

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**HEAD START GRANT
RECOMPETITION:
EARLY IMPLEMENTATION
RESULTS SUGGEST
OPPORTUNITIES FOR
IMPROVEMENT**



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**EXECUTIVE SUMMARY –
HEAD START GRANT RECOMPETITION: EARLY IMPLEMENTATION RESULTS
SUGGEST OPPORTUNITIES FOR IMPROVEMENT
OEI-12-14-00650**

WHY WE DID THIS STUDY

The Head Start program is the largest Federal investment in early childhood education. The Improving Head Start for School Readiness Act of 2007 required the Administration for Children and Families (ACF) to begin awarding 5-year grants for Head Start and to require grantees that ACF determines are not providing a high-quality and comprehensive Head Start program to “recompete”—i.e., to participate in open competition for funding renewal. In response, ACF began in 2012 to implement the Designation Renewal System (DRS). The DRS uses seven “trigger conditions” to assess a subset of grantees (known as a cohort) each year and determine which grantees will be required to recompile. These changes are intended to improve the quality of grantees receiving Head Start funds. However, stakeholders have raised concerns about the efficacy and fairness of this process.

HOW WE DID THIS STUDY

To review the second cohort of grantees to undergo DRS assessment and recompetition, we combined data on (1) grantees’ characteristics; (2) their performance histories; (3) the DRS determinations as to which grantees had their grants automatically renewed and which were required to recompile, and (4) the outcomes of those recompetitions. We summarized the DRS determinations and recompetition results, and we compared grantees’ DRS determinations to other, non-DRS performance data that ACF collects. Finally, we reviewed DRS determinations and recompetition outcomes for a subgroup of grantees that had lower performance on 10 selected measures than did their peers.

WHAT WE FOUND

We found that one-third of grantees were required under the DRS to recompile for funding renewal. Grantees’ DRS determinations were not linked to the number of Head Start enrollees they served, the types of areas (i.e., rural or urban) where their centers were located, the proportion of their enrollees who were from non-English-speaking families, or the proportion of their enrollees who were from very poor households. Of grantees required to recompile, approximately three-quarters had their grants renewed for an additional 5-year term. More than half of these grantees were the sole applicants for their respective grants. We also found that DRS determinations were largely inconsistent with other ACF performance data. Additionally, few grantees with lower performance on a hybrid of 10 DRS and non-DRS performance measures left the Head Start program through the DRS and recompetition processes. Overall, 92 percent of Head Start grantees had their grants renewed.

WHAT WE RECOMMEND

We recommend that ACF proactively monitor grantees’ performance results to verify that grantees designated under the DRS for automatic, noncompetitive renewal perform better than their peers. Additionally, ACF should take steps to increase the number of applicants for recompiled grants. ACF concurred with both recommendations.

TABLE OF CONTENTS

Objectives	1
Background	1
Methodology	6
Findings.....	9
One-third of Head Start grantees were required to re compete for funding	9
Of grantees required to re compete, approximately three-quarters had their grants renewed	10
DRS determinations were largely inconsistent with other performance data.....	11
Few grantees with lower performance on selected measures than their peers left the Head Start program through the DRS and recompetition processes	12
Conclusion and Recommendations.....	14
Agency Comments and OIG Response.....	16
Appendixes	17
A: Head Start Eligibility	17
B: Designation Renewal System Trigger Conditions	18
C: Detailed Methodology.....	21
D: Comparison of Automatically Renewed vs. Re competing Grantees: Statistical Testing.....	26
E: Agency Comments	28
Acknowledgments.....	30

OBJECTIVES

1. To assess Designation Renewal System (DRS) determinations regarding which Head Start grantees are required to re compete for funding.
2. To describe Head Start grant renewal decisions the Administration for Children and Families (ACF) made under re competition.
3. To determine the extent to which grantees with lower performance on selected measures left the Head Start program through the DRS and re competition processes.

RATIONALE

With a budget of over \$9 billion and serving more than 1 million children each year, the Head Start program is the largest Federal investment in early childhood education. The Improving Head Start for School Readiness Act of 2007¹ required ACF to begin awarding 5-year grants, rather than the indefinite-term grants used in the past, and to require grantees who do not provide high quality and comprehensive services to participate in open competition for renewal.

In response, in late 2011, ACF began assessing grantees through the Designation Renewal System (DRS) to determine which grantees would be required to “re compete,” or participate in open competition for renewal. These changes are intended to improve overall program quality. However, some stakeholders have raised concerns about whether the DRS places a disproportionate burden on certain types of grantees (for example, those serving linguistically diverse populations), as well as whether grantees that ACF designated under the DRS for automatic renewal are actually of higher quality than those required to undergo re competition.² This study is the first national review of the DRS and re competition processes.

BACKGROUND

Head Start: Overview

Head Start is a nationwide grant program designed to promote school readiness in children from low-income families. ACF awards funds to approximately 1,700 Head Start grantees, who provide early childhood education; medical, dental, and mental health care; and nutrition services.

¹ P. L. No. 110-134 (Dec. 12, 2007).

² For example, as expressed in public comments to ACF regarding the DRS implementing regulations. See 76 Fed. Reg. 70011-70029 (Nov. 9, 2011).

Grantees may be public agencies, private nonprofit and for-profit organizations, tribal governments, or school systems. The President's budget request for FY 2017 included \$9.6 billion for the program.³

The Office of Head Start within ACF administers four types of Head Start programs. Traditional Head Start programs, which are most common, serve preschoolers (primarily ages 3 and 4) and account for over 80 percent of children enrolled in Head Start. Early Head Start programs serve infants, toddlers, and pregnant women. Migrant and Seasonal Head Start programs serve the migrant and seasonal worker community. Finally, American Indian-Alaska Native (AI/AN) Head Start programs serve AI/AN communities.

Grantees must implement and comply with a variety of eligibility and enrollment requirements. In general, children are eligible for Head Start if they are of the appropriate age and if the family is homeless, is eligible for or receiving public assistance, is caring for foster children, and/or meets income guidelines.⁴ A child who meets these requirements and whose family's income comes primarily from agricultural work is eligible for Migrant or Seasonal Head Start.⁵ For a detailed explanation of Head Start eligibility, see Appendix A.

