OIG Auditor.

CORRECTIVE ACTION

Currently CDCAI is making a monthly payment with non-federal dollars on the \$100,000 loan balance on the building. The monthly note is \$1,102.09. This loan has been disclosed in the financial statement since money was drawn down.

DISCUSSION WITH REGIONAL OFFICE

During the week of May 2 - 4, 2011, CDCAI Program Director, Barbara Pickney and Finance Specialist, Shirley Eaglin, attended an OHS Cluster Meeting in West Minister, Colorado and during that conference – the CDCAI Representatives met with Acting Regional Program Manager, Debra Drake and another Program Manager, George Campbell to discuss OIG’s audit and issues with construction of building and payoff of balance on building. CDCAI persons were told to not use additional federal dollars for payoff of building and to wait until the OIG Report is issued. CDCAI Director told regional reps that she wanted to withdraw her 403B Retirement Fund and pay the balance due on the building. She was advised by both Regional reps to not use personal money to pay off building.

CDCAI will continue to pay this loan until paid off with non-federal funds.

Should the Office of Head Start/Regional Office give permission to use federal dollars to pay balance of loan - CDCAI only then will use federal dollars to pay loan.

4. **FINDING**

- **Claimed \$852,904 in unallowable goods, services, and donations as non-Federal share;**

4. **RESPONSE– (NONCONCURRENCE)**

The working definitions for expenditures being allowable and accountable are that they are (1) allocable, reasonable, and necessary; and, (2) the grantee’s accounting system allows and permits a satisfactory audit trail for those expenditures. This OIG’s audit, and all prior independent audits conducted of CDCAI, actually support that our agency’s expenditures complied with those definitions. Also, all funds received by CDCAI for Head Start and Early Head Start Programs were spent entirely for Head Start and Early Head Start Program purposes – within the grantee’s official service area and on behalf of, and for the benefits of, the enrolled children, their parents, the grantee’s staff and other allowable and accountable purposes.

The \$745,010 was local fund money that was used for payment on office facility and was properly documented.

CDCAI feels that the \$745,010 of non-federal for in-kind was necessary because without an office CDCAI cannot or could not have carried out all administrative activities that must be done to operate a Head Start-Early Head Start Program. The staff would have continued to be housed in an unsafe - unhealthy - hazardous environment - putting their lives at risk.

Once the \$745,010 was used to pay on the building, it was then properly documented as In-Kind contribution.

CDCAI feels the remaining \$107,894 is allowable because parents supervised their children as well as other children for field trips, classroom activities, playground activities. Parents are always supervising more than one child. Depending on the activity to ensure having adequate supervision parents may supervise two or three children - but never are they supervising one child. CDCAI could have their Class A Child Care License revoked if they failed to have adequate supervision of children at any function.

CORRECTIVE ACTION

CDCAI has developed new forms and additional instruction to ensure that adequate documentation of all volunteer and in-kind donations are properly documented as stated by the OIG Auditors – but not questioned by Federal Review Teams or Independent Auditors.

Staff have been given training on volunteer regulations and allowable in-kind. Parents transporting children are no longer an allowable in-kind contribution.

5. FINDING

- **Overvalued and improperly documented in-kind non-Federal share; and**

5. RESPONSE– (NONCONCURRENCE)

Volunteer consultants are performing their regular job duties when in Head Start Centers:

- Examples: Dentist is speaking to children about the importance of good dental hygiene - instead of being done at the office. Dentists come to centers and visit each classroom.

Parents or community persons working on playground - their time is valued at Agency rate for janitorial-maintenance work.

Librarian - visits centers to do story time. The rate of volunteer or in-kind is valued at rate CDCAI allows for a consultant based on degree individual must have to hold position as librarian.

According to CDCAI calculations Agency met its non-federal share.

1304.40 Head Start Performance Standards discussed all types of activities that grantees must ensure that parents be involved in with their children.

In keeping with these regulations Policy Council, parents and staff developed activities that parents wanted to do with their children. Volunteer and in-kind forms were developed based on these activities. The forms were being used to document activities that parents were doing.

Each time auditors or reviewers visit CDCAI, if questions and/or comments are made about documentation of in-kind - based on these comments, questions, suggestions, feed back given on improving forms or making change - CDCAI make suggested or recommended changes to forms being used.

