



March 2, 2010

**TO:** Yvette Sanchez Fuentes  
Director, Office of Head Start  
Administration for Children and Families

**FROM:** /Lori S. Pilcher/  
Assistant Inspector General for Grants, Internal Activities,  
and Information Technology Audits

**SUBJECT:** Results of Limited Scope Review at the Confederated Tribes and Bands of the Yakama Nation's Head Start Program (A-09-09-00099)

The attached final report provides the results of our limited scope review of the Confederated Tribes and Bands of the Yakama Nation's (the Yakama Nation) Head Start program. The Administration for Children and Families (ACF), Office of Head Start, requested this review as part of its overall assessment of Head Start grantees that have applied for additional funding under the American Recovery and Reinvestment Act of 2009 (Recovery Act).

President Obama signed the Recovery Act into law on February 17, 2009. The Recovery Act includes measures to modernize our Nation's infrastructure, enhance energy independence, expand educational opportunities, preserve and improve affordable health care, provide tax relief, and protect those in greatest need.

At the President's direction, Federal agencies are taking critical steps to carry out the Recovery Act effectively. All Federal agencies and Departments receiving Recovery Act funds must maintain strong internal controls and implement oversight mechanisms and other approaches to meet the accountability objectives of the Recovery Act.

The objectives of our limited scope review were to determine whether (1) the Yakama Nation is fiscally viable and (2) the Yakama Nation's financial management system adequately managed and accounted for Federal funds.

The Yakama Nation is fiscally viable. In addition, the Yakama Nation's financial management system adequately managed and accounted for Federal funds. However, we noted weaknesses related to procedures for (1) submission of indirect cost rate proposals, (2) the administrative cost limit, and (3) property management.

In written comments on our draft report, the Yakama Nation provided information on actions that it had taken to address the findings. The Yakama Nation's comments are included in their entirety as the Appendix.

In determining whether the Yakama Nation should be awarded additional Head Start and Recovery Act grant funding, we recommend that ACF consider the information presented in this report in assessing the Yakama Nation's financial condition.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that the Office of Inspector General (OIG) post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

Please send us your final management decision, including any action plan, as appropriate, within 60 days. If you have any questions or comments about this report, please do not hesitate to contact me at (202) 619-1175 or through email at [Lori.Pilcher@oig.hhs.gov](mailto:Lori.Pilcher@oig.hhs.gov). Please refer to report number A-09-09-00099 in all correspondence.

Attachment

cc:

Nina L. McFadden  
Regional Program Manager  
AI/AN Regional Head Start Programs  
[Nina.McFadden@acf.hhs.gov](mailto:Nina.McFadden@acf.hhs.gov)

Department of Health & Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**RESULTS OF LIMITED SCOPE REVIEW  
AT THE CONFEDERATED TRIBES AND  
BANDS OF THE YAKAMA NATION'S  
HEAD START PROGRAM**



Daniel R. Levinson  
Inspector General

March 2010  
A-09-09-00099

# *Office of Inspector General*

<http://oig.hhs.gov>

---

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health & Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

## *Office of Audit Services*

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

## *Office of Evaluation and Inspections*

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

## *Office of Investigations*

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

## *Office of Counsel to the Inspector General*

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

# *Notices*

---

**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
at <http://oig.hhs.gov>

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

Pursuant to Public Law 110-134, Improving Head Start for School Readiness Act of 2007, Head Start is a national program that promotes school readiness by enhancing the cognitive, social, and emotional development of children through the provision of health, educational, nutritional, social, and other services to enrolled children and families. Within the U.S. Department of Health & Human Services, the Administration for Children and Families (ACF) administers the Head Start program. Head Start provides grants to local public and private nonprofit and for-profit agencies to deliver comprehensive child development services to economically disadvantaged children and families.

Under the American Recovery and Reinvestment Act of 2009 (Recovery Act), P.L. No. 111-5, enacted February 17, 2009, ACF received \$1 billion, including nearly \$354 million to help improve staff compensation and training, upgrade Head Start centers and classrooms, increase hours of operation, and enhance transportation services. An additional \$356 million was allocated to award all Head Start grantees a nearly 5-percent cost-of-living increase and bolster training and technical assistance activities.

The Confederated Tribes and Bands of the Yakama Nation (the Yakama Nation) is a federally recognized Nation pursuant to the treaty of June 9, 1855. The Yakama Nation administers the Head Start program at locations in Toppenish, Wapato, and White Swan, Washington.

The Yakama Nation's Head Start program is funded primarily through Federal Government grants. During program year 2010 (April 1, 2009, through March 31, 2010), ACF directly provided grant funds to the Yakama Nation totaling \$1,263,929.

ACF also awarded Recovery Act grant funds to the Yakama Nation for the budget period July 1, 2009, through September 30, 2010, totaling \$86,913 for cost-of-living increases and quality improvement.

### **OBJECTIVES**

The objectives of our limited scope review were to determine whether (1) the Yakama Nation is fiscally viable and (2) the Yakama Nation's financial management system adequately managed and accounted for Federal funds.

### **SUMMARY OF FINDINGS**

The Yakama Nation is fiscally viable. In addition, the Yakama Nation's financial management system adequately managed and accounted for Federal funds. However, we noted weaknesses related to procedures for (1) submission of indirect cost rate proposals, (2) the administrative cost limit, and (3) property management.

## **RECOMMENDATION**

In determining whether the Yakama Nation should be awarded additional Head Start and Recovery Act grant funding, we recommend that ACF consider the information presented in this report in assessing the Yakama Nation's financial condition.

## **YAKAMA NATION COMMENTS**

In written comments on our draft report, the Yakama Nation provided information on actions that it had taken to address the findings. The Yakama Nation's comments are included in their entirety as the Appendix.

**TABLE OF CONTENTS**

	<u>Page</u>
<b>INTRODUCTION</b> .....	1
<b>BACKGROUND</b> .....	1
Head Start Program.....	1
The Confederated Tribes and Bands of the Yakama Nation .....	1
Requirements for Federal Grantees .....	1
<b>OBJECTIVES, SCOPE, AND METHODOLOGY</b> .....	2
Objectives .....	2
Scope.....	2
Methodology .....	2
<b>FINDINGS AND RECOMMENDATION</b> .....	3
<b>SUBMISSION OF INDIRECT COST RATE PROPOSALS</b> .....	3
<b>ADMINISTRATIVE COST LIMIT</b> .....	3
<b>PROPERTY MANAGEMENT</b> .....	4
<b>RECOMMENDATION</b> .....	4
<b>YAKAMA NATION COMMENTS</b> .....	4
<b>APPENDIX</b>	
<b>CONFEDERATED TRIBES AND BANDS OF THE YAKAMA NATION     COMMENTS</b>	

## **INTRODUCTION**

### **BACKGROUND**

#### **Head Start Program**

Pursuant to Public Law 110-134, Improving Head Start for School Readiness Act of 2007, Head Start is a national program that promotes school readiness by enhancing the cognitive, social, and emotional development of children through the provision of health, educational, nutritional, social, and other services to enrolled children and families. Within the U.S. Department of Health & Human Services, the Administration for Children and Families (ACF) administers the Head Start program.

Head Start provides grants to local public and private nonprofit and for-profit agencies to deliver comprehensive child development services to economically disadvantaged children and families, with a special focus on helping preschoolers develop the early reading and math skills needed to be successful in school. Local Head Start programs engage parents in their children's learning and emphasize parental involvement in program administration.

Under the American Recovery and Reinvestment Act of 2009 (Recovery Act), P.L. No. 111-5, enacted February 17, 2009, ACF received \$1 billion, including nearly \$354 million to help improve staff compensation and training, upgrade Head Start centers and classrooms, increase hours of operation, and enhance transportation services. An additional \$356 million was allocated to award all Head Start grantees a nearly 5-percent cost-of-living increase and bolster training and technical assistance activities.

#### **The Confederated Tribes and Bands of the Yakama Nation**

The Confederated Tribes and Bands of the Yakama Nation (the Yakama Nation) is a federally recognized Nation pursuant to the treaty of June 9, 1855. The Yakama Nation administers the Head Start program at locations in Toppenish, Wapato, and White Swan, Washington.

The Yakama Nation's Head Start program is funded primarily through Federal Government grants. During program year 2010 (April 1, 2009, through March 31, 2010), ACF directly provided grant funds to the Yakama Nation totaling \$1,263,929. The Head Start program year is different from the Yakama Nation's fiscal year (FY), which ends on September 30.

ACF also awarded Recovery Act grant funds to the Yakama Nation for the budget period July 1, 2009, through September 30, 2010, totaling \$86,913 for cost-of-living increases and quality improvement.

#### **Requirements for Federal Grantees**

Pursuant to 45 CFR § 92.20, grantees are required to maintain financial management systems for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms of the grant. 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. Grantees are also required to compare actual expenditures or outlays with budget amounts for each award and may use grant funds only for authorized purposes.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

### **Objectives**

The objectives of our limited scope review were to determine whether (1) the Yakama Nation is fiscally viable and (2) the Yakama Nation's financial management system adequately managed and accounted for Federal funds.

### **Scope**

We conducted our audit for the limited purpose described in the objectives; thus, the audit would not necessarily have disclosed all material weaknesses. Accordingly, we do not express an opinion on the Yakama Nation's overall system of internal accounting controls. We performed limited tests and other auditing procedures on the Yakama Nation's financial management system to assess its ability to administer federally funded projects.

The financial statements of the Yakama Nation's governmental activities did not include financial data for the Yakama Nation's enterprise funds,<sup>1</sup> fiduciary funds, and component units. Component units are legally separate organizations for which the Yakama Nation is financially accountable; the nature and significance of their relationship are such that exclusion would cause the financial statements to be misleading or incomplete.

We did not review the Yakama Nation Tribal Council meeting minutes. The Tribal Council did not provide this information because it believed that the minutes were proprietary information.

We performed our fieldwork in August and September 2009, which included visits to the Yakama Nation's three Head Start facilities and its administrative office in Toppenish, Washington.

### **Methodology**

To accomplish our objectives, we:

- reviewed relevant Federal laws and regulations,
- reviewed the Yakama Nation's fiscal procedures related to accounting documentation and preparation of financial reports,

---

<sup>1</sup> The enterprise funds include a casino, farm, convenience store, loan program, and tourism program.

- obtained selected Federal grant award documentation to determine the Yakama Nation’s Federal funding,
- reviewed the Yakama Nation’s audited financial statements for FYs 2006 through 2008 and its unaudited financial statements for the 8-month period ended August 31, 2009,
- reviewed the Yakama Nation’s expense accounts and Financial Status Reports (SF-269) submitted to ACF for program year 2009, and
- performed liquidity and stability analyses of the Yakama Nation’s finances.

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.

## **FINDINGS AND RECOMMENDATION**

The Yakama Nation is fiscally viable. In addition, the Yakama Nation’s financial management system adequately managed and accounted for Federal funds. However, we noted weaknesses related to procedures for (1) submission of indirect cost rate proposals, (2) the administrative cost limit, and (3) property management.

### **SUBMISSION OF INDIRECT COST RATE PROPOSALS**

Federal regulations (2 CFR part 225, Appendix E, subparagraph D.1.c.) state: “Each Indian tribal government desiring reimbursement of indirect costs must submit its indirect cost proposal to the Department of the Interior (its cognizant Federal agency).” Subparagraph D.1.d. of Appendix E states: “Indirect cost proposals must be developed (and, when required, submitted) within six months after the close of the governmental unit’s fiscal year, unless an exception is approved by the cognizant Federal agency.”

The Yakama Nation did not have procedures to ensure that it submitted its indirect cost rate proposals to its cognizant agency by the due dates. The proposals for FYs 2010 and 2009 were due on April 1, 2009, and April 1, 2008, respectively. At the time of our site visit, the Yakama Nation had not submitted the proposal for FY 2010. Also, the Yakama Nation submitted the proposal for FY 2009 on September 2, 2009, which was 17 months after the due date.

### **ADMINISTRATIVE COST LIMIT**

Section 644(b) of the Head Start Act requires that administrative costs charged to the Head Start grant not exceed 15 percent of the total project costs, including the Federal and non-Federal shares. Further, Federal regulations (45 CFR § 1301.32(a)(1)) state: “Allowable costs for developing and administering a Head Start program may not exceed 15 percent of the total approved costs of the program . . . .”

The Yakama Nation did not have written policies and procedures to ensure that administrative costs charged to the Head Start grant do not exceed 15 percent of the total project costs, including the Federal and non-Federal shares.

During program year 2009, the Yakama Nation's administrative costs did not exceed 15 percent of the total project costs because the Yakama Nation did not claim indirect costs for a 6-month period when it did not have an approved indirect cost rate. However, if the Yakama Nation had claimed indirect costs for this period, the administrative costs would have been \$291,829, exceeding the administrative cost limit of \$230,037 by \$61,792.

## **PROPERTY MANAGEMENT**

Federal regulations (45 CFR § 92.32(d)(2)) state: "A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years." The Yakama Nation's written policies and procedures require an annual inventory of property and equipment.

The Yakama Nation did not perform a physical inventory of its property at least once every 2 years. The most recent physical inventory of vehicles and playground equipment was performed in 2006 and reconciled to the property records. However, a physical inventory of the other equipment in the records was not performed.

## **RECOMMENDATION**

In determining whether the Yakama Nation should be awarded additional Head Start and Recovery Act grant funding, we recommend that ACF consider the information presented in this report in assessing the Yakama Nation's financial condition.

## **YAKAMA NATION COMMENTS**

In written comments on our draft report, the Yakama Nation provided information on actions that it had taken to address the findings. The Yakama Nation's comments are included in their entirety as the Appendix.

# **APPENDIX**

## APPENDIX: CONFEDERATED TRIBES AND BANDS OF THE YAKAMA NATION COMMENTS



Confederated Tribes and Bands  
of the Yakama Nation

Established by the  
Treaty of June 9, 1855

**Report Number: A-09-09-00099**

February 1, 2010

Ms. Lori A. Ahlstrand  
Regional Inspector General for Audit Services  
Office of Audit Services, Region IX  
90—7<sup>th</sup> Street, Suite 3—650  
San Francisco, CA 94103

Dear Ms. Ahlstrand:

Yakama Nation Head Start (YNHS) had three findings according to the U.S. Health & Human Services, Office of Inspector General, draft report entitled “Results of Limited-Scope Review at the Yakama Nation’s Head Start Program. The Yakama Nation Head Start addressed these findings by updating the system to make corrections. An Indirect Cost Rate proposal for FY 2009 was submitted September 2009 and the Nation is still waiting for approval. The Nation is waiting for the 2009 Indirect Cost Rate before submitting the FY 2010 Indirect Cost Rate. It has been established to submit the Indirect Rate in a more timely fashion within the six months of September 30, which is the close of the tribal unit’s fiscal year. The Yakama Nation may even consider applying for 2 year Indirect Cost Rate, if available to ensure the deadline is met.

There has been an improved tracking system and on-going monitoring to assess the administration costs. In addition to being able to distinguish between what is administration costs and program costs according to 45 CFR 1301.32 to personalize and categorize expenditures. The Administration Cost needed back-up to ensure calculations were correct to not exceed 15 percent of the total project costs, including federal and non-federal share. This will be obtained by following the grant application GABI (Grant Application Budget Instrument) outline for administration cost and on-going monitoring through the Tribal JD Edwards (Yakama Nation accounting software) system to not exceed the 15% administration cost.

In October 2009, Assets Management sent the Yakama Nation Head Start Inventory printouts of each fixed assets (capital/non-capital). The inventory listings include the tribal tag number, serial number, description, acquisition date, and original cost. To meet the needs of an on-going monitoring system a custodian position was reclassified to Custodian Supervisor, who would act as the assigned property custodian. The Custodian Supervisor would be in charge of checking items yearly and register new inventory pertaining to 45 CFR 74.2(o), as it arrived. A new form is being created for Head Start for any inventory under \$5000 to be monitored for internal controls of inventory to ensure items are going to the designated location, such as chairs, tables and so forth.

If there are any further questions and/or issues, please feel free to contact me via phone 509-865-5121 X4340.

Sincerely,  
/Harry Smiskin/

Harry Smiskin  
Chairman, Yakama Tribal Council

Post Office Box 151, Fort Road, Toppenish, WA 98948 (509) 865-5121