

David N. McClintock – Inspector General

Office of Inspector General
640 City Hall

Synopsis of OIG Final Report #2011-0152 (Head Start)

Hon. President and Members of the City Council
400 City Hall

05/08/2012

Attached please find the Office of the Inspector General's (OIG) Synopsis of Program Review relating to the St. Paul Community Head Start Summer Program (hereinafter "SPCH"). The review was initiated at the request of the Mayor's Office of Human Services. Initial OIG inquiry identified discrepancies between funded staffing and actual staffing, as well as charging impermissible fees. Based upon these preliminary assessments, the OIG determined we would expand the scope of our review to consider the prior three years of SPCH program activity.

Head Start is a federally funded program and does not authorize the collection of fees of any type for program participation. Our review and analysis indicates that the SPCH charged families for participation in summer camp programs for three consecutive years. Furthermore, the SPCH failed to adjust staffing levels and spending to reflect reduced enrollment and associated expenses for each of the three summer programs reviewed. It was determined that \$41,306.77 in surplus funds were received by the SPCH as a direct result of the financial practices noted here.

On 05/04/2012 the Mayor's Office of Human Services responded to the draft report concurring with our findings and discussing program review adjustments intended to increase oversight and accountability. The OIG appreciates the assistance rendered and effort provided during the course of the investigation by the Mayor's Office of Human Services. This synopsis and the response will be posted on the OIG website for public review.

The OIG remains committed to producing independent investigations and reviews that enhance government transparency, form a solid foundation for meaningful policy review, and provide a platform for staff accountability.

Attachment

DNM/

cc: OIG Admin/Case file

I:/mcclintock/public synopsis/IG 2011-0152 mem-council

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OFFICE OF THE INSPECTOR GENERAL BALTIMORE CITY

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Synopsis of the Office of Inspector General's Report #IG 2011-0152

St. Paul Community Head Start Summer Program Review

SUMMARY

On 10/14/2011, Thomasina Hiers, Director of the Mayor's Office of Human Services, contacted Inspector General David N. McClintock regarding her concerns of potential program discrepancies, unsound operating practices, and unwarranted client payments. These concerns were primarily centered upon the St. Paul Community Head Start Program (hereinafter "SPCH"). The SPCH is one of many "Delegates" receiving pass-through grant funds. Ms. Hiers submitted the most recent Internal Audit Review of the program, which noted several financial deficiencies to be considered during our review. Ms. Hiers also stated that she had recently learned that families were charged for the summer camp program, which she believed to be a violation of the program's contractual obligations. The OIG preliminary review determined that regulations governing the Head Start program are contained in the Code of Federal Regulations and that 45 CFR 1305.9 prohibits charging fees for participation in Head Start programs.¹

Subsequent to the initial meeting with the Inspector General, Ms. Hiers provided the FY2011/12 Contractual Agreement, addressing the Federal Grant and the FY2011 Summer Program Contractual Agreement and addressing the State Supplemental Grant, to assist with our program review and inquiry. The documents show funding levels of \$1,417,757 and \$61,632, respectively, as well as all required schedules and signatures. "In-kind" non-federal services/donations are not included in these amounts and are further excluded from this analysis. Student enrollment and staffing requirements are also noted, along with details of the required scope of services.

Based upon the information provided, the OIG conducted a review of the Head Start program as conducted by the SPCH. The review examined SPCH expenditures and the collection of fees against the program mandates. As a result, we have determined that the

¹ A Head Start program must not prescribe any fee schedule or otherwise provide for the charging of any fees for participation in the program. If the family of a child determined to be eligible for participation by a Head Start program volunteers to pay part or all of the costs of the child's participation, the Head Start program may accept the voluntary payments and record the payments as program income. Under no circumstances shall a Head Start program solicit, encourage, or in any other way condition a child's enrollment or participation in the program upon the payment of a fee. 45CFR1305.9

SPCH expended a total of \$14,334.11 in grant funds over the 2009-2011 programs that were not able to be validated in compliance with the Head Start Grant mandates. In addition, the SPCH collected fees totaling \$26,972.66 over that same period, which are prohibited under Head Start regulations.

OIG OBJECTIVES

The purpose of our review was to examine the standard operating/financial practices of the St. Paul Community Head Start Program, ultimately determining the efficiency and effectiveness of its processes. The OIG will conduct its investigation in accordance with Generally Accepted Government Auditing Standards (GAGAS), Generally Accepted Accounting Principles (GAAP) and City of Baltimore laws and regulations, as applicable to contractual agreements and grant funding. Any instances of fraud, waste, abuse, or contractual non-compliance will be promptly identified and investigated. Findings, best practices, and recommendations will be communicated to all parties involved upon completion of this review. The OIG is willing to assist in the development of appropriate corrective action plans as well as suggest business process improvements, if requested.