Performance Monitoring and Oversight

Federal law requires ACF to perform periodic monitoring and oversight of Head Start grantees.⁶ ACF conducts the following monitoring reviews to determine whether grantees comply with requirements and standards:⁷

- *Triennial reviews* are conducted at least once during each 3-year period to assess grantee compliance with all program areas. In FY 2015, ACF began transitioning from triennial reviews to more frequent assessments, increasing the focus on quality while continuing to examine compliance.⁸
- *First-year reviews* are reviews of each newly designated Head Start grantee immediately after the grantee completes its first program year.
- *Followup reviews* are conducted for grantees with areas of noncompliance or with one or more deficiencies (described below)

³ Department of Health and Human Services, *HHS FY 2017 Budget in Brief*, February 2016.

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

⁵ 45 CFR § 1305.4(g).

⁶ Head Start Act § 641A(c) (42 U.S.C. § 9836A(c)).

⁷ Head Start Act § 641A(c)(1).

⁸ ACF, *Report to Congress on Head Start Monitoring—Fiscal Year 2014*, p. 31-32.

in order to determine whether these grantees have corrected previously identified problems.

- ACF may initiate other reviews as appropriate, e.g., if issues with a grantee's performance are brought to ACF's attention. These reviews are conducted on an as-needed basis and focus on assessing a specific concern.

ACF reviews data collected during monitoring reviews and determines whether grantees comply with all requirements. Monitoring reports may include the following types of findings:

- *Deficiencies*⁹ indicate that a grantee exhibits systemic or substantial noncompliance with significant State or Federal requirements. Examples include requirements regarding threats to children's health or safety or the misuse of Head Start funds. ACF may terminate any grantee that fails to correct a deficiency finding within the designated timeframe.¹⁰
- *Noncompliances*¹¹ indicate that a grantee is out of compliance with a requirement, but not to a level that constitutes a deficiency. Noncompliances require a written timeline of correction and may also result in technical assistance or guidance from ACF. If a grantee does not correct a noncompliance within the specified timeframe, ACF reclassifies the noncompliance as a deficiency.¹²
- *Strengths* indicate new or innovative practices that help the grantee overcome challenges, improve service quality, and/or surpass performance indicators.

Additionally, ACF calculates a variety of performance indicators based on information that grantees self-report through the annual Program Information Report (PIR). These performance indicators describe various aspects of services provided during the preceding program year (e.g., the proportion of children with disabilities who received targeted services). ACF makes grantees' scores on these performance indicators publicly available at both the individual and national levels.¹³

⁹ Head Start Act § 637 (42 U.S.C. § 9832).

¹⁰ Head Start Act § 641A(e) (42 U.S.C. § 9836A(e)).

¹¹ 45 CFR § 1304.61.

¹² Ibid.

¹³ For example, see ACF, *Office of Head Start – Head Start Services Snapshot National (2014-2015)*. Accessed at <http://eclkc.ohs.acf.hhs.gov/hslc/data/psr/2015/services-snapshot-hs-2014-2015.pdf> on April 25, 2016.

Grant Renewal

Historically, Head Start grants were indefinite in term, and grantees remained in the program unless their grants were terminated for cause. The Improving Head Start for School Readiness Act of 2007¹⁴ amended the Head Start Act to establish 5-year terms for Head Start grants. The law further required that grantees determined not to be delivering a high-quality and comprehensive Head Start program must participate in open competition for renewal, or “recompete.”¹⁵

To determine which grantees would recompile, the Head Start Act, as amended, required the Secretary of Health and Human Services to develop a system to identify Head Start grantees that deliver “a high-quality and comprehensive Head Start Program that meets the educational, health, nutritional, and social needs of the children and families it serves, and meets program and financial management requirements and standards...”¹⁶ Grantees that do not meet this requirement are subject to open competition for grant renewal.¹⁷ Specifically, ACF posts the grant as a Funding Opportunity Announcement, and if the incumbent grantee seeks renewal, it must apply alongside other interested entities so that ACF can select the most qualified provider through open competition. To promote competition, ACF has provided guidance to eligible organizations through an online grant application toolkit¹⁸ and conducted community meetings to raise awareness of upcoming competitions.

DRS. Through a final rule effective December 9, 2011, ACF established the DRS to identify grantees that deliver a “high-quality and comprehensive Head Start program” and whose grants can therefore be automatically renewed without competition.¹⁹ Specifically, regulations for the DRS describe seven “trigger conditions” indicative of quality concerns. If one or more of these seven conditions applies to a Head Start grantee, it must recompile if it seeks grant renewal. The DRS trigger conditions can be summarized as follows:

1. One or more deficiency findings over the prior review period.
2. Low score on one or more domains of the Classroom Assessment Scoring System (CLASS), an observational tool used to assess the quality of teacher-student interactions in preschool classrooms.

¹⁴ P. L. No. 110-134.

¹⁵ Head Start Act § 641(c)(7)(A) (42 U.S.C. § 9836(c)(7)(A)).

¹⁶ Head Start Act § 641(c)(1) (42 U.S.C. § 9836(c)(1)).

¹⁷ Head Start Act § 641(c)(7)(A) (42 U.S.C. § 9836(c)(7)(A)).

¹⁸ The toolkit is available online at <https://eclkc.ohs.acf.hhs.gov/hslc/grants/grant-toolkit>. Accessed on May 15, 2016

¹⁹ 45 CFR § 1307.1.

Specifically, the grantee either scores in the bottom 10 percent of grantees in any of the three CLASS domains (emotional support, classroom organization, and instructional support) or fails to meet the minimum quality standard in any of the three CLASS domains.

3. A determination that the grantee is at risk of failing to continue functioning as a “going concern” (i.e., a determination that the grantee is at risk of financial failure).
4. Revocation by a State or local licensing agency of a grantee’s license to operate a Head Start or Early Head Start center or program.
5. Failure to establish program goals for school readiness or take steps to achieve those goals.
6. Suspension from the Head Start program by ACF.
7. Debarment by any Federal or State department or agency or disqualification from the Child and Adult Care Food Program.

The first trigger condition (deficiency findings) is drawn solely from ACF’s onsite monitoring reviews. However, when ACF is determining whether a grantee will have its grant automatically renewed or will be required to re compete, it does not consider other findings from onsite monitoring (such as noncompliances and strengths). Similarly, ACF does not consider grantees’ performance on PIR-based indicators.

The DRS trigger conditions are described in detail at 45 CFR § 1307.3. (See Appendix B.)

DRS Implementation. The DRS became effective December 9, 2011, with the goal of implementation over a 3-year period.²⁰ Transitions from grants for indefinite periods to grants for 5-year periods were staggered over the implementation period so that in each year, only a subset of grantees (known as a cohort) would be assessed through the DRS. Under the DRS, each grantee either has its grant noncompetitively renewed or is required to re compete.

When ACF assessed the first cohort under the DRS, it did so using five of the seven DRS trigger conditions; it did not consider the conditions related to CLASS or school readiness goals.²¹ For the second and third cohorts, ACF took all seven DRS trigger conditions into account. ACF has stated that by the end of 2016, it will have transitioned all grantees to 5-year grants.

²⁰ ACF, *Report to Congress on the Final Head Start Program Designation Renewal System*, p. 36.

²¹ 45 CFR § 1307.7(b).

METHODOLOGY

Scope

We reviewed the second cohort (hereafter, “Cohort 2”) of Head Start and Migrant and Seasonal Head Start grantees²² to go through DRS assessment and recompetition, which took place from 2012 through 2014. We excluded Early Head Start and AI/AN Head Start grantees from this review, because ACF uses somewhat different DRS criteria and processes for these programs.

Data Sources

We combined data from several ACF sources and systems. We drew demographic, descriptive, and service data from the PIR, which grantees submit to ACF annually. Additionally, we used ACF’s formulas²³ to calculate four PIR-based performance indicators from these data. We obtained information on deficiencies, noncompliances, and strengths²⁴ from ACF’s performance-monitoring system. Finally, ACF provided the Office of Inspector General (OIG) with grantees’ final DRS determinations (i.e., grant automatically renewed vs. grantee required to re compete), the DRS trigger conditions that were present, CLASS scores, and recompetition results. We reviewed all available data for the 361 grantees in Cohort 2.

Analysis

To assess determinations made under the DRS in its second year of implementation, we calculated the proportion of Cohort 2 grantees that were required under the DRS to re compete for their grants, identified the most common DRS trigger conditions, and compared characteristics of grantees that were required to re compete with characteristics of those that were not.

We also compared grantees’ DRS determinations to their past scores on six selected performance measures that ACF collects but does not use in its DRS assessments. Of these, two measures (noncompliances and strengths) were drawn from the results of monitoring reviews. The remaining four measures (preventive and primary care; disability services; and two measures of teacher qualifications) were drawn from ACF’s

²² Head Start and Migrant and Seasonal Head Start, combined, account for 85 percent of all Head Start Program enrollees.

²³ ACF’s formulas for all PIR performance indicators are available at <https://eclkc.ohs.acf.hhs.gov/hslc/data/pir>.

²⁴ ACF monitoring review reports describe grantee strengths in narrative format. We categorized grantees’ strengths as reported in monitoring reports according to the seven programmatic areas in the Head Start Monitoring Protocol (e.g., child development and education, fiscal integrity, etc.).

PIR-based performance indicators. We consulted with ACF in selecting these measures to confirm that they were relevant and accurate bases for assessment and comparison of grantees. When comparing groups of grantees, we used permutation testing to determine whether observed differences were most likely due to meaningful association or random variation.

To describe grant renewal decisions made during the second year of recompetition, we determined the proportion of recompeted grants that were renewed and the number of applicants for each grant.

To determine the extent to which grantees with lower performance on selected measures left the Head Start program through the DRS and recompetition processes, we examined the DRS and recompetition outcomes for a subset of grantees that underperformed on 10 selected performance measures relative to their peers. These measures included the six selected non-DRS measures described above, as well as four key measures—deficiency findings and three separate CLASS scores—that ACF uses in its DRS determinations regarding who must recompute.²⁵ (See Graphic 1 on the next page.) A grantee met our criteria as lower performing relative to its peers if it a) scored in the bottom 10 percent of Cohort 2 grantees on four or more measures, or b) scored in the bottom 5 percent of Cohort 2 grantees on two or more measures.

See Appendix C for a detailed description of our sources and analysis.

²⁵ Specifically, we included the DRS trigger conditions that drove the vast majority of DRS ratings: deficiencies and low scores on any of the three CLASS domains. The remaining DRS conditions affected zero, one, or two grantees each (see Table 1 on page 7) and so were not included in the algorithm.

Graphic 1: Head Start Performance Data Used in OIG Analysis



Limitations

As an early implementation review, we examined the second cohort of grantees to undergo DRS assessment and recompetition. Later cohorts may perform differently. Additionally, some data used in this review (specifically, PIR data) is reported by grantees; we did not independently verify its accuracy.

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.

FINDINGS

One-third of Head Start grantees were required to re compete for funding

Of the 361 grantees in Cohort 2, 115 (32 percent) had at least one DRS trigger condition and were therefore required to re compete for their grants. The most common DRS triggers were deficiency findings and/or low CLASS scores. We found no correlation between whether a grantee was required to re compete and its enrollment size, its location type (rural or urban), the extent to which it served a non-English-speaking population, or the extent to which it served a high-poverty population.

Grantees were most often required to re compete because of deficiency findings and/or low CLASS scores

Although there are 7 possible DRS trigger conditions, nearly all of the 115 grantees that were required to re compete had either deficiency findings or low CLASS scores. Of these grantees, 112 (97 percent) had a single DRS trigger, while 3 grantees (3 percent) had more than one DRS trigger (see Table 1).

Table 1: Cohort 2 DRS Trigger Conditions

DRS Trigger Conditions	Number of Grantees (n=115)	Percentage of Grantees (n=115)
Deficiency findings	69	60%
Low CLASS scores	46*	40%
Determination that grantee is at risk of financial failure (i.e., at risk of failing to continue as a “going concern”)	2	2%
Revocation of license to operate by a State or local licensing agency	1	1%
Failure to establish and use program goals for school readiness	0	0%
Suspension from the Head Start program	0	0%
Debarment by any Federal or State department or agency	0	0%

Source: OIG analysis of ACF data.

Numbers do not total 100 percent due to grantees with multiple trigger conditions.

*Includes 7 grantees that had scores below the minimum quality threshold and 39 grantees that had scores that were in the bottom 10 percent of grantees but were at or above the minimum quality threshold.

DRS determinations were unrelated to grantees’ enrollment size, location type (rural or urban), or the extent to which they served a non-English-speaking or high-poverty population

Some stakeholders have expressed concerns that certain types of grantees—for example, those serving linguistically diverse populations—might fare disproportionately worse under the new system. However, we found that DRS determinations regarding which grantees would be required to re compete were not correlated with grantees’ enrollment size, the proportion of grantees’ centers located in rural areas, the proportion of families served who did not speak English at home, or the proportion of families served who had experienced homelessness during the year (a measure of extreme poverty). This suggests that the DRS did not disadvantage these categories of grantees. See Appendix D for details and statistical testing results.

Of grantees required to re compete, approximately three-quarters were renewed

The 115 grantees with 1 or more DRS trigger conditions were required to re compete for grant renewal. Of these grantees, 85 (74 percent) were ultimately renewed for an additional 5-year grant term, while 27 grantees (23 percent) were not renewed. Grantees that were not renewed included 16 that applied but were not selected; 5 that did not apply or that declined an award; 4 that relinquished their grants; and 2 that were terminated by ACF. An additional three grantees were not renewed for a 5-year term but were asked to temporarily continue services while ACF reposted the grant announcement (see Table 2).

Table 2: Outcomes of Cohort 2 Grant Re competitions

Re competition Outcomes	Number of Grantees (n=115)	Percentage of Grantees (n=115)
Grantee renewed	85*	74%
Grantee not renewed	27	23%
Grantee temporarily continued services while grant announcement reposted	3	3%

Source: OIG analysis of ACF data.

*Includes 3 grantees that were “partially renewed,” i.e., their respective grants were renewed for part, but not all, of the original service areas.

Of grantees that were renewed through recompetition, 64 percent were the sole applicants for their respective grants

When grants were recompeted, there were typically few applicants. Although the number of applicants for recompeted grants ranged from 0 to 13, the average posting drew 2 applicants. Of the 85 grantees that were renewed after their grants were recompeted, 54 (64 percent) were the sole applicants for their respective grants, meaning that they faced no competition.

In general, if ACF chooses not to renew a grant for which the incumbent grantee was the sole applicant, it has limited options for ensuring the continuity of Head Start services. In Cohort 2, there was only one recompetition in which the incumbent grantee was the sole applicant and was *not* selected for renewal. In that instance, ACF appointed an “interim operator” to provide Head Start services until a qualified long-term grantee for the service area could be identified.

DRS determinations were largely inconsistent with other performance data

DRS determinations regarding which grantees must re compete are based on seven trigger conditions. However, ACF collects substantial additional performance data for monitoring and management purposes. We found that DRS determinations were generally inconsistent with the six other performance measures we selected for review (see Graphic 1 on page 6).

Overall, we found that grantees designated for automatic, noncompetitive renewal had performed significantly better than other grantees on only one selected measure: the number of prior noncompliances. This difference was substantial—automatically renewed grantees had received an average of 2.46 noncompliance findings in prior ACF monitoring reviews, compared to 4.44 noncompliance findings for grantees that ACF required to re compete for renewal. However, there was no significant difference between the two sets of grantees on the other five selected performance measures we reviewed. These measures were:

- The number of programmatic areas (e.g., child development and education, fiscal integrity, etc.) in which the grantee exhibited strengths
- The proportion of children that received preventive and primary care on schedule
- The proportion of children with disabilities that received appropriate services for those disabilities

- The proportion of preschool classes in which at least one teacher had an A.A. or higher in early childhood education or a related field
- The proportion of preschool teachers that had a B.A. or higher in early childhood education or a related field

See Appendix C for additional detail about the selection and use of these performance measures. See Appendix D for statistical testing results.

Few grantees with lower performance on selected measures than their peers left the Head Start program through the DRS and recompetition processes

We examined the performance of all Cohort 2 grantees by using a hybrid of 10 DRS and non-DRS measures to identify grantees that underperformed relative to their peers (see Graphic 1 on page 6).²⁶ These 10 measures, which include both ACF monitoring results and self-reported grantee service data, provide a useful summary of a grantee’s performance. We note that relatively lower performance on these measures is not evidence that a grantee should not be in the Head Start program—full grantee performance assessments take into account a broad array of nuanced information, and grant renewal decisions depend in part on the number and quality of applicants for the grant. That said, it is reasonable to expect that as a group, grantees with lower performance would tend to fare poorly under DRS assessment and recompetition.

However, we found that relatively few grantees with lower performance on selected measures left the Head Start program through the DRS and recompetition processes. Of the 301 grantees in Cohort 2 that had complete performance data²⁷, 43 grantees (14 percent) met our criteria as lower performing on 10 selected measures relative to their peers.²⁸

²⁶ The 10 measures included the following: a) 3 key measures assessed during ACF onsite monitoring reviews (deficiencies, noncompliances, and strengths); b) 3 CLASS scores assigned by ACF-contracted reviewers based on classroom observation (instructional support, emotional support, and classroom organization); and c) 4 selected performance indicators that ACF calculates from grantees’ self-reported PIR data (preventive and primary care, services for children with disabilities, teachers that had a B.A. or higher, and classrooms in which a teacher had an A.A. or higher). Of these measures, deficiencies and CLASS scores are used in determining grantees’ DRS ratings, while the remaining six measures are collected by ACF for management and information purposes but are not considered in the DRS assessment.

²⁷ Complete performance data was not available for 60 of the 361 grantees. This was primarily because we had CLASS scores only for the grantees that received a triennial review in FY 2012.

²⁸ Specifically, they scored in the bottom 10 percent of Cohort 2 grantees on four or more measures or scored in the bottom 5 percent of Cohort 2 grantees on two or more measures.

Of these, 11 grantees (26 percent) were not renewed and therefore left the Head Start program. ACF renewed the remaining 32 lower performing grantees for an additional 5-year term.

Of the 32 lower performing grantees that were renewed, 10 had been designated under the DRS for automatic renewal without competition. The remaining 22 renewed grantees were renewed through the recompetition process. Of those 22 grantees, 12 were the sole applicants for their respective grants (see Table 3).

Table 3: DRS and Recompetition Outcomes for Cohort 2 Grantees With Lower Performance on Selected Measures

Outcome	Number of Lower Performing Grantees (n=43)	Percentage Lower Performing of Grantees (n=43)
Designated under DRS for automatic, noncompetitive renewal	10	23%
Required to recompute and won renewal	22*	51%
Required to recompute and did not win renewal	11	26%
Total	43	100%

Source: OIG analysis of ACF data.

*Includes 12 grantees that were the sole applicants for their respective grants

CONCLUSION AND RECOMMENDATIONS

When ACF began implementing recompetition, stakeholders raised concerns about whether the DRS could accurately determine which grantees were of lower quality and should therefore recompetete. We found that DRS determinations regarding which grantees were required to recompetete were often inconsistent with other ACF performance data. Further, few grantees with lower performance on selected measures than their peers left the Head Start program through the DRS and recompetition processes. This was in part because recompeteted grants typically had few applicants; in many recompetitions, the incumbent grantee was the sole applicant. Taken together, these facts suggest opportunities for improvement.

However, our results should allay some concerns expressed by stakeholders—specifically, that grantees serving certain populations might be at a disadvantage under the new system. We found that grantees fared similarly under the DRS regardless of enrollment size, type of location (rural vs. urban), the extent to which they served a non-English-speaking population, or the extent to which they served a high-poverty population.

For the cohort we reviewed, recompetition resulted in little grant turnover: of the 361 grantees, 246 were designated under the DRS for automatic, noncompetitive renewal, and an additional 85 recompeteted and won renewal. Overall, 92 percent of Head Start grantees in Cohort 2 retained their grants.

The DRS and recompetition processes are still relatively early in implementation; the final cohort of grantees will transition to 5-year grants later this year. As ACF moves forward, we recommend the following:

ACF should proactively monitor grantee performance results to verify that grantees designated for automatic, noncompetitive renewal perform better than their peers

The purpose of the DRS is to help ACF predict which grantees will provide the highest quality services over the next 5 years and can thus have their grants automatically renewed. As an early implementation review, OIG compared grantees' DRS determinations to the only performance data currently available—grantees' past performance results on other ACF-collected measures. However, a more important comparison will involve how these grantees perform in future years.

As ACF shifts to its new system of more frequent grantee monitoring, with a greater focus on quality in addition to compliance, it should take the opportunity to continually assess the extent to which its DRS determinations accurately predict future performance. If the results of

ACF's ongoing monitoring reviews demonstrate that grantees designated for noncompetitive renewal perform no better than their peers, the DRS trigger conditions should be reassessed. ACF must ensure that it is accurately identifying the grants that would most benefit from recompetition to improve program quality.

ACF should take additional steps to increase the number of applicants for recompeted grants

More than half of grantees who recompeted and won renewal were the sole applicants for their respective grants, requiring ACF to either reselect the incumbent grantee or appoint a temporary grantee to avoid a disruption of Head Start services. ACF has made efforts to promote competition, such as providing an online application toolkit and conducting community meetings. However, despite these actions, many Cohort 2 recompetitions involved only the incumbent grantee. ACF should take additional steps to ensure robust, meaningful competition for Head Start grants.

AGENCY COMMENTS AND OFFICER OF INSPECTOR GENERAL RESPONSE

ACF concurred with both of our recommendations. Regarding our first recommendation, ACF stated that it plans to assess the DRS conditions after the implementation of the DRS for all grantee cohorts. ACF noted that this assessment will include how the DRS conditions and other ACF measures relate to quality, as recommended by OIG. Regarding our second recommendation, ACF agreed that more competition is desirable but described several challenges to achieving robust competition for Head Start grants. ACF stated that it will continue to provide an online toolkit to facilitate the application process, that it plans to issue a final rule streamlining Head Start requirements in ways that will improve transparency and accessibility to applicants, and that it will look for additional steps to encourage competition after it completes the initial implementation of the DRS.

APPENDIX A

Head Start Eligibility

Grantees must implement and comply with a variety of eligibility and enrollment requirements. In general, children are eligible for Head Start if they are of the appropriate age and if the family is homeless, is eligible for or receiving public assistance, is caring for foster children, or has an income below the poverty line.^{29, 30} A child who meets these requirements and whose family's income comes primarily from agricultural work is eligible for Migrant or Seasonal Head Start.³¹

The Improving Head Start for School Readiness Act of 2007³² amended the Head Start Act to allow grantees to enroll children from families with incomes between 100 and 130 percent of the poverty line, provided that families in this income range do not exceed 35 percent of the grantee's total enrollment. Grantees must establish and implement outreach and enrollment policies before enrolling children from these families.³³ In addition, grantees retained the flexibility to make up to 10 percent of their enrollment opportunities available to children from families exceeding these income guidelines when there are other significant needs facing the family.³⁴

Eligibility rules differ slightly for AI/AN grantees. For these grantees, up to 49 percent of enrollment may consist of children from families above the poverty line.³⁵

Head Start grantees that meet certain conditions, such as being located in areas with populations of 1,000 or less, may establish their own criteria for eligibility within established parameters.³⁶

²⁹ Head Start Act § 645(a)(1)(B) (42 U.S.C. § 9840(a)(1)(B)).

³⁰ In 2014, the poverty line was \$23,850 for a family of four. 79 Fed. Reg. 3593-3594 (Jan. 22, 2014).

³¹ 45 CFR § 1305.4(g).

³² P. L. No. 110-134.

³³ Head Start Act § 645(a)(1)(B)(iii) (42 U.S.C. § 9840(a)(1)(B)(iii)).

³⁴ Head Start Act § 645(a)(1)(B)(iii)(I) (42 U.S.C. § 9840(a)(1)(B)(iii)(I)).

³⁵ 45 CFR § 1305.4(e)(1)(iv) mandates that 51 percent of enrolled children be categorically eligible and/or income-eligible.

³⁶ Head Start Act § 645(a)(2) (42 U.S.C. § 9840(a)(2)).

APPENDIX B

Designation Renewal System Trigger Conditions

Regulations at 45 CFR § 1307.3 describe the conditions that serve as ACF's basis for determining whether a grantee will be required to re compete for renewal:

§ 1307.3 Basis for determining whether a Head Start agency will be subject to an open competition.

A Head Start or Early Head Start agency shall be required to compete for its next five years of funding whenever the responsible HHS official determines that one or more of the following seven conditions existed during the relevant time period covered by the responsible HHS official's review under § 1307.7 of this part:

(a) An agency has been determined by the responsible HHS official to have one or more deficiencies on a single review conducted under section 641A(c)(1)(A), (C), or (D) of the Act in the relevant time period covered by the responsible HHS official's review under section 1307.7.

(b) An agency has been determined by the responsible HHS official based on a review conducted under section 641A(c)(1)(A), (C), or (D) of the Act during the relevant time period covered by the responsible HHS official's review under § 1307.7 not to have:

(1) After December 9, 2011, established program goals for improving the school readiness of children participating in its program in accordance with the requirements of section 641A(g)(2) of the Act and demonstrated that such goals:

(i) Appropriately reflect the ages of children, birth to five, participating in the program;

(ii) Align with the Head Start Child Development and Early Learning Framework, State early learning guidelines, and the requirements and expectations of the schools, to the extent that they apply to the ages of children, birth to five, participating in the program and at a minimum address the domains of language and literacy development, cognition and general knowledge, approaches toward learning, physical well-being and motor development, and social and emotional development;

(iii) Were established in consultation with the parents of children participating in the program.

(2) After December 9, 2011, taken steps to achieve the school readiness goals described under paragraph (b)(1) of this section demonstrated by:

(i) Aggregating and analyzing aggregate child-level assessment data at least three times per year (except for programs operating less than 90 days, which will be required to do so at least twice within their operating program period) and using that data in combination with other program data to determine grantees' progress toward meeting its goals, to inform parents and the community of results, and to direct continuous improvement related to curriculum, instruction, professional development, program design and other program decisions; and

(ii) Analyzing individual ongoing, child-level assessment data for all children birth to age five participating in the program and using that data in combination with input from parents and families to determine each child's status and progress with regard to, at a minimum, language and literacy development, cognition and general knowledge, approaches toward learning, physical well-being and motor development, and social and emotional development and to individualize the experiences, instructional strategies, and services to best support each child.

(c) An agency has been determined during the relevant time period covered by the responsible HHS official's review under § 1307.7:

(1) After December 9, 2011, to have an average score across all classrooms observed below the following minimum thresholds on any of the three CLASS:

Pre-K domains from the most recent CLASS: Pre-K observation:

(i) For the Emotional Support domain the minimum threshold is 4;

(ii) For the Classroom Organization domain, the minimum threshold is 3;

(iii) For the Instructional Support domain, the minimum threshold is 2;

(2) After December 9, 2011, to have an average score across all classrooms observed that is in the lowest 10 percent on any of the three CLASS: Pre-K domains from the most recent CLASS: Pre-K observation among those currently being reviewed unless the average score across all classrooms observed for that CLASS: Pre-K domain is equal to or above the standard of excellence that demonstrates that the classroom

interactions are above an exceptional level of quality. For all three domains, the “standard of excellence” is a 6.

(d) An agency has had a revocation of its license to operate a Head Start or Early Head Start center or program by a State or local licensing agency during the relevant time period covered by the responsible HHS official’s review under § 1307.7 of this part, and the revocation has not been overturned or withdrawn before a competition for funding for the next five-year period is announced. A pending challenge to the license revocation or restoration of the license after correction of the violation shall not affect application of this requirement after the competition for funding for the next five-year period has been announced.

(e) An agency has been suspended from the Head Start or Early Head Start program by ACF during the relevant time period covered by the responsible HHS official’s review under § 1307.7 of this part and the suspension has not been overturned or withdrawn. If there is a pending appeal and the agency did not have an opportunity to show cause as to why the suspension should not have been imposed or why the suspension should have been lifted if it had already been imposed under 45 CFR part 1303, the agency will not be required to compete based on this condition. If an agency has received an opportunity to show cause, the condition will be implemented regardless of appeal status.

(f) An agency has been debarred from receiving Federal or State funds from any Federal or State department or agency or has been disqualified from the Child and Adult Care Food Program (CACFP) any time during the relevant time period covered by the responsible HHS official’s review under § 1307.7 of this part but has not yet been terminated or denied refunding by ACF. (A debarred agency will only be eligible to compete for Head Start funding if it receives a waiver described in 2 CFR 180.135.)

(g) An agency has been determined within the twelve months preceding the responsible HHS official’s review under § 1307.7 of this part to be at risk of failing to continue functioning as a going concern. The final determination is made by the responsible HHS official based on a review of the findings and opinions of an audit conducted in accordance with section 647 of the Act; an audit, review or investigation by a State agency; a review by the National External Audit Review (NEAR) Center; or an audit, investigation or inspection by the Department of Health and Human Services Office of Inspector General.

APPENDIX C

Detailed Methodology

This review used multiple data sources to review the second cohort of Head Start grantees to undergo DRS assessment and participate in recompetition. We reviewed all 361 grantees in the cohort.

Data Sources

We used data from the following ACF sources and systems:

Program Information Report (PIR). All grantees are required to submit PIR data to ACF annually. These are summary data that describe a wide range of characteristics of grantees and the populations they serve, such as location, number of children served, number of children in each eligibility category, etc. ACF also calculates and makes public a variety of performance indicators based on grantees' PIR data.³⁷ We used ACF's formulas when calculating PIR performance indicators used in this review. We used PIR data that grantees reported for the 2011–2012 program year, because this period most closely aligned with the Cohort 2 monitoring process.

Performance monitoring system. For all grantees in Cohort 2, we reviewed data from ACF's performance monitoring system to identify noncompliances, deficiencies, and strengths identified during triennial reviews and other monitoring reviews from October 2009 through June 2014. These data included counts of noncompliances and deficiencies and narrative descriptions of grantee strengths. We determined the number of separate categories of strengths for each grantee by conducting a qualitative review of strength narratives and categorizing them according to the seven programmatic areas described in the Head Start Monitoring Protocol.³⁸ Because the majority of issues are identified during triennial reviews, when grantees had received more than one triennial review during the period, we included only the most recent triennial review.

DRS. For each grantee, we reviewed DRS data provided by ACF to determine the final DRS determination and the DRS trigger conditions that were present.

³⁷ For example, see ACF, *Office of Head Start – Head Start Services Snapshot National (2014–2015)*. Accessed at <http://eclkc.ohs.acf.hhs.gov/hslc/data/psr/2015/services-snapshot-hs-2014-2015.pdf> on April 25, 2016.

³⁸ The seven programmatic areas in the Protocol are program governance; management systems; fiscal integrity; eligibility, recruitment, selection, enrollment, and attendance; child health and safety; family and community engagement; and child development and education.

CLASS scores. For each grantee, ACF provided OIG with the CLASS scores used in the DRS assessment.

Grant recompetition results. For each grant that was recompeted, ACF provided OIG with (1) a list of applicants for each recompeted grant and (2) the result of the recompetition, i.e., whether the incumbent grantee was fully renewed, partially renewed, or not renewed.

Analysis

Assessing DRS determinations. To assess determinations made under the DRS in the second year of implementation, we calculated the proportion of Head Start grantees in Cohort 2 that were required to compete for renewal. We also identified the most common DRS triggers.

