

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**SEMINOLE NATION OF  
OKLAHOMA DID NOT  
ADEQUATELY OPERATE AND  
MANAGE ITS HEAD START  
PROGRAM**

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**December 2019  
A-06-18-07002**

# *Office of Inspector General*

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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.

## Report in Brief

Date: December 2019  
Report No. A-06-18-07002

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES  
**OFFICE OF INSPECTOR GENERAL**



### Why OIG Did This Audit

In December 2017, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) issued a report that compiled the results of audits, evaluations, and investigations performed by numerous OIGs that had identified significant weaknesses affecting Federal programs serving American Indian and Alaska Native (AI/AN) communities.

Also in 2017, we requested that the U. S. Department of the Interior's (DOI) OIG and U.S. Department of Agriculture's (USDA) OIG participate with HHS OIG in a joint CIGIE initiative to audit Federal programs that serve AI/AN communities. As part of this effort, each participating OIG agreed to conduct audit work at the same Indian Tribe in Oklahoma, and each OIG would audit the specific program areas under its purview. Thus, we initiated an audit of the Head Start Program.

Our objective was to determine whether Seminole Nation of Oklahoma operated its Head Start Program and managed the funds in accordance with Federal requirements.

### How OIG Did This Audit

We reviewed \$222,730 of the Head Start costs that Seminole Nation claimed during the audit period, February 1, 2017, through January 31, 2018. We also reviewed written policies and procedures and assessed Seminole Nation's management of Head Start Program operations.

## Seminole Nation of Oklahoma Did Not Adequately Operate and Manage Its Head Start Program

### What OIG Found

Seminole Nation did not always operate its Head Start Program and manage its Head Start funds in accordance with Federal requirements and did not have effective controls and accountability over funds. Specifically, Seminole Nation did not have effective controls to restrict access to the accounting system, as some employees had access to modules not needed for their job functions and the accounting system access list included five former employees and two unidentified users. Seminole Nation also did not have effective controls to restrict access to executive signature stamps since the Principal Chief was not maintaining his own signature stamp. In addition, Seminole Nation did not allocate costs in proportion to the benefit received, did not provide adequate support for \$5,095 in expenditures, did not submit required Federal Financial Reports, purchased equipment that did not benefit the Program until after the grant year, and did not track administrative costs.

### What OIG Recommends and Seminole Nation's Comments

We recommend that Seminole Nation (1) implement controls and develop policies and procedures that restrict access to the accounting system and the executive signature stamps and (2) develop and implement policies and procedures regarding the purpose and use of the signature stamps. In addition, we recommend that Seminole Nation refund \$5,095 to the Federal government for the inadequately documented costs and strengthen existing controls to ensure that costs charged to the Head Start Program are properly supported with adequate documentation.

The report contains additional policy and procedural recommendations for Seminole Nation to operate its Head Start Program and manage the funds in accordance with Federal requirements.

In written comments on our draft report, Seminole Nation concurred with our findings and indicated it would take immediate action to remedy the deficiencies and create stronger and more reliable controls to keep the deficiencies from reoccurring.

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## INTRODUCTION

### WHY WE DID THIS AUDIT

In December 2017, the Council of the Inspectors General on Integrity and Efficiency (CIGIE)<sup>1</sup> issued a report that compiled the results of audits, evaluations, and investigations performed by numerous Offices of Inspectors General (OIGs) that had identified significant weaknesses affecting Federal programs serving American Indian and Alaska Native (AI/AN) communities.<sup>2</sup> CIGIE chose to present these consolidated results due to the level of Federal funding and the number of agencies involved, as well as the Federal Government's special obligation to protect AI/AN interests and fund vital services. Since the report's issuance, several CIGIE members have sought opportunities to share information and resources across departments to help plan work that would address the challenges highlighted in the report.

Also in 2017, the U.S. Department of Health and Human Services (HHS) OIG requested that the U.S. Department of the Interior's (DOI's) OIG and the U.S. Department of Agriculture's (USDA's) OIG participate with HHS OIG in a joint CIGIE initiative to audit Federal programs that serve AI/AN communities.<sup>3</sup> As part of this effort, each participating OIG agreed to conduct audit work at the same Indian Tribe<sup>4</sup> in Oklahoma, and each OIG would audit the specific program areas under its purview.

Based on analyses of the fiscal year (FY) 2016 Single Audit findings for AI/AN tribes (the most current FY available), the three OIGs selected the Seminole Nation of Oklahoma (Seminole Nation) for audit. Single Audit findings on Seminole Nation included ineffective controls and accountability over funds, lack of controls to track administrative costs, and late submission of required reports. In FY 2016, HHS awarded Seminole Nation grants totaling \$5.1 million (\$1.7 million of this award was for the Head Start Program). We initiated an audit of the Head Start Program in parallel with similar audits initiated by DOI-OIG and USDA-OIG.

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<sup>1</sup> CIGIE is an interagency council that aims to strengthen oversight, reduce improper payments, and improve Federal agencies' ability to fulfill their trust responsibilities.

<sup>2</sup> CIGIE, *Vulnerabilities and Resulting Breakdowns: A Review of Audits, Evaluations, and Investigations Focused on Services and Funding for American Indians and Alaska Natives*, December 2017.

<sup>3</sup> The three OIGs account for over seventy-five percent of the Federal programs and total funding that serves AI/AN communities.

<sup>4</sup> The term "Indian tribe" means any tribe, band, nation, pueblo, or other organized group or community of Indians, including any Native village described in section 3(c) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(c)) or established pursuant to such Act (43 U.S.C. 1601 et seq.), that is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians (Section 637 of Head Start Act).

## **OBJECTIVE**

Our objective was to determine whether Seminole Nation operated its Head Start Program and managed the funds in accordance with Federal requirements.

## **BACKGROUND**

Title VI of the Omnibus Budget Reconciliation Act of 1981 established Head Start as a Federal discretionary grant program. Within HHS, the Administration for Children and Families (ACF), Office of Head Start (OHS) administers the Head Start Program. The Head Start Program provides grants to local public and private for-profit and not-for-profit agencies to provide comprehensive child development services to economically disadvantaged children and families. The focus is on helping preschoolers develop the early reading and math skills they need to be successful in school.

The Head Start Act was revised and reauthorized in the December 2007 Improving Head Start Act. The current Act provides the statutory foundation for the entire range of Head Start and Early Head Start services and activities. It outlines the intent of the Congress for the Program, the types of services provided, the population served, reporting and evaluation requirements, and administrative requirements. The Head Start Act also authorizes the appropriation of funds at specific levels and the methodology for allocating funds to the various functions of the Program. During FY 2017, the Head Start Program spent approximately \$9.2 billion to serve 1,070,000 children and pregnant women. Of that, approximately \$253.7 million was used to serve 23,108 children from birth to age 5 and pregnant women through AI/AN tribes' Head Start Programs. AI/AN funding is awarded to AI/AN tribal governments. AI/AN Head Start Programs operate in 26 States, and in some cases, their services cross State lines.

### **Seminole Nation of Oklahoma**

Seminole Nation is an AI/AN tribal government in Wewoka, Oklahoma. Seminole Nation operates both a Head Start and an Early Head Start Program. The Seminole Nation Head Start/Early Head Start Program is a comprehensive program for low-income children and their families. Seminole Nation's Head Start Program, one of several programs offered, is funded primarily through Federal grants. Seminole Nation's Head Start Program offers services in Konawa, Seminole, and Wewoka, Oklahoma.

## **HOW WE CONDUCTED THIS AUDIT**

We reviewed a nonstatistical sample of \$222,730 in Head Start costs that Seminole Nation claimed during the audit period, February 1, 2017, through January 31, 2018. These costs included \$115,946 for buses, \$29,983 in computer and related equipment purchases, \$5,181 in payroll costs, and \$71,620 in other costs. We also reviewed written policies and assessed various aspects of Seminole Nation's management of its Head Start Program. We did not

review the overall internal control structure of Seminole Nation. Rather, we reviewed only those controls related to our objective.

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 objectives.

Appendix A contains the details of our audit scope and methodology.

## **FINDINGS**

Seminole Nation did not adequately operate its Head Start Program and manage its Head Start funds in accordance with Federal requirements and did not have effective controls and accountability over funds. Specifically, Seminole Nation:

- did not have effective controls to restrict access to the accounting system,
- did not have effective controls to restrict access to executive signature stamps,
- did not allocate costs in proportion to the benefit received,
- did not provide adequate support for \$5,095 in certain expenditures,
- did not submit required Federal Financial Reports,
- purchased equipment that did not benefit the Program until after the grant year, and
- did not track administrative costs.

These errors occurred because Seminole Nation lacked effective controls and policies and procedures to safeguard Head Start funds. Additionally, Seminole Nation experienced staff turnover which impacted its ability to effectively operate and manage its Head Start Program.

### **SEMINOLE NATION DID NOT HAVE EFFECTIVE CONTROLS TO RESTRICT ACCESS TO THE ACCOUNTING SYSTEM**

Federal regulations require that non-Federal entities have effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes (45 CFR part 75.302(b)(4)). Federal regulations also require that non-Federal entities must establish and maintain effective internal control over the Federal award that provides

reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States, or the *Internal Control Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (45 CFR part 75.303(a)).

Seminole Nation did not properly restrict access to its accounting system. Specifically,

- The Treasurer, who had signature authority, had access to the accounts payable module in the accounting system and the ability to write and print checks from the accounting system.
- Some Seminole Nation employees had access to modules in the accounting system that were not needed for their job functions.
- In its policies and procedures, Seminole Nation gave master access and the responsibility for managing its accounting system to the position of the Controller, which has been vacant since June 2018. As of September 2019, Seminole Nation has not filled the position. To ensure proper segregation of duties, personnel with accounting responsibilities should not have master access to the accounting system. Since the Controller position is vacant, Seminole Nation gave master access and responsibility for managing the system to Information Technology (IT) personnel. Although IT personnel now handle these responsibilities, Seminole Nation believes that this responsibility belongs to the Controller position since the Controller is more familiar with accounting operations.
- Seminole Nation has no policies and procedures regarding access to or restricting access to the accounting system.
- Seminole Nation's accounting system access list included five former employees and two unidentified users.

Due to employee turnover, vacant positions, and lack of policies and procedures, Seminole Nation did not have personnel responsible to ensure that employees' access to the accounting system was appropriate or access to the system was removed when applicable. Failure to (1) terminate access to the accounting system when employees leave, (2) restrict access to accounting system modules as appropriate for current employees, and (3) ensure proper segregation of duties could lead to potential misuse of Federal funds.

## **SEMINOLE NATION DID NOT HAVE EFFECTIVE CONTROLS TO RESTRICT ACCESS TO EXECUTIVE SIGNATURE STAMPS**

Federal regulations require that non-Federal entities have effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. (45 CFR part 75.302(b)(4)).

Seminole Nation did not restrict access to executive signature stamps. Seminole Nation requires all checks to have two signatures; the Treasurer, the Principal Chief and Assistant Chief have signature authority. Seminole Nation maintained the Principal Chief and Assistant Chief's signature stamps in an unsecured area on the Treasurer's desk. During our site visit, we communicated our concerns to Seminole Nation management regarding unrestricted access to the executive signature stamps. After our site visit, we learned that the Treasurer began locking up the Principal Chief's signature stamp and the Assistant Chief began maintaining his own signature stamp. Even though these changes were made, Seminole Nation did not have adequate controls in place since the Principal Chief was not maintaining his own signature stamp; the Treasurer could still stamp both his signature and that of the Principal Chief. In addition, Seminole Nation did not have policies and procedures for access to and the use of the Principal Chief's and Treasurer's executive signature stamps. Lack of internal controls to restrict access to the executive signature stamps could lead to potential misuse of Federal funds.

## **SEMINOLE NATION DID NOT ALLOCATE COSTS TO THE HEAD START PROGRAM IN PROPORTION TO THE BENEFIT RECEIVED**

Federal regulations require that:

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved . . . the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.<sup>[5]</sup>

Seminole Nation did not always properly allocate its costs to the Head Start Program when those costs also benefitted the Early Head Start Program. Of the nonstatistical sample of 40 transactions we reviewed, Seminole Nation did not properly allocate 15 transactions totaling \$34,170. Specifically:

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<sup>5</sup> 45 CFR part 75.405(d). Federal regulations require that Head Start grantees follow 45 CFR part 75 (45 CFR 1303.3).

- \$9,700 for repairs at a facility shared by both the Head Start and Early Head Start Programs that was fully charged to the Head Start Program;
- \$6,774 in office supplies for both Head Start and Early Head Start classrooms but was fully charged to the Head Start Program;
- \$6,094 for six propane fuel purchases delivered to facilities used by the Head Start and Early Head Start Programs were fully charged to the Head Start Program;
- \$4,869 in maintenance supplies for both Head Start and Early Head Start facilities were purchased with Head Start funds;
- \$2,999 for a riding lawn mower for use at a facility shared by both the Head Start and Early Head Start Programs was fully charged to the Head Start Program;
- \$1,500 in supplies for the Early Head Start Program were purchased with Head Start funds;
- \$1,334 for airline tickets for training for 3 employees who allocate their time to both the Head Start and Early Head Start Programs was fully charged to the Head Start Program;
- \$459 in fire safety equipment inspections for facilities used by Head Start and Early Head Start Programs were fully charged to the Head Start Program;
- \$225 in association registration fees for an employee who allocates her time to both the Head and Early Head Start Programs was allocated disproportionately to the Early Head Start Program; and
- \$216 in mobile phone service charges for four Head Start and Early Head Start employees were charged fully to the Head Start Program.

Seminole Nation had established a cost allocation methodology and rate to allocate costs between the two programs. However, Seminole Nation did not consistently apply its methodology and could not provide support for the basis of the methodology. In addition, Seminole Nation reallocated funds from the Head Start Program to the Early Head Start Program even though there were no fluctuations in client populations for the programs.<sup>6</sup>

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<sup>6</sup> Federal regulations state that consistent with section 645(d)(3) of the Head Start Act, any AI/AN grantee that operates both an Early Head Start Program and a Head Start Program may reallocate funds between the programs at its discretion and at any time during the grant period involved, in order to address fluctuations in client populations. An AI/AN program that exercises this discretion must notify the regional office (45 CFR part 1302.20(c)(4)). Since Seminole Nation did not have fluctuations in client populations, it cannot reallocate funds between the two programs.

Seminole Nation did not have policies and procedures to evaluate the costs shared between the Head Start and Early Head Start Programs to ensure that costs were consistently allocated based on the proportional benefit or on a reasonable documented basis. Without clearly established cost allocation policies and procedures, Seminole Nation may continue to inaccurately allocate costs to the Head Start Program that also benefit the Early Head Start Program.

### **SEMINOLE NATION DID NOT PROVIDE ADEQUATE SUPPORT FOR CERTAIN EXPENDITURES**

Federal regulations require that the financial management system of a non-Federal entity must maintain records that identify adequately the source and application of funds for Federally-funded activities (45 CFR 75.302(b)(3)). Federal regulations also state that to be allowable under Federal awards, costs must be adequately documented (45 CFR part 75.403(g)).

Seminole Nation claimed \$5,095 in Head Start expenditures for fuel, travel, and vehicle maintenance that were not adequately supported. Specifically, Seminole Nation did not provide sufficient support that the following expenses related to the Head Start Program:

- \$2,736 in vehicle fuel that did not have a log to identify the purpose of the trips that required vehicle usage.
- \$1,334 in airline tickets that did not identify the purpose of the travel.
- \$1,025 in vehicle maintenance that did not identify the vehicle that received the maintenance.

Due to employee turnover and vacant positions, current Seminole Nation officials could not provide an explanation for its inability to provide adequate documentation to support the costs and their relation to the Head Start Program.

### **SEMINOLE NATION DID NOT SUBMIT REQUIRED FEDERAL FINANCIAL REPORTS**

Federal regulations state that financial information must be collected with the frequency required by the terms and conditions of the Federal award (45 CFR part 75.341). According to the terms and conditions of the award for our audit period, the semi-annual reports were due on October 30, 2017, and April 30, 2018, and the annual report was due April 30, 2018.

Seminole Nation did not submit its required semiannual and annual Standard Form (SF)-425, for our audit period, and it did not submit any of SF-425s for the following grant year. A Seminole Nation official stated that it did not submit its SF-425s because the employee responsible for filing the reports had left and other employees did not ensure the reports were filed timely. Failure to submit the required SF-425s affects the awarding agencies ability to track and manage Federal grant award funds. According to Seminole Nation's Treasurer, all required SF-425s were submitted in September of 2019.

## **SEMINOLE NATION PURCHASED EQUIPMENT THAT DID NOT BENEFIT THE PROGRAM UNTIL AFTER THE GRANT YEAR**

Federal criteria states that a cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received (45 CFR part 75.405(a)).

Seminole Nation used \$29,983 in Head Start funds to purchase 15 computers and related equipment on January 31, 2018, the last day of the grant year. The computers and equipment did not benefit the Program until after the grant year, as they sat idle in storage or at the Head Start administrative office for more than a year after being purchased. A Seminole Nation official stated that due to employee turnover and vacant positions, it did not have the personnel to ensure that the computers and related equipment were installed timely. The computers and related equipment were not set up until April 2019. A Seminole Nation official stated that as of July 2019, the computers were still not being used in two locations because the facilities did not have internet service. Seminole Nation anticipated that it would have these computers fully operational when the new school year started in August 2019.

Given that this purchase was made at the end of the Program year, and the items were not put to use timely, the purchase has the appearance that Seminole Nation may have taken efforts to stockpile equipment and spend funds before the end of the grant period.

## **SEMINOLE NATION DID NOT TRACK ADMINISTRATIVE COSTS**

Allowable costs to develop and administer a Head Start program cannot exceed 15 percent of the total approved program costs, which includes both Federal costs and non-Federal match, unless the responsible HHS official grants a waiver that approves a higher percentage in order to carry out the purposes of the Act (45 CFR part 1303.5(a)(1)).

Seminole Nation did not track administrative costs to ensure that the administrative costs charged to the Head Start grant did not exceed 15 percent. Seminole Nation was cited in its 2016 Single Audit for not tracking these costs. A Seminole Nation official stated that it had not tracked administrative costs in the past because its software was not configured correctly or was not being used. A Seminole Nation official also stated that due to staff turnover, it had not corrected the deficiency and was still not tracking administrative costs in its accounting system. Without a method to track administrative costs, Seminole Nation is unable to ensure that it does not exceed the 15-percent limitation on administrative expenses. During our exit conference, Seminole Nation's accounting contractor stated that a process has been implemented to track administrative costs associated with the Head Start Program and ensure these costs do not exceed 15 percent.

## RECOMMENDATIONS

We recommend that the Seminole Nation of Oklahoma:

- implement controls and develop policies and procedures that restrict access to the accounting system to include terminating access when employees leave, limiting permissions granted to the accounting system, providing coverage when key positions are vacant and properly segregating duties between accounting system users and personnel responsible for managing the accounting system;
- securely store the executive signature stamps and restrict access to and the use of the executive signature stamps, and develop and implement policies and procedures regarding the purposes of the signature stamps and how the stamps should be used;
- develop and implement a cost allocation plan policy and procedures that identify and assign its Head Start and Early Head costs to the benefitted activities on a reasonable and consistent basis;
- refund \$5,095 to the Federal government for the inadequately documented costs, and strengthen existing controls to ensure that costs charged to the Head Start Program are properly supported with adequate documentation;
- develop and implement policies and procedures to create vehicle logs to identify the purpose of trips when using Head Start vehicles;
- submit its Federal financial reports timely, ensure that employees are aware of requirements related to filing Federal financial reports, and ensure coverage for filing reports when key positions are vacant;
- strengthen monitoring procedures to ensure that costs claimed benefit the program during the grant period, and ensure that equipment purchased is operational and put to use timely; and
- develop and implement policies and procedures to track administrative costs and ensure that the administrative costs charged to the Head Start grant do not exceed 15 percent of total approved program costs.

## SEMINOLE NATION OF OKLAHOMA COMMENTS

In written comments on our draft report, Seminole Nation concurred with our findings and indicated it would take immediate action to remedy the deficiencies and create stronger and more reliable controls to keep the deficiencies from reoccurring. Seminole Nation's comments are included in their entirety as Appendix C.

## APPENDIX A: AUDIT SCOPE AND METHODOLOGY

### SCOPE

We reviewed the Seminole Nation documentation related to grant expenditures claimed for reimbursement and accounting policies, procedures, and organizational structure to ensure the Seminole Nation met applicable Federal grant requirements in administering its Head Start grant. Our audit covered \$1,471,214 in general ledger financial transactions from February 1, 2017, through January 31, 2018. We reviewed \$222,730 in Head Start costs. Using nonstatistical samples, we selected payroll transactions for six employees totaling \$5,181 and 40 non-payroll transactions totaling \$217,549. We selected six employees with different position titles from all Head Start locations and non-payroll transactions from cost categories with the potential for high risk, with individual transactions selected based on our review of the general ledger description of the cost.

We performed our fieldwork at Seminole Nation in Wewoka, Oklahoma, from August 2018 through September 2018.

Our objective did not require an understanding of all of Seminole Nation's internal controls. We limited our assessment to Seminole Nation's controls related to its financial management system.

### METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance pertaining to Federal grant awards and the Federal Head Start Program;
- held discussions with ACF officials to gain an understanding of the Head Start Program;
- met with Seminole Nation officials to discuss its accounting system, policies, and procedures for managing Federal grant funds;
- reviewed Seminole Nation's Board of Director meeting minutes and organizational chart;
- reviewed Seminole Nation's policies and procedures related to financial, accounting, cost allocation, drawdowns, and internal controls;
- reviewed costs claimed by Seminole Nation to determine whether costs were allowable for reimbursement;

- reviewed documents supporting grant expenditures including invoices for equipment or supplies, payment checks, bank statements, and credit card statements; and
- discussed the results of our review with Seminole Nation officials.

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 objectives.

## APPENDIX B: FEDERAL REQUIREMENTS

### FEDERAL REQUIREMENTS

#### *45 CFR part 75.302(b) Financial management and standards for financial management systems*

(3) Records that identify adequately the source and application of funds for Federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

(4) Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes.

#### *45 CFR part 75.303(a) Internal controls*

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity in managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Controls in the Federal Government,” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

#### *45 CFR part 75.341 Financial reporting*

Unless otherwise approved by OMB, the HHS awarding agency may solicit only the standard, OMB-approved government-wide data elements for collection of financial information (at time of publication the Federal Financial Report or such future collections as may be approved by OMB and listed on the OMB Web site). This information must be collected with the frequency required by the terms and conditions of the Federal award, but no less frequently than annually nor more frequently than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes, and preferably in coordination with performance reporting.

#### *45 CFR part 75.403(g) Factors affecting allowability costs*

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: be adequately documented.

*45 CFR part 75.405 Allocable costs*

(a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

(d) Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.

*45 CFR part 1302.20 (c)(4) Conversion*

Consistent with section 645(d)(3) of the Act, any American Indian and Alaska Native grantee that operates both an Early Head Start program and a Head Start program may reallocate funds between the programs at its discretion and at any time during the grant period involved, in order to address fluctuations in client populations. An American Indian and Alaska Native program that exercises this discretion must notify the regional office.

*45 CFR part 1303.5(a)(1) Limitations on development and administrative costs*

Costs to develop and administer a program cannot be excessive or exceed 15 percent of the total approved program costs. Allowable costs to develop and administer a Head Start program cannot exceed 15 percent of the total approved program costs, which includes both Federal costs and non-Federal match, unless the responsible HHS official grants a waiver under paragraph (b) of this section that approves a higher percentage in order to carry out the purposes of the Act.

## SEMINOLE NATION OF OKLAHOMA COMMENTS

### *Seminole Nation of Oklahoma*

EXECUTIVE DEPARTMENT  
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Report Number: A-06-18-07002

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Office of Inspector General  
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The Seminole Nation of Oklahoma (the "Nation") received the US Department of Health and Human Services, Office of Inspector General (OIG) draft report entitled Seminole Nation of Oklahoma Did not Adequately Operate and Manage its Head Start Program on November 22, 2019. We have had adequate time to review the report noting all of the audit procedures that were completed and the audit findings that were made and this letter is to confirm our statement related to the concurrence or nonconcurrence with each recommendation that was provided in the report dated October 25, 2019.

Finding 1: Seminole Nation did not have effective controls to restrict access to the accounting system.

The Nation concurs with this finding. The Nation is working with our contract accounting firm, RedOak Accounting Advisors, PLLC ("RedOak"), out of Edmond Oklahoma to assist with this finding. RedOak and management of the Nation are going through the security allowances for all employees and are providing necessary restrictions for all employees. The process for this is to go through the active registrants in the Abila MIP software and deactivate all ex-employees from the system. Then we will go through all necessary accounting personnel and determine the role they are performing and restrict their roles based on their duties. All non-accounting staff will be reviewed to determine if read-only access is necessary and will provide no further access than read-only. We will also restrict all accounts payable access to the Treasurer and Treasury department to maintain proper controls in this area.

We will work on developing an internal process and policy that provides structure towards the elimination of positions and the responsibility of who maintains the master access and removing such individuals at the time they become terminated. This policy will include a new employee form that will be a form that is from the head of accounting that provides that individual with the type of access they will be allowed in the accounting software.

Finding 2: Seminole Nation did not have effective controls to restrict access to Executive signature stamps.

The Nation concurs with this finding. The Nation keeps the signature stamp in a lockbox under the Treasurer's desk at the current time. The Nation processes all purchase requests through WorkFlow software. It is initiated by the director to procurement for authorization, and depending on the threshold amount is directed to the proper authority for review and authorization. Once authorized, the request goes back to the Director for purchase. The Director receives the invoice and attaches all of the proper authorization documents with the invoice and gives to Accounts Payable for input. At that time, the Treasury department would then cut the check. The Nation's checks are all dual signature checks and normally require the signature of the Treasurer and the Chief. In some cases when the Chief is not present the Treasurer will utilize a signature stamp of the Chief. Moving forward, the Nation will create a check register, letter, and actual check with documentation that will go to the Chief for his review and signature. During the week, if an emergency check is to be issued, then a log of those checks will be kept and signed off on by the Chief to maintain proper authorization. The storage of the signature stamp will be maintained in the office of the Chief and will have a sign out for when the signature stamp is used.

Finding 3: Seminole Nation did not allocate costs to the Head Start Program in Proportion to the Benefit Received.

The Nation concurs with this finding. The Nation failed to allocate certain costs that should have been shared between Head Start and Early Head Start. The Nation has an established cost allocation methodology but was inconsistent in utilizing this methodology based on different reasons. The Nation is requiring written documentation from the Directors of these programs that specifies the intended use based on the proportional benefit for one program over the other. The Nation has also documented and will do so each year the proportional share that is to be utilized in shared costs between Head Start and Early Head Start which is based on the number of children per facility. This proportional share will be utilized for all unless it is otherwise documented 100% to be charged to one program.

Finding 4: Seminole Nation did not provide adequate support for certain expenditures.

The Nation concurs with this finding. The Nation failed on a few instances to provide reasonable or any documentation supporting the use or identity of certain assets being utilized. The Nation will be updating or creating policies, in particular, its travel and vehicle usage policy to reflect the current issues noted in this finding. In particular, the use of logs to identify the purpose of trips that require vehicle usage, maintenance logs that report the expenditure and identifying which vehicle is being worked on, and all trips must be identified to its use and itineraries must be provided to support reason for travel. If emergency cancellations must be done, reason for cancellation must be properly documented and discussed with agency director to make sure such expenditures would still be allowable under these programs.

Finding 5: Seminole Nation did not submit required federal financial reports.

The Nation concurs with this finding. The Nation worked with RedOak to update and get caught up on all of their FFR 425 reports dating back to January 2017. To date, all reports have been submitted and

have been approved. RedOak is currently staying on schedule with these reports and submitting on a timely basis going forward.

Finding 6: Seminole Nation purchased equipment that did not benefit the program until after the grant year.

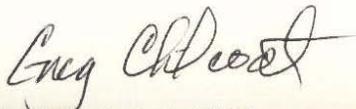
The Nation concurs with this finding. It does appear that the timing of these purchases appeared somewhat suspicious, but the Nation had every intention of using this equipment within the near term of when these purchases were made. It will be noted in our policies that all asset purchases of these types must be initially budgeted for in the contract or agreed to in writing by the agency providing support for the purchase of such items as computers or other types of equipment used for these programs.

Finding 7: Seminole Nation did not track administrative Costs

The Nation concurs with this finding. The Nation at a minimum is reviewing all administrative costs on a quarterly basis. The contract accounting firm of RedOak is reviewing all administrative costs based on pulling all general ledger accounts and adding up administrative personnel, facility and maintenance costs, supplies, office equipment, and other non-program type expenses. This program is not charged indirect costs and all administrative type costs are calculated quarterly to determine that they are not exceeding 15%. In addition, all budgets completed also help to ensure that the Nation is not going over their allotted administrative costs and budget to actuals are being reviewed quarterly to make sure these areas aren't going over budget.

We appreciate the work and review of the Office of Inspector General and take all findings very seriously and will take immediate action to remedy these deficiencies and create stronger and more reliable controls to keep these deficiencies from being a recurring item.

Sincerely,



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