PROGRAM BACKGROUND

The Head Start Program is a preschool and family development program designed to provide quality and comprehensive early intervention services to low-income children and families. The program is administered by the U.S. Department of Health and Human Services (hereinafter “USHHS”), which awards the City of Baltimore with over \$30 Million for the care of approximately 3,603 clients in need.

Program guidelines require that 90% of participating households fall below the federally established poverty levels to qualify for admission. However, up to 10% of participating households are permitted to exceed by no more than 30%. Families are given educational, health, nutritional, and social services to enhance the child’s school readiness, as well as help parents attain educational and employment goals.

The SPCH is just one of twelve independent programs referred to as “Delegates,” whose operations are funded by the City of Baltimore. The SPCH provides service for approximately 202 children in a typical funding cycle. A total of four locations comprise the St. Paul Head Start program: Gardenville, Harford Heights, Harford Heights Annex, and Cold Stream. The program is governed by a Board of Directors and a Parent Policy Committee supported by a host of community and parent volunteers.

SPCH was previously known as the Ashland Head Start Program and was governed by a different administrative team. The former director of that program was charged with embezzlement and several other financial violations, prompting her immediate release

and change in the administrative and delegate oversight. The current director accepted the position permanently in 2009, after several interim directors had provided temporary center leadership.

The standard Head Start school year runs from September to May, offering care daily between the hours of 9:00am to 3:00pm. SPCH does not offer any before- or after-care during this period although it is allowable under the terms of the federal contract. A team of 35 employees operate the program, consisting of the following full-time positions: (1) Program Director, (1) Administrative Assistant, (3) Program Managers, (10) Teachers, (12) Teaching Assistants, (1) Disability Services Specialist, (5) Family Service Coordinators, and (2) Facility Maintenance personnel. Community volunteers often provide morning sign-in service for the Center as well as telephone assistance during peak times. Payroll, accounting, and annual A-133² audit services are provided by contractors in conjunction with oversight and internal audit functions provided by the Grantee's office.

ASSESSMENT AND EVALUATION ~ SCOPE AND METHODOLOGY

The operations review was initially slated to cover the 2011 summer session. However, based on preliminary inquiries, the analysis was expanded to cover the summer sessions from 2009 through 2011.

Source documentation used for our review was verified through physical examination. Originals were provided by both the grantee and delegate offices, upon request, with photo copies made for our records. Employee interviews, financial reporting, record keeping practices, and contract compliance were all assessed during the review process. Specific documents analyzed include (but not limited to) the following, for the summers 2009 through 2011:

- Annual Federal Award/Contractual Agreements
- Supplemental State Award/Contractual Agreements
- Monthly General Ledgers
- Monthly General Journals
- Bi-weekly Payroll Timesheets
- Bi-weekly Payroll Ledgers
- Purchase Receipts

² A-133 audits are those required under the Audits of States, Local Governments, and Non-Profit Purpose. Pursuant to the Single Audit Act of 1984, P.L. 98-502 and the Single Audit Act Amendments of 1996, P.L. 104-156, certain audits must be completed for, among other entities, non-profit organizations of the nature of SPCH. Within the guidance to those laws and regulations is Circular A-133 which sets forth specific audit standards. These audits have become known and commonly referred to as A-133 Audits.

- Parent Payment Receipts
- Vendor Invoices
- Service and Entertainment Contracts
- Attendee Enrollment Documentation
- Relevant Correspondence (memos, emails, etc.)

ASSESSMENT AND EVALUATION ~ FACT FINDING INTERVIEWS

Ms. Shannon Burroughs-Campbell

The OIG's first fact-finding interview was held with Mrs. Shannon Burroughs-Campbell, Chief Operating Officer for Baltimore's Head Start Programs (contractually identified as the Grantee), on 11/30/2011 in the Inspector General's office. Also in attendance were the Chief Financial Officer, and Internal Auditor. All in attendance consented to being digitally recorded. Mrs. Burroughs-Campbell and the finance team provided background information on the program's structure as well as reporting and audit requirements.

Initially discussed was the program monitoring protocols and current monitoring status. It was stated that each Head Start program site must receive two internal audits per year, in addition to the annual A-133 audit required for all local government entities receiving federal awards. At the time of the meeting, nine of the twelve Centers had received both semi-annual internal audit reviews. In addition, during the school year, each program is required to complete and submit monthly HCD-8 Expense Reports to the program main office by the 10th day of the following month. In addition, the summer programs require a final progress report, due fifteen days after the end of the summer session. Internal audit results, as well as previous A-133 documentation for SPCH covering the last few years, were requested by the OIG, for additional review. All information was provided as requested.