Further, to determine whether certain types of grantees fared better or worse under the DRS, we compared descriptive characteristics of grantees that were, and were not, required to recompute. Specifically, we identified and compared, for each group:

- *Average funded enrollment.* A grantee's funded enrollment is the total number of enrollees the program was funded to serve for the enrollment year. This information is reported as part of the PIR.
- *Average proportion of grantees' centers located in rural areas.* To determine this, we obtained Head Start center addresses from ACF and coded them as rural or urban based on Rural-Urban Commuting Area (RUCA) codes.³⁹ We then calculated the proportion of each grantee's centers that were in rural locations.
- *Average proportion of families who speak a language other than English at home.* This information is reported as part of the PIR.
- *Average proportion of families served who experienced homelessness during the program year.* We used this item as a proxy for extreme poverty. This information is reported as part of the PIR.

We consulted with ACF in the selection of these descriptive factors.

³⁹ RUCA codes were developed through a collaborative project between HHS's Health Resources and Service Administration, the U.S. Department of Agriculture's Economic Research Service, and the WWAMI [Washington, Wyoming, Alaska, Montana, and Idaho] Rural Health Research Center. We used the standard dichotomous definition of "urban" and "rural." Specifically, we coded centers in locations with RUCA codes 1.0, 1.1, 2.0, 2.1, 3.0, 4.1, 5.1, 7.1, 8.1, and 10.1 as urban. We coded centers in locations with RUCA codes 4.0, 4.2, 5.0, 5.2, 6.0, 6.1, 7.0, 7.2, 7.3, 7.4, 8.0, 8.2, 8.3, 8.4, 9.0, 9.1, 9.2, 10.0, 10.2, 10.3, 10.4, 10.5, and 10.6 as rural.

For each factor, we compared the two groups to determine whether any differences exist between grantees that were automatically renewed under the DRS and those that were required to recompetete. To determine whether observed differences between the two groups were consistent with random distribution or whether they reflect meaningful associations, we conducted permutation testing (using 500,000 permutations). Specifically, we used analytic software to re-randomize the population 500,000 times and compared the distribution of key variables to that observed in the population. Permutation test p-values less than or equal to 0.0500 indicate a significant difference, i.e., a difference that is most likely not attributable to random variation.

Additionally, to determine the extent to which DRS determinations (regarding which grantees would be required to recompetete) were consistent with other performance data, we compared the DRS determinations for Cohort 2 grantees to the grantees' past performance on six measures that are collected by ACF but are not included in the DRS:

- number of noncompliances (identified during ACF monitoring reviews);
- number of categories of strengths (identified during ACF monitoring reviews and categorized by OIG using the seven programmatic areas described in the Head Start Monitoring Protocol);
- proportion of children who are up to date on a schedule of preventive and primary care per the State's schedule (an ACF-defined performance indicator calculated from PIR data);
- proportion of preschool children with an individualized education plan for one of the primary disabilities reported in the PIR who received special education or related services for those disabilities (an ACF-defined performance indicator calculated from PIR data);
- proportion of preschool classrooms in which at least one teacher met the degree/credential requirements of Section 648A(3)(B) of the Head Start Act, i.e., had an A.A. or higher in early childhood education or equivalent (an ACF-defined performance indicator calculated from PIR data); and
- proportion of preschool teachers who met the degree/credential requirements of Section 648A(2)(A) of the Head Start Act, i.e., a B.A. or higher in early childhood education or equivalent (an ACF-defined performance indicator calculated from PIR data).

We consulted with ACF in the selection of these performance measures to confirm that they were relevant and accurate bases for assessment and comparison of grantees.

For each measure, we compared the two groups' average performance to determine whether grantees designated for automatic, noncompetitive renewal exhibited superior past performance. To determine whether the observed differences between the groups were consistent with random distribution or reflected meaningful associations, we conducted permutation testing (using 500,000 permutations).

Describing grant renewal decisions under recompetition. To describe grant renewal decisions made in the second year of recompetition, we reviewed applicants for each recompeted grant in Cohort 2 and the outcomes of those recompetitions. We determined the proportion of recompeted grants that were renewed vs. the proportion awarded to a different grantee. As part of this analysis, we also calculated the average number and range of applicants, as well as how often the incumbent grantee was the sole applicant.

Determining whether grantees with lower performance on selected measures left the Head Start program through the DRS and recompetition processes. To identify lower performing grantees, we first selected 10 performance measures that encompass a range of grantee responsibilities and include both DRS and non-DRS measures. These included:

- Three measures drawn from ACF's onsite monitoring reviews: the number of deficiencies, number of noncompliances, and number of categories of strengths;
- Three CLASS scores that ACF-contracted reviewers determined on the basis of classroom observation: instructional support, emotional support, and classroom organization; and
- Four selected measures that we calculated (using ACF's performance indicator formulas) from grantee-reported PIR data: provision of preventive and primary care; services for children with disabilities; percentage of classrooms in which at least one teacher had an A.A. in early childhood education or equivalent; and percentage of preschool teachers overall with a B.A. in early childhood education or equivalent.

Of the above 10 measures, ACF includes 4 measures—the number of deficiencies and the 3 CLASS scores—in its DRS assessments. ACF collects the data for the remaining six measures for management purposes but does not use them in DRS assessments.

For each measure, we calculated the scores for the bottom fifth percentile and bottom tenth percentile among Cohort 2 grantees.⁴⁰ A grantee met our criteria as lower performing relative to its peers if it (a) scored in the bottom 10 percent of Cohort 2 grantees on 4 or more measures, or (b) scored in the bottom 5 percent of Cohort 2 grantees on 2 or more measures. We then summarized the DRS and recompetition results for this subset of grantees.

⁴⁰ For example, for noncompliances, a higher number is a worse score. As a result, the “bottom” fifth and tenth percentiles therefore include the grantees with the most noncompliances. In contrast, for a measure of the percentage of teachers with specified credentials, a higher number is a better score, and therefore the “bottom” fifth and tenth percentiles include the grantees with the lowest percentage of credentialed teachers.

APPENDIX D

Comparison of Automatically Renewed vs. Recompeting Grantees: Statistical Testing

Descriptive Factors

We conducted permutation testing to determine whether observed differences between automatically renewed grantees and recompeting grantees reflected random variation or meaningful association. For each the four descriptive factors we tested—enrollment size, proportion of centers in a rural location, proportion of families who do not speak English at home, and proportion of families experiencing homelessness—permutation testing yielded p-values greater than 0.0500, indicating no significant association between these variables and grantees' DRS determinations. In other words, our results indicate that the DRS did not unduly disadvantage these categories of grantees. See Table 1.

Table 1: Comparison of Descriptive Factors: Statistical Testing

Descriptive Factors	Grantees Designated for Automatic Renewal (n=246)	Grantees Required to Recompete (n=115)	Permutation Test P-Value*
Average size (number of children the grantee is funded to serve)	556	607	>0.9999
Average percentage of grantee's centers in rural locations	34%	29%	0.9917
Average percentage of families served who do not speak English at home	21%	22%	>0.9999
Average percentage of families served who experienced homelessness (extreme poverty) ⁴¹	5.6%	3.8%	0.0538

Source: OIG analysis of ACF data.

* A p-value greater than 0.0500 indicates that the observed difference is most likely attributable to random variation.

⁴¹ This result suggests a possible marginal association (p-value of 0.0538) between the DRS determination and the percentage of a grantee's families that experienced homelessness. However, the direction of the association favored grantees serving a higher proportion of homeless families, suggesting that grantees serving more impoverished populations are not disadvantaged under the DRS.

Performance Data

We also used permutation testing to determine whether grantees’ DRS determinations were consistent with other ACF performance data. For one of the six performance measures we reviewed—past noncompliance findings—the difference between grantees that were automatically renewed and grantees that were required to recomplete was highly significant. However, for the remaining five measures, testing resulted in p-values greater than 0.0500, indicating no significant difference between the two groups. See Table 2.

Table 2: Comparison of Performance Measures: Statistical Testing

Performance Measures	Grantees Designated for Automatic Renewal (n=246)	Grantees Required to Recomplete (n=115)	Permutation Test P-Value*
Average number of noncompliances	2.46	4.44	<0.0001
Average number of strength categories	1.59	1.40	0.6418
Average percentage of children current on preventive and primary health care services	93%	93%	>0.9999
Average percentage of preschool children receiving appropriate disability services	98%	94%	0.0685
Average percentage of classes in which at least one teacher has an associate’s degree or higher in early childhood education or a related field	88%	88%	>0.9999
Average percentage of preschool teachers with a bachelor’s degree or higher in early childhood education or a related field	63%	60%	0.9993

Source: OIG analysis of ACF data.

* A p-value greater than 0.0500 indicates that the observed difference is most likely attributable to random variation.

APPENDIX E



ADMINISTRATION FOR
CHILDREN & FAMILIES

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July 13, 2016

Sue Murrin
Deputy Inspector General of Evaluations and Inspections
U.S. Department of Health and Human Services
330 Independence Avenue, SW
Washington, DC 20201

Dear Ms. Murrin:

The Administration for Children and Families' (ACF) Office of Head Start (OHS) appreciates the Office of Inspector General's (OIG) examination of challenges related to recompetition in the Head Start program, identified in its report entitled, *Head Start Grant Recompensation: Early Implementation Results Suggest Opportunities for Improvement (OEI-12-14-00650)*. ACF concurs with the following OIG recommendations:

1. ACF should proactively monitor grantee performance results to verify that grantees designated for automatic, noncompetitive renewal perform better than their peers.

The purpose of the DRS is to help ACF predict which grantees will provide the highest quality services over the next five years and can thus be automatically renewed. As an early implementation review, OIG compared grantees' DRS determinations to the only performance data currently available—grantees' past performance results on other ACF collected measures. However, a more important comparison will involve how these grantees perform in future years.

As ACF shifts to its new system of more frequent grantee monitoring, with a greater focus on quality in addition to compliance, it should take the opportunity to continually assess the extent to which its DRS determinations accurately predict future performance. If the results of ACF's ongoing monitoring reviews demonstrate that grantees designated for noncompetitive renewal perform no better than their peers, the DRS trigger conditions should be reassessed. ACF must ensure that it is accurately identifying the grants that would most benefit from recompetition to improve program quality.

Agency Response: ACF concurs with the recommendation. ACF plans to assess the DRS conditions after the implementation of DRS for all grantee cohorts. The assessment will include how these conditions and other ACF measures relate to the delivery of high quality services, as recommended by OIG. ACF plans to issue a request for information to solicit comments on the DRS conditions and their implementation to support that assessment and inform the next Administration that may consider regulatory changes once the initial implementation is complete.

2. ACF should take additional steps to increase the number of applicants for recompeted grants.

More than half of grantees who recompeted and won renewal were the sole applicants for their respective grants, requiring ACF to either reselect the incumbent grantee or appoint a temporary grantee to avoid a disruption of Head Start services. ACF has made efforts to promote competition, such as providing an online application toolkit and conducting community meetings. However, despite these actions, the majority of Cohort 2 recompetitions involved only the incumbent grantee. ACF should take additional steps to ensure robust, meaningful competition for Head Start grants.

Agency Response: ACF concurs that more competition would be a positive development. However, two challenges remain to a more robust competition. In some communities, robust competition is difficult, as there are few organizations within the community that might have the capacity to operate a Head Start program. Another deterrent to more competition has been potential grantees not fully understanding the requirements of administering a Head Start program. ACF will continue to provide the grant application toolkit to facilitate the application process for all applicants and conduct community meetings to encourage competition. Additionally, ACF plans to issue a final rule in the late summer of 2016 that revises and streamlines those requirements, which we believe will make Head Start requirements more transparent and accessible to potential applicants. ACF will look for additional steps that can be taken to encourage competition after we complete the initial implementation of DRS for all grants.

Again, ACF appreciates the OIG's efforts in this area and looks forward to continuing to work with the OIG to improve the Head Start program. Please direct any follow-up inquiries to our Office of Legislative Affairs and Budget OIG liaison, Scott Logan at (202) 401-4529.

Sincerely,


Mark H. Greenberg
Acting Assistant Secretary
for Children and Families

ACKNOWLEDGMENTS

This report was prepared under the direction of Dave Tawes, Regional Inspector General for Evaluation and Inspections in the Baltimore regional office, and Louise Schoggen, Assistant Regional Inspector General.

Louise Schoggen served as the team leader for this study. Central office staff who provided support include Kevin Farber, Joanne Legomsky, Christine Moritz, Melicia Seay, and Sherri Weinstein.

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