Forms currently being used are revised or updated as recommendations are made.

CORRECTIVE ACTION

CDCAI is currently reviewing forms and written descriptions to ensure that policies and procedures give specific information on valuation of volunteer and in-kind donations.

Staff will be provided training on completing forms and how to correctly do evaluation of volunteer and in-kind contributions.

6. FINDING

- Claimed \$17,360 in unallowable expenditures that were not reasonable, allocable, and necessary to overall operation of the Head Start Program.

6. RESPONSE- (NONCONCURRENCE)

The working definitions for expenditures being allowable and accountable are that they are (1) allocable, reasonable, and necessary; and, (2) the grantee's accounting system allows and permits a satisfactory audit trail for those expenditures. This OIG's audit, and all prior independent audits conducted of CDCAI, actually support that our agency's expenditures complied with those definitions. Also, all funds received by CDCAI for Head Start and Early Head Start Programs were spent entirely for Head Start and Early Head Start Program purposes – within the grantee's official service area and on behalf of, and for the benefits of, the enrolled children, their parents, the grantee's staff and other allowable and accountable purposes.

Parents discussed and decided that they wanted to do the Birthday Parties and Christmas activities with their children. Parents and staff provide many other goods and items for the children and the items are purchased through set aside funds by the grantees are only a fraction of the items.

St. Landry Parish rank among the poorest parishes in the state. St. Landry Parish Schools received a D rating next to a failing F for educational performance by the children. To ensure school success and school readiness - CDCAI staff is working with parents to ensure active involvement and participation in school and classroom activities.

Staff is working in partnership with parents-families to engage families in their children's school activities and many family engagement activities are planned together by parents and staff. Some dollars must be accessible to carry out these jointly planned family engagement activities.

The gifts and other items purchased for the children can be used in the classrooms. The children can develop stories about items - these items can help literacy skills - word recognition. Story time is often done by children and parents and items can be used to tell their stories.

Every Federal On-Site Review CDCAI had gone through okayed the way that Federal funds set aside for parent activities were used.

CORRECTIVE ACTION

Written Guidance from the Dallas Regional Office will be requested. Meantime, information is being given to parents, Board Members and Policy Council members for their review and discussion.

Regulations require that Policy Council must approve and/or disapprove certain aspects of the program. Board of Directors and staff will work with Policy Council and parents to reach an amicable solution.

FINAL COMMENTS

The Board of Directors and Policy Council will carefully review all OIG Auditors' recommendations and will review Head Start Performance Standards and other federal regulations to determine what policies and procedures need to be revised and/or updated to comply with Federal requirements.

Clarifications and guidance will be requested from the Dallas Office of Head Start/Regional Office.

Attachment 1

Sharon

From: Campbell, Dean (ACF) [REDACTED]
Sent: Monday, July 30, 2007 4:48 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: FW: Carry-Forward/One Time Requests (UPDATE 2)

FYI.

Thanks !

Dean Campbell, Head Start Program Specialist
U.S. Dept. of Health & Human Services



From: Young, Peggy (ACF)
Sent: Friday, July 27, 2007 5:32 PM
To: Johnston, Susan (ACF); Campbell, George (ACF); Reid, Carlton (ACF)
Cc: Bishop, Ray (ACF); Drake, Deborah (ACF); Campbell, Dean (ACF); Chalk, Kimberly (ACF); Huerta, Alfredo (ACF); Ferrell, Lillionna (ACF); Pruitt, Janice (ACF); Helmke, Michelle (ACF); Arredondo, Mike (ACF)
Subject: Carry-Forward/One Time Requests (UPDATE 2)

UPDATE 2

I have the following carry-forward and/or one time requests pending approval, please provide guidance/update as to funding status/disposition:

-06CH0382 Head Start of Greater Dallas (C/F \$110,546)

Grantee reports \$1,272,560 unobligated balance Final SF269 PY 18. Grantee was authorized one time of \$392,128 of unobligated funds from PY 17 to PY 18 for minor renovations and center improvements. Recommend grantee make better utilization of existing funds available by requesting budget revisions as conditions and priorities change to eliminate excessive unobligated balances.

Application meets funding requirements. Recommend approval.

-06CH0439 Child Development of Acadia, Inc. (One time \$150,000-PA20)

Staff computer skills and technology training, mental health training for staff and families, training on evacuation, resource materials for families, parent training, \$115,000, computer upgrades \$35,000

Recommend approval. Application meets funding requirements.

***06CH0439 Child Development of Acadia, Inc. (One time \$2,700,000)**

7/31/2007

Construction of a new central office, current facility is old store building at least 50 years old, leased. Facility sustained heavy damage from Hurricane Rita, has asbestos and poses a health risk to staff.

***06CH0439 Child Development of Acadia, Inc. (one time \$2,595,000)**

Renovate 10 Head Start Center playground, resurface and equipment replacement.

***06CH0439 Child Development of Acadia, Inc. (one time \$540,000)**

Purchase six (65 passenger) buses. Vehicles are need to maintain good average daily attendance. Majority of families served do not own transportation.

-06CH6999 Neighborhood Centers, Inc. (C/F \$618,067)

Construction of Alief Facility and to serve 30 Katrina Evacuees. Grantee was awarded \$478,750 in FY 06 to construct a facility in the Alief Area.

The funds are still restricted pending an application. Grantee was notified of application requirements 9/6/06 via email but has not submitted an application that meets funding requirements. Do not recommend approval until grantee submits appropriate application

-06CH0425 Cameron Community Action Agency, Inc. (C/F \$1,764,162)

Request to carry forward FY07 Hurricane One Time funds (CAN 4122) for code compliant facilities/property, child restraints, one bus, construction site manager for 2 sites, upgrade playground area/equipment, office supplies/equipment, and classroom supplies/equipment.

The Grantee expended \$201,281 (building repairs/land development) of the \$1,965,443 awarded last year. Application requested, The funds were restricted pending an application (9/2006), application requested 6/21/06, application was received 2/13/07, grantee budget end is 2/28/07. Recommend approval upon receipt of requested information. Grantee operations were destroyed by Hurricane Katrina August 2005.

***06CH0425 Cameron Community Action Agency, Inc. (NFS Waiver COLA \$1,789)**

Grantee requests a NFS waiver for COLA, grantee was impacted by Hurricane Katrina. Recommend approval.

***06CH5185 CAC, Inc. Of Hays, Caldwell and Blanco Counties (NFS Waiver \$2,500 for Carry-forward)**

Carry-forward of \$10,000 (approvable at Regional Level) that was awarded in previous program year.

***06CH7000 Avance, Inc. Houston, Tx (C/F \$270,500)**

Grantee was awarded \$381,867 (PA22) funds to serve 80 children displaced by hurricane Katrina. Grantee requests \$270,000 carry-forward to continue services through May 2007.

***06CH6007 Regina Coeli Child Development Inc. (One time \$2,509,295)**

Lost the use of building for Central Tangipahoa HS Center to fire 10/06, rented from the Town of Independence. Temporarily operating in National Guard Armory. Request to purchase 5 acres \$125,000, building \$1,901,880. Six classrooms, 120 children. Grantee attests that no other facilities are

7/31/2007

available. Nonfederal share waiver requested.

***06CH6007 Regina Coeli Child Development, Inc. (One time \$994,771)**

To assist in the construction of new facility in Slidell- Airport Rd (Constructed in 1990 with HS funds). The location is no longer suitable for a Head Start Center. Grantee purchased 3.56 acres to construct building with grantee funds (non-Head Start), grantee was awarded \$1,485,160 (0605) hurricane funds to construct this facility. The estimate now, aftermath of the hurricane, to build the facility has increased \$994,771. Nonfederal share waiver requested.

NOTATIONS:

- on previous report
- * new

Peggy Young, Financial Operations Specialist
Administration for Children and Families
Office of Administration
Region VI Grants Management Office



7/31/2007

Attachment 2

Shirley

From: [REDACTED]
Sent: Thursday, September 01, 2011 2:21 PM
To: [REDACTED]
Subject: document request

Shirley,

Can we get a copy of the letter from the bank about the \$976,000 loan agreement being cancelled or withdrawn? Also, can we get a copy of the new loan documents? You can fax them to me at [REDACTED] Thank you for your help.



This email may contain confidential and/or privileged information. If you are not the intended recipient (or have received this email in error) please notify the sender immediately and destroy this email. Any unauthorized copying, disclosure or distribution of the material in this email is strictly forbidden.

"The person who says it cannot be done should not interrupt the person doing it."

6/5/2012

Attachment 3

Aug-31-2011 02:46 PM JPMorgan Chase 337-265-3581

2/2



August 31, 2011

Child Development Council of Acadiana Inc
Attn: Barbara Pickney
PO Box 910
Opelousas, LA 70571

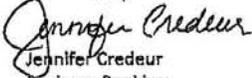
Ref: Loan request for \$967,000.00

Ms. Barbara,

Please allow this letter to serve as verification that the loan request for \$967,000.00 was approved by Chase Bank in October 2009. However, the loan request was withdrawn in January 2011 and there were no funds disbursed to Child Development Council of Acadiana Inc.

Please feel free to contact me should you require any additional information.

Sincerely,


Jennifer Credeur
Business Banking
337-265-3591

APPENDIX B: OFFICE OF HEAD START COMMENTS

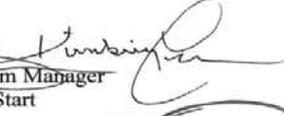


ADMINISTRATION FOR
CHILDREN & FAMILIES

Office of Head Start, 1301 Young Street, Room 937, Dallas, TX 75202 www.eclkc.ohs.acf.hhs.gov

Date: August 10, 2012

To: Patricia Wheeler
Regional Inspector General for Audit Services

From: Kimberly Chalk 
Regional Program Manager
Office of Head Start

Ray Bishop, Grants Officer 
Office of Grants Management

Subject: Report Number A-06-11-00031

The Office of Inspector General (OIG), Office of Audit Services, provided the draft audit report for Child Development Council of Acadiana, Inc. (CDCAI), Common Identification Number (CIN) A-06-11-00031 to the Department of Health and Human Services (DHHS), Administration for Children and Families (ACF), Office of Head Start (OHS) for comments on July 13, 2012. The audit report examined expenditures under grants awarded to CDCAI, specifically Grant Numbers 06CH0439 and 06SE 0439. The ten recommendations identified in the draft audit report are addressed below.

Recommendation 1:

The draft OIG report requires CDCAI to refund \$1,173,276 in unallowable construction expenditures (\$1,155,646) and unallowable operating expenditures (\$17,630) to the Federal Government.

The Office of Head Start (OHS) and the Office of Grants Management (OGM) concur with this recommendation. OGM also noted that the grantee's annual A-133 audit (for February 1, 2010 through January 31, 2011) questioned the construction costs for this facility as well.

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Recommendation 2:

The draft OIG report indicated special award conditions are to be imposed to ensure CDCAI maintains a financial management system that is able to provide accurate, current, and complete disclosure of financial results and records.

OHS and OGM concur with this recommendation

Recommendation 3:

The draft OIG report requests OHS work with CDCAI to identify any remaining unallowable construction-related expenditures.

OHS and OGM concur with this recommendation

Recommendation 4:

The draft OIG report requires CDCAI to file a Notice of Federal Interest for the central office building.

OHS and OGM concur with this recommendation.

Recommendation 5:

The draft OIG report stated OHS ensure CDCAI does not use Federal property as collateral for a future mortgage and that the current audited financial statements disclose that the building was pledged as security for the loan.

OHS and OGM concur with this recommendation.

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Recommendation 6:

The draft OIG report stated OHS is to work with CDCAI to determine the amount of any shortfall in non-Federal share contributions related to the \$852,904 in unallowable non-Federal share and the associated grant funds for which CDCAI would not have been eligible.

OHS and OGM concur with this recommendation.

Recommendation 7:

The draft OIG report stated OHS was to ensure that goods, services, and donations that CDCAI claimed as non-Federal share are allowable.

OHS and OGM concur with this recommendation.

Recommendation 8:

The draft OIG report stated that OHS will ensure CDCAI values goods, services, and donations according to applicable requirements.

OHS and OGM concur with this recommendation.

Recommendation 9:

The draft OIG report stated OHS was to ensure CDCAI properly documents in-kind contributions.

OHS and OGM concur with this recommendation.

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Recommendation 10:

The OIG report requests OHS to ensure that CDCAI accounts for Head Start expenditures accurately and that the expenditures are allowable.

OHS and OGM concur with this recommendation.

OHS and OGM concur with providing training and technical assistance resources to CDCAI within 90 days after issuance of the final OIG Report.

Thank you for the opportunity to comment.