Year-End A-133 Audits for 2009 and 2010 were performed and reported by a private C.P.A., who was contracted for the sole purpose of performing annual audits (distinct from routine fiscal operations and reporting). Both reports deem SPCH to be a "low-risk auditee," with no material weaknesses identified during the reviews. Considering these prior audits, several significant deficiencies were identified within the documentation for the attention of SPCH management.

The 2009 report shows one financial statement deficiency pertaining to the identification and resolution of overruns. This was corrected and identified as a non-issue during the following year's audit. Three internal control and compliance deficiencies were present for both audit years and included recommended courses of corrective action provided by the auditor. Both the 2009 and 2010 final reports include detailed corrective action plans

from the SPCH Management Team. Actions have been implemented, but the team still struggles with the ongoing process of maintaining proper internal controls and reporting. Year-End reports, as well as relative internal audit reports, are included in the documentation section of this investigative report.

The team expressed concern that some programs may be charging fees for their summer camps, with St. Paul Community Head Start included on the list for further review. Previous “red flags” were noted for this site, as a result of internal control deficiencies documented in previous internal audits. Mrs. Burroughs-Campbell had previously issued a survey to all twelve sites on 06/30/2011, requesting information on enrollment and fee collection practices. A total of ten sites responded to the survey, three of which admitted to charging fees for summer programs and/or extended care. All survey results were provided to the OIG, upon request, as was enrollee data for each Center, SPCH’s list of parent policy council members, and CQI/audit correspondence for the Center.

Head Start Program Employee

A Head Start Program Board Member and Director for the Department of Social Services contacted the OIG on 11/21/11 concerning contact with a current Head Start Program employee. a secretary for the Head Start Program who suggested she had information concerning instances of fraud within the program office.

The employee was interviewed on 12/02/2011 at the Inspector General’s office and consented to be digitally recorded. The employee further suggested that the Department of Housing and Community Development (hereinafter “DHCD”) was using Head Start funds for its employees’ office supplies, travel, and tuition reimbursement expenses. She provided several invoices that were of concern for further review and consideration. An investigation of overall Head Start operations by the OIG may be conducted separately and distinct from that of SPCH.

The employee also expressed concerns of mistreatment and potential issues with her position classification/compensation. Without rendering an opinion as to the merit of the Human Resources concerns expressed, the OIG believes they emanated as a result of major program management shifts that have occurred over the previous several years and that they are unrelated to the specific review of SPCH. Further consideration of these allegations rests with the employee, the Department of Human Resources, and/or the Mayor’s Office of Human Services staff.

St. Paul Center Director

OIG Forensic Evaluator conducted a site visit to the Gardenville location of SPCH on 12/12/2011 and met with the Center Director, who gave a tour of the facility and provided background information on the daily business activities. Volunteer parents assist parents/guardians with student morning sign-in to each classroom, on individual

attendance sheets. Reports and examples for all facets of the operation were freely provided, upon request, many of which are noted in the documentation section of this report.

At the time of this site visit, there was no heat in the building. The boiler/heating system had been broken for several weeks, so children were not allowed in the building. The building is actually a City-owned building, with the City being responsible for the labor and replacement for the heating unit. Parents were given in-home education packets to review with their children until they were allowed to return to the Center. The other three locations within SPCH were at full capacity, so they couldn't accommodate any of the Gardenville attendees. The Center Director stated that all SPCH locations were usually enrolled to full capacity and had been for several years. An overview of the financials was provided by a private C.P.A., contracted specifically for routine fiscal operations and reporting.

During a follow-up interview with the director on 12/27/2011 at the OIG office, additional material was covered concerning the Center's background, daily operations, fiscal procedures, contents of the information provided during the initial site visit, and the summer program specifics. This interview was digitally recorded with the Director's consent.

The Center Director appeared to be very knowledgeable on the program's logistics, answering all questions completely and thoroughly. She specifically stated that "there is never a mingling of funds. School-year funds are only used during the school year. State supplemental is only used for the summer camp program."

Contracted C.P.A.

The Contracted C.P.A. was interviewed on 12/29/2011 at the SPCH Center. This contractor assumed the reporting responsibilities in 2011, as successor to the previous accountant (from 2009 through 2010). Currently, accounting responsibilities are done bi-weekly or by special request if an immediate need arises. