



DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20201



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TO: George Sheldon, J.D.
Acting Assistant Secretary
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/S/

FROM: Stuart Wright
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SUBJECT: Memorandum Report: *ACF Strengthened Its Oversight of Head Start Eligibility in Fiscal Year 2011*, OEI-05-11-00140

This memorandum report describes the changes that the Administration for Children and Families (ACF) made to its oversight of Head Start eligibility between fiscal years (FY) 2010 and 2011, the extent to which grantees complied with requirements for keeping eligibility information on file, and the extent to which ACF issued findings of noncompliance or deficiency when eligibility information was not on file.

SUMMARY

In response to a request from Congressman John Kline, Chairman of the Committee on Education and the Workforce, we evaluated ACF's efforts to strengthen its oversight of Head Start grantees in response to reported problems with grantees not correctly verifying children's eligibility.

Overall, we found that ACF strengthened its oversight of eligibility between FY 2010 and FY 2011. Specifically, ACF altered its FY 2011 triennial reviews to determine whether grantees kept on file the source documents proving children's eligibility. Further, ACF began performing unannounced triennial reviews. In addition, ACF promulgated draft regulations that, once final, will require grantees to keep source documents on file. Finally, ACF developed an online (i.e. Web) complaint process for the Head Start program to capture complaints that could help the agency uncover problems with grantees.

According to data collected during ACF's FY 2011 triennial reviews, 79 percent of Head Start grantees had complete eligibility information for all sampled children. ACF was not consistent in issuing findings to grantees missing eligibility information in FY 2011. In FY 2012, ACF has taken steps to reduce this variation in issuing findings.

BACKGROUND

This study responds to a congressional request. In May 2010, a Government Accountability Office (GAO) official testified at a congressional hearing about possible cases of eligibility fraud at eight Head Start grantees.¹ At this hearing, ACF committed to improving its oversight of Head Start eligibility. Following this hearing, Congressman Kline, then the Ranking Member of the Committee on Education and Labor, requested that the Office of Inspector General (OIG) conduct a review of Head Start.

Head Start is an ACF-administered nationwide grant program designed to promote school readiness in children from low-income families. Head Start grantees provide early childhood education; medical, dental, and mental health care; and nutritional services. Grantees may be local public agencies, private organizations, Native American tribes, or school systems.

In FY 2011, ACF provided \$8 billion to serve almost a million children enrolled at Head Start grantees.² ACF awards funds to 1,624 Head Start grantees nationally.

Head Start Eligibility Requirements

Children are eligible for Head Start if they are of the appropriate age, and if their families fall within one of the following eligibility categories:

- the family is homeless,³
- the family is eligible for or receiving public assistance (or is potentially eligible in the absence of child care),⁴
- the family is caring for foster children,⁵ or
- the family has an income below the poverty line.^{6,7}

A Head Start grantee may have up to 10 percent of its enrollment consist of children whose families have incomes above the poverty line. An additional 35 percent of the grantee's enrollment may consist of children with family incomes between 100 and

¹ *Undercover Testing Finds Fraud and Abuse at Selected Head Start Centers: Hearing Before the United States House of Representatives Committee on Education and Labor, 111th Cong.* (2010) (Statement of Gregory D. Kutz, Managing Director, Forensic Audits and Special Investigations, GAO).

² Department of Health and Human Services (HHS), *Fiscal Year 2011 Budget in Brief*. Accessed at <http://dhhs.gov/asfr/ob/docbudget/2011budgetinbrief.pdf> on June 15, 2012.

³ Head Start Act § 645(a)(1)(B)(ii), 42 U.S.C. § 9840.

⁴ Head Start Act § 645(a)(1)(B)(i), 42 U.S.C. § 9840.

⁵ 45 CFR § 1305.2(l).

⁶ Head Start Act § 645(a)(1)(B)(i), 42 U.S.C. § 9840.

⁷ In FY 2011, the poverty line was \$22,350 for a family of four. 76 Fed. Reg. 3637–3638 (Jan. 20, 2011).

130 percent of the poverty line.⁸ The remaining 55 percent of enrollment must consist of children from families with incomes below the poverty line.⁹

Families applying for Head Start services must provide information that allows Head Start grantees to verify that children are eligible. Families may provide information such as documents from relevant homeless shelters, documents regarding public assistance, documents confirming foster care, or income tax forms. Such documents are hereinafter referred to as “source documents.”

Requirements for Head Start Grantees Verifying Eligibility

Federal regulations require all Head Start grantees to verify eligibility before enrolling children whose participation is based on family income.¹⁰ To verify children’s eligibility, Head Start grantees must examine all source documents presented by families. Grantees are not required to keep copies of source documents on file, although ACF has encouraged grantees to do so.^{11, 12}

Although grantees are not required to keep source documents on file, they are required to keep forms demonstrating that they verified eligibility for all enrolled children.¹³ Grantees must indicate on these forms what documents they examined to verify eligibility. They must sign these forms to attest that children are eligible for Head Start services. Grantees may use a form that they designed themselves or an ACF-designed form.¹⁴ Hereinafter, forms designed by Head Start grantees and ACF-designed forms will both be referred to as “verification forms.” See Appendix A for a copy of the ACF-designed verification form.

⁸ Families must live in a designated service area to be eligible for Head Start services. In addition, Head Start grantees must establish and implement outreach and enrollment policies before enrolling children from families with incomes between 100 and 130 percent of the poverty line. Head Start Act § 645(a)(1)(B)(iii), 42 U.S.C. § 9840.

⁹ For American Indian or Alaskan Native grantees, up to 49 percent of enrollment may consist of children from families above the poverty line. 45 CFR 1305.4(b)(3)(iv). In addition, grantees that meet certain conditions and in areas with populations of 1,000 or less may establish their own criteria for eligibility. Head Start Act § 645(a)(2), 42 U.S.C. § 9840.

¹⁰ 45 CFR § 1305.4(c).

¹¹ ACF, *Policy Clarifications—I—Eligibility, Recruitment, Enrollment, and Attendance*, OHS-PC-I-009, April 23, 2007. Accessed at <http://eclkc.ohs.acf.hhs.gov/hslc/standards/Policy%20Clarifications%20and%20FAQs> on June 18, 2012.

¹² ACF, *Income Eligibility for Enrollment in Head Start and Early Head Start Programs*, ACF-PI-HS-10-02, May 10, 2010. Accessed at http://eclkc.ohs.acf.hhs.gov/hslc/standards/Pis/2010/resour_pri_002_051010.html on June 15, 2012.

¹³ 45 CFR § 1305.4(e).

¹⁴ ACF, *Income Eligibility for Enrollment in Head Start and Early Head Start Programs*, ACF-PI-HS-10-02, May 10, 2010. Accessed at http://eclkc.ohs.acf.hhs.gov/hslc/standards/Pis/2010/resour_pri_002_051010.html on June 15, 2012.

ACF Oversight of Head Start Eligibility

Federal law requires ACF to perform periodic monitoring and oversight of Head Start grantees.¹⁵ ACF determines through onsite visits whether Head Start grantees abide by eligibility requirements. Onsite reviews should occur for first-year grantees, for operating grantees (on a triennial basis), for grantees that are found to be out of compliance, and a study—known as the Erroneous Payments Study—identifying improper payments. ACF further oversees grantees through yearly risk management meetings.

Triennial Reviews. ACF conducts standardized, onsite reviews for each grantee once every 3 years. Known as “triennial reviews,” these reviews evaluate whether grantees are complying with a range of rules and regulations.¹⁶ In FY 2011, 537 grantees—roughly one-third of the total of 1,624 grantees—received triennial reviews.

Generally, ACF sends Head Start grantees written notification 30 days prior to the date of an upcoming triennial review. However, ACF has the authority to perform unannounced reviews, including unannounced triennial reviews.¹⁷

While onsite, triennial reviewers complete an electronic, standardized guide that aids them in evaluating different areas of grantees’ performance, such as eligibility verifications, financial management, and children’s health.¹⁸ Reviewers record the results of their examination in ACF’s review software. When evaluating grantees’ performance in verifying eligibility, reviewers examine verification forms and source documents for a sample of children enrolled at each Head Start grantee. Reviewers choose a separate sample for each grantee, based on the number of children enrolled at the grantee.

ACF reviews the data collected during triennial reviews for each grantee and determines whether grantees are compliant with Federal regulations. If ACF determines that grantees are out of compliance with Federal regulations, it issues findings. There are two types of findings. The more severe type is a “finding of deficiency,” hereinafter referred to as a deficiency.¹⁹ The less severe type—a “finding of noncompliance,” hereinafter referred to as a noncompliance—is issued if a grantee is not compliant with Federal regulations but its infraction does not warrant a deficiency. In FY 2009, the latest year with data available, ACF issued deficiencies to 5 percent of grantees reviewed. That

¹⁵ Head Start Act § 641A(c), 42 U.S.C. § 9836A.

¹⁶ Ibid.

¹⁷ Head Start Act § 641A(c)(1)(D), 42 U.S.C. § 9836A.

¹⁸ Triennial reviewers may include ACF staff and contracted staff with experience in early education.

¹⁹ A deficiency is legally defined as a systemic or substantial material failure of a grantee in specific areas of performance, a systemic or material failure of the governing body of any grantee to fully exercise its legal and fiduciary responsibilities, or an unresolved area of noncompliance. Grantees may receive a deficiency in areas of performance involving: health, safety or civil rights; denial of parental roles and responsibilities related to program operations; failure to comply with standards on early childhood development and health services, family and community partnerships, or program design and management; misuse of Federal funds; loss of legal status or financial viability; and failure to meet any other Federal or State requirement and unwillingness or inability to correct. Head Start Act § 637(2), 42 U.S.C. § 9832.

same year, ACF issued noncompliances to 75 percent of grantees reviewed.²⁰ Hereinafter, we will collectively refer to deficiencies and noncompliances as “findings.”

ACF uses “findings letters” to notify all grantees of its assessment of their compliance. These letters outline grantees’ strengths and weaknesses, including any findings. These letters also describe the specific Federal regulations that are related to each finding. After sending findings letters, ACF may perform followup reviews of grantees that were out of compliance to determine whether the grantees corrected the problems that resulted in findings.

Erroneous Payments Study. ACF conducts the Erroneous Payments Study each year to identify a national rate of improper payments to Head Start grantees. ACF defines the national rate of improper payments as payments to grantees that have “more than the allowed percentage of children enrolled whose family income exceeds the eligibility guidelines.”²¹ In FY 2011, Head Start’s national error rate was 0.6 percent, amounting to \$43 million in improper payments.²² This was down from the previous year’s error rate of 1.7 percent and overpayment amount of \$123 million.²³

Like triennial reviews, ACF’s Erroneous Payments Study consists of standardized onsite reviews. ACF chooses grantees from a stratified sample of all Head Start grantees receiving triennial reviews that year. The Erroneous Payments Study takes place concurrently with the triennial reviews, but uses a different protocol, different sampling methodology, and different reviewers.

Risk Management Meetings. Staff at ACF regional offices conduct an annual risk management meeting with each Head Start grantee to discuss strengths and weaknesses.²⁴ These meetings include discussions about children’s eligibility. ACF may hold these meetings in person or over the phone.

ACF’s Response to GAO’s Investigation

In FY 2010, GAO found that employees at 8 of 13 Head Start grantees disregarded portions of applicants’ documents so that families would appear to be below the poverty line.²⁵ In response to the GAO investigation, ACF made a series of promises to strengthen its oversight of eligibility.

²⁰ ACF, *Report to Congress on Head Start Monitoring, FY 2009*, p. 18.

²¹ HHS, *FY 2011 Agency Financial Report*, November 2011, p. III-33. Accessed at <http://www.hhs.gov/afr/2011afr.pdf> on February 8, 2012.

²² Ibid.

²³ Ibid.

²⁴ ACF, *Head Start Risk Management Process*, ACF-IM-HS-08-06, February 5, 2008. Accessed at http://www.acf.hhs.gov/programs/ohs/policy/im2008/acfimhs_08_06.html on March 23, 2012.

²⁵ GAO, *Undercover Testing Finds Fraud and Abuse at Selected Head Start Centers*, GAO-10-1049, September 2010.

ACF stated that it would strengthen its existing oversight processes. This included performing “a top-to-bottom review” of triennial reviews, the Erroneous Payments Study, and risk management meetings.²⁶

ACF also stated that it would use unannounced triennial reviews to better determine how Head Start grantees operate on a daily basis.²⁷ According to ACF staff, 10 percent of triennial reviews in FY 2011 were to be unannounced.

Further, ACF committed to developing new processes to improve oversight, including developing an online complaint process for Head Start (hereinafter referred to as a “Web-based hotline”) and an Office of Program Integrity.²⁸ Established in September 2010, ACF’s agencywide Office of Program Integrity is intended to strengthen internal procedures and improve financial management in all ACF-funded programs, including Head Start. This Office of Program Integrity did not work on the Head Start program in FY 2011.

In addition, ACF stated that it would develop new guidance and regulations regarding eligibility verification. Following the congressional hearing, ACF issued a program instruction encouraging Head Start grantees to keep source documents for eligibility verifications on file.²⁹ In addition, ACF promulgated draft regulations regarding income eligibility.³⁰

Related Reports

In 2006, OIG issued a report on enrollment levels among Head Start grantees.³¹ OIG found that almost all Head Start grantees had high enrollment levels. OIG also found that Head Start grantees reported that it was difficult to fill enrollment slots with children whose families were below the poverty line. OIG recommended that ACF address challenges to maintaining full enrollment. Since the report’s release, ACF has taken steps to meet this recommendation.

GAO has produced two reports identifying weaknesses in ACF’s triennial reviews. In 2005, GAO expressed concerns that triennial reviewers may not be rigorously adhering to the review guide, and may not achieve consistent results.³² In 2008, GAO followed up on

²⁶ *Examining GAO’s Review of Selected Head Start Grantees: Hearing Before the United States House of Representatives Committee on Education and Labor*, 111th Cong. (2010) (Statement of Carmen Nazario, Assistant Secretary for Children and Families, HHS).

²⁷ Ibid.

²⁸ Ibid.

²⁹ ACF, *Income Eligibility for Enrollment in Head Start and Early Head Start Grantees*, ACF-PI-HS-10-02, May 10, 2010. Accessed at http://eclkc.ohs.acf.hhs.gov/hslc/standards/Pis/2010/resour_pri_002_051010.html on March 23, 2012.

³⁰ 76 Fed. Reg. 14841–14854 (Mar. 18, 2011).

³¹ OIG, *Enrollment Levels in Head Start*, OEI-05-06-00250, April 2007.

³² GAO, *Comprehensive Approach to Identifying and Addressing Risks Could Help Prevent Grantee Financial Management Weaknesses*, GAO-05-176, February 2005.

its previous report, finding that ACF was implementing new processes that should improve the consistency of triennial reviews.³³

METHODOLOGY

Scope

This study looked at changes to ACF's oversight of eligibility between FY 2010 and FY 2011. By analyzing data from this timeframe, we can determine what changes occurred in ACF's oversight of eligibility immediately after the May 2010 congressional hearing where a GAO official testified.

Although ACF performs other types of reviews, we analyzed data only from triennial reviews and the yearly Erroneous Payments Study. We did not analyze data from other types of reviews, such as followup reviews or reviews for first-year grantees. Because ACF does not always use its full standardized review guide when performing followup reviews, such reviews may not necessarily evaluate how grantees verify eligibility. ACF performed only six first-year reviews in FY 2011, so we believe that excluding these few reviews does not significantly affect our results.

This study did not analyze changes that ACF may have made to its oversight processes unrelated to eligibility, such as new regulations regarding grant renewal.

Data Collection and Analysis

We reviewed: (1) documents including protocols, guides, relevant laws and regulations, and findings letters; (2) ACF's national review schedule; (3) structured interviews with Head Start grantees and ACF; (4) triennial review data; and (5) complaint data from the Web-based hotline.

Changes to ACF's Oversight of Eligibility

Triennial Review. We collected and analyzed FY 2010 and FY 2011 standardized review guides, other guidance, and national schedules, as well as interview responses, to determine whether and how ACF made changes to triennial reviews.

We calculated the percentage of unannounced triennial reviews in FY 2010 and FY 2011. To do this, we analyzed ACF's national schedule of reviews and documents identifying grantees that received an unannounced triennial review. We called all Head Start grantees that ACF identified as having received unannounced triennial reviews to confirm that these grantees did not receive advance written notifications with the dates of their reviews. Of these grantees, only one grantee stated that it received advance notification before the triennial review was conducted. For the purpose of our analysis, we considered this grantee to have received an announced triennial review.

³³ GAO, *A More Comprehensive Risk Management Strategy and Data Improvements Could Further Strengthen Program*, GAO-08-221, February 2008.

Erroneous Payments Study. We collected and analyzed FY 2010 and FY 2011 protocols, guides, data dictionaries, and interview responses to determine whether and how ACF changed its Erroneous Payments Study.

Web-based Hotline. We collected and analyzed data from the complaint-tracking database that ACF implemented. We collected and analyzed all data since the Web-based hotline was developed in June 2010. After identifying all of the eligibility-related complaints that ACF received via this hotline, we analyzed how frequently ACF investigated these complaints and what actions it took to do so.

Risk Management Meetings. We collected and analyzed FY 2010 and FY 2011 risk management protocols and ACF interview responses to determine whether and how ACF changed its risk management meetings.

Assessing Grantee Compliance with Eligibility Requirements and Related Findings

We reviewed triennial review data for the 533 Head Start grantees that received such reviews in the first three quarters of FY 2011 (i.e., from October 1, 2010, to June 30, 2011). During the fourth quarter of FY 2011, ACF performed only 4 triennial reviews, for an annual total of 537 such reviews.

Of these 533 grantees, we analyzed triennial review data for 530 grantees. We removed three grantees from our analysis: one because we did not receive the triennial review data due to an administrative error, and two because ACF was still in the process of issuing findings letters to these grantees at the time of our review. The triennial review data for the remaining 530 grantees contained eligibility information for 49,436 sampled children.

We determined the number and percentage, by grantee, of sampled children with complete eligibility information on file. We considered a grantee to have complete eligibility information if the verification forms for each sampled child: (1) were present in the file and signed by a grantee employee, (2) indicated which documents were reviewed to verify eligibility, and (3) indicated the child's eligibility category. We considered a grantee to be missing eligibility information if it was missing information in any of these components for at least one child.

For the sampled children, we determined what types of source documents—such as pay stubs or W-2 forms—were on file, and how frequently grantees kept these documents on file. We also determined the number and percentage of source documents kept on file for sampled children at each Head Start grantee.

We collected and analyzed all findings letters for grantees missing eligibility information for at least one child. We determined and reviewed the instances when ACF issued a finding related to missing eligibility information. When written deliberations between ACF headquarters staff and triennial reviewers about whether to issue a finding were available, we reviewed those deliberations.

We determined the average percentage of incomplete eligibility information on file among all grantees and among grantees that were issued findings. To determine the relationship between missing eligibility information and findings, we analyzed how frequently ACF issued findings to grantees at varying thresholds of missing eligibility information.

Although we combine both kinds of findings—noncompliance and deficiency—in our analysis, ACF rarely issued deficiencies to grantees missing eligibility information, issuing a deficiency to only one such grantee. The remaining grantees received noncompliances.

Limitations

We relied on data collected by triennial reviewers. We did not independently verify these data.

We also did not independently verify complaints received through the Web-based hotline. We did not speak with the regional office staff who investigated these complaints or obtain corroborating documentation outside of the complaint-tracking database. Nonetheless, we were able to determine whether complaints were related to eligibility and whether ACF followed up on these complaints.

We analyzed and reported on data from children sampled during triennial reviews in the first three quarters of FY 2011. We did not project our results to all enrolled children. During triennial reviews, ACF collects information from a sample of children's files at each Head Start grantee. However, ACF does not use the results from this sample to project to the universe of all children enrolled at that grantee. When determining whether a grantee is compliant with eligibility laws, ACF relies on eligibility information collected from only this sample of children's files.

We could not analyze whether grantee employees disregarded any source documents. Any documents intentionally disregarded would likely not be on file, meaning that neither triennial reviewers nor OIG would see these documents when reviewing a sample of children's files.

Standards

This study was conducted in accordance with the *Quality Standards for Inspection and Evaluation* issued by the Council of the Inspectors General on Integrity and Efficiency.

RESULTS

In FY 2011, ACF strengthened its oversight of Head Start grantees in response to reported problems with grantees verifying eligibility

In response to GAO's investigation of eight Head Start grantees that disregarded families' source documents, ACF strengthened its oversight of eligibility. ACF changed

many of its preexisting oversight processes, including triennial reviews and the Erroneous Payments Study. ACF did not make any changes to the risk management meetings.

ACF improved oversight of grantees through new actions. ACF promulgated draft regulations and developed a Web-based hotline to receive complaints.

ACF took steps to strengthen its oversight of eligibility by focusing on source documents. At the May 2010 hearing on potential eligibility fraud, ACF committed to strengthening its existing oversight in response to GAO's testimony. In FY 2011, ACF began examining source documents in triennial reviews and the Erroneous Payments Study. Even though grantees were not required in FY 2011 to maintain source documents, examining source documents gave ACF a more complete understanding of how grantees were determining children's eligibility. ACF also issued draft regulations that would require grantees to keep source documents on file in the future. This would allow ACF to use source documents to perform its own assessment of children's eligibility.

In FY 2011, ACF prompted triennial reviewers to examine source documents and record whether grantees kept source documents on file. In addition, reviewers recorded whether verification forms identified which source documents had been initially reviewed by grantee staff to determine eligibility. ACF did not collect this information in FY 2010.

ACF also instructed triennial reviewers to interview grantee employees and parents of Head Start children to discover what source documents were provided as proof of eligibility. By interviewing these individuals, triennial reviewers may better understand what source documents were provided at the time the child was enrolled.

In addition, ACF added a question to its guide for the Erroneous Payments Study regarding the location of source documents. In both FY 2010 and FY 2011, ACF instructed reviewers for the Erroneous Payments Study to record which source documents were kept on file. Beginning in FY 2011, ACF prompted reviewers to record the location of source documents. Due to privacy concerns, some grantees may not keep source documents such as W-2 forms on file alongside the required verification forms. Without the prompt, reviewers for the Erroneous Payments Study in the past might have overlooked optional source documents kept in a separate location.

In March 2011, ACF promulgated draft regulations. Once final, these regulations will increase the evidence that grantees must keep on file to support their eligibility determinations. These regulations would require grantees to keep source documents on file for all children. They would also require grantees to collect and retain signed statements from Head Start families attesting that the families had submitted complete and accurate eligibility information. The regulations would also require grantee staff to attend training on verifying eligibility, including how to identify eligibility fraud and how to verify source documents prior to enrollment.

The regulations should increase the number of grantees keeping source documents; in the absence of such regulations, not all grantees kept source documents on file for all

children. Almost a third of grantees did not keep source documents on file for any children sampled in the first three quarters of FY 2011. Only 13 percent of grantees kept source documents on file for all children sampled. See Chart B-1 in Appendix B for a breakdown showing different types and percentages of source documents kept on file in the first three quarters of FY 2011.

ACF began performing unannounced triennial reviews. Following the congressional hearing about potential eligibility-related fraud, ACF promised to conduct unannounced triennial reviews. ACF reviewers began performing such reviews in July 2010, 2 months after the hearing. Two percent of FY 2010 triennial reviews were unannounced; all were conducted in the final quarter of FY 2010. In FY 2011, 11 percent of triennial reviews were unannounced.

ACF investigated complaints related to eligibility that were submitted through its new Web-based hotline. Following the congressional hearing, ACF created a Web-based hotline for complaints. ACF advertised this Web-based hotline through an email to all Head Start grantees and 14,000 subscribers to Head Start-related email updates. By November 2011, ACF had received 289 complaints through its Web-based hotline.

Of the 289 complaints, 16 were related to eligibility. These 16 complaints implicated 15 separate grantees. These complaints were related to grantees and parents disregarding source documents, grantees enrolling “over-income” children in Head Start, or grantees not prioritizing the neediest children for enrollment.

After investigation, ACF closed all Web-based hotline complaints related to eligibility. For all 16 complaints, ACF did not find any evidence of wrongdoing.

ACF regional staff used a variety of methods to investigate the 16 Web-based hotline complaints related to eligibility. In five cases, ACF regional staff met with grantee employees onsite to review and discuss eligibility practices and policies. In one case, ACF regional staff performed a desk review of eligibility information. In seven cases, ACF regional staff had conversations with employees at the grantees in question. In three cases, ACF regional staff did not document specific actions taken to investigate these complaints.

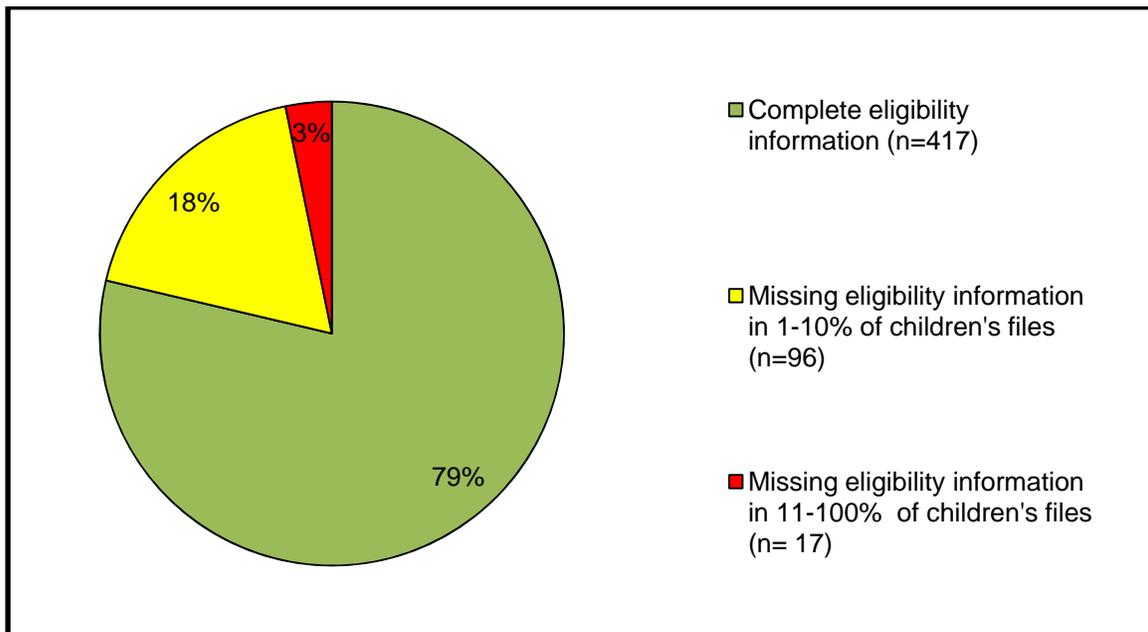
ACF’s triennial reviews found that most grantees had complete eligibility information for all children sampled

Most grantees had complete eligibility information for all children sampled. Specifically, 79 percent of grantees (417 out of 530) had required eligibility information for all children sampled in the first three quarters of FY 2011. Grantees were considered to have complete eligibility information if the verification forms for each sampled child: (1) were present and signed by grantee employees, (2) indicated which documents the grantee employees examined to verify the child’s eligibility, and (3) indicated the child’s eligibility category.

The 21 percent of grantees that were missing eligibility information were usually missing information for few children sampled. This group of grantees consisted of 113 of the 530 grantees that received a triennial review in the first three quarters of FY 2011.

These 113 grantees were missing eligibility information for an average of 8 percent of children sampled. The median percentage of information missing was 4 percent. The range was less than 1 percent to 100 percent.³⁴ Only 3 percent of all grantees were missing information for 11 percent or more of children sampled. Chart 1 shows a breakdown of grantees by percentage of missing information.

Chart 1: Percentage of Missing Eligibility Information Among Grantees



Source: OIG analysis of triennial review data from the first three quarters of FY 2011.

ACF was not consistent in issuing findings to grantees missing eligibility information

ACF did not issue findings to all grantees missing eligibility information. After reviewing grantees' data collected during triennial reviews, ACF issued findings to only 20 of the 113 grantees missing eligibility information. Of the 20 grantees that received a finding, 8 had missing eligibility information for 10 percent or less of sampled children. The remaining 12 grantees were missing eligibility information for 11 percent or more of sampled children.

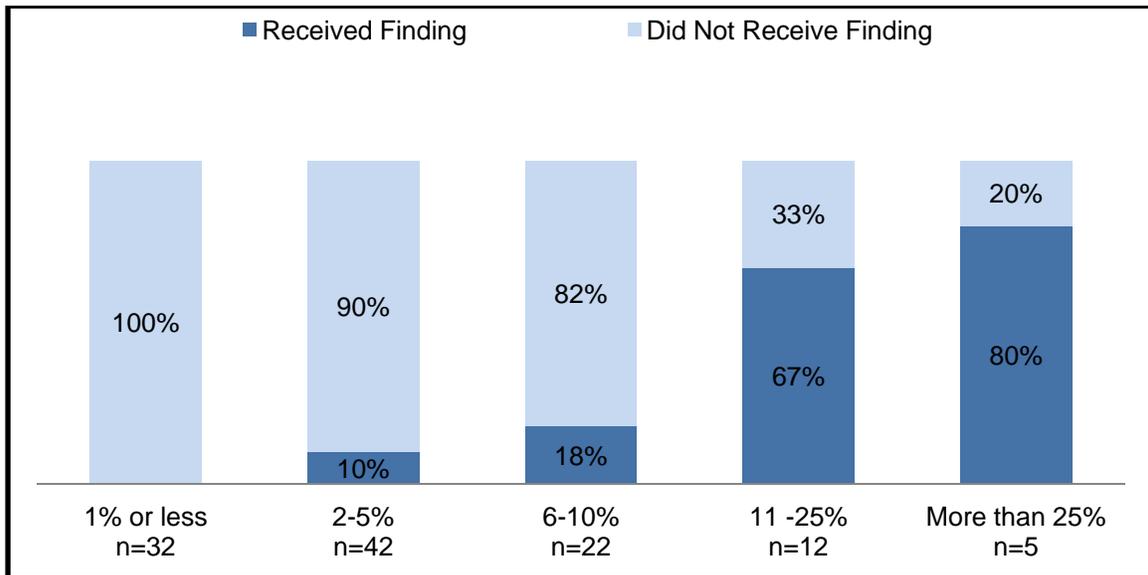
ACF did not always issue findings to all grantees missing similar amounts of information. For example, ACF issued a finding to one grantee missing information for 18 percent of

³⁴ Only one grantee was missing eligibility information for 100 percent of children sampled. This grantee lacked grantee signatures on all of the required verification forms, but otherwise the required forms were present and had complete eligibility information.

sampled children. However, ACF did not issue a finding to a grantee missing information for 19 percent of sampled children.

Despite some inconsistency in issuing findings, ACF usually issued findings to grantees that were missing higher percentages of eligibility information. ACF issued findings to the majority (12 of 17) of the grantees missing information for 11 percent or more of sampled children. However, ACF issued findings to few (8 of 96) grantees missing information for 10 percent or less of sampled children. In FY 2011, ACF did not set a percentage of missing eligibility information that would trigger the issuance of a finding. However, in practice a threshold emerged, as ACF usually issued findings to grantees missing information in 11 percent or more of children’s files. Further, ACF staff reported developing a threshold for issuing findings in FY 2012. See Chart 2 for a breakdown of grantees by percentage of missing information.

Chart 2: Findings by Percentage of Missing Eligibility Information



Source: OIG analysis of triennial review data from the first three quarters of FY 2011.

CONCLUSION

In response to a congressional request, we conducted a review of ACF's monitoring and oversight of Head Start eligibility. ACF strengthened its oversight of eligibility in FY 2011 by improving its triennial reviews and its Erroneous Payments Study. ACF also promulgated draft regulations regarding eligibility and established a Web-based hotline for complaints.

Once final, the regulations regarding eligibility will increase the evidence that grantees must keep on file to support their eligibility verifications. The regulations would require grantees to keep source documents on file for all children. In addition, the regulations would require grantees to collect and retain statements signed by Head Start families. The statements would attest that the families had submitted complete and accurate eligibility information.

Overall, in FY 2011 grantees largely kept required eligibility information. However, ACF was not consistent in issuing findings to grantees missing eligibility information. ACF has already taken steps to address this slight variability in issuing findings. In FY 2012, ACF staff reported setting a threshold for issuing findings related to missing eligibility information. By doing so, ACF is making an effort to increase consistency in issuing findings to grantees.

This memorandum report is being issued directly in final form because it contains no recommendations. If you have comments or questions about this report, please provide them within 60 days. Please refer to report number OEI-05-11-00140 in all correspondence.

APPENDIX A

OMB 0907-0374; Expires: 02/28/2013

Head Start Eligibility Verification



1. Child's name: _____

2. Child's date of birth: _____

3. This child is eligible to participate in the program. Yes No

4. Check the applicable category of eligibility for this child:

SSI

Homeless

Foster Care

Public assistance

Income (check box that applies):

Below federal poverty guidelines

Between 100-130% of federal poverty guidelines
(no more than 35% of enrolled children may fall into this category)

Over- Income

Counted as part of 10% maximum for non-AI/AN programs)

Counted as part of the 40% maximum for AI/AN programs)

5. What documentation was used to determine eligibility?

Income Tax Form 1040

W-2

TANF documentation

Pay stub or pay envelopes

Unemployment

Written statements from employers

Foster care reimbursement

SSI documentation

Other

If Other, please explain: _____

Documentation of no income: _____

6. Staff signature: _____

Date of eligibility verification: _____

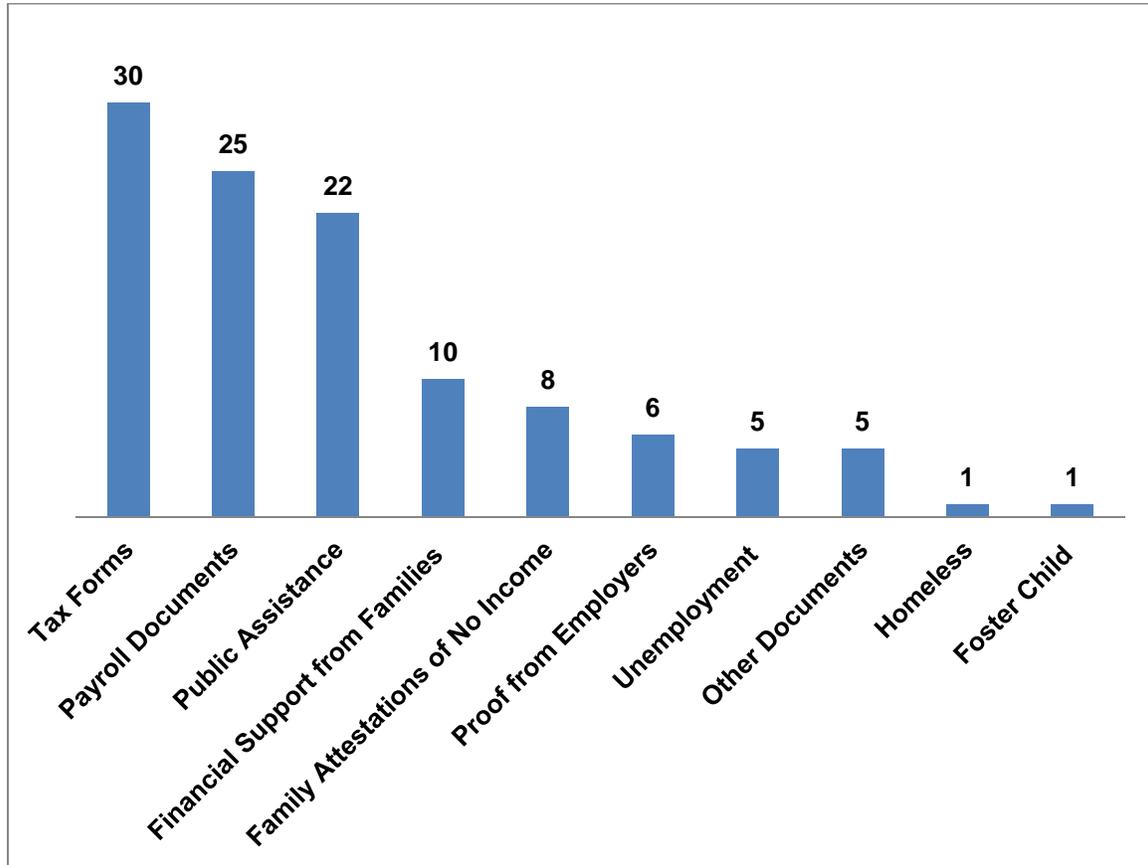
7. Staff name: _____

Title: _____

THE PAPERWORK REDUCTION ACT OF 1995 (Pub. L. 104-13) Public reporting burden for this collection of information is estimated to average .08 hours per response, including the time for reviewing instructions, gathering and maintaining the data needed, and reviewing the collection of information. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

APPENDIX B

Chart B-1: Types and Percentages of Source Documents Kept on File



Source: Office of Inspector General analysis of triennial review data from the first three quarters of fiscal year 2011. Grantees may have multiple source documents on file for a child; as a result, percentages exceed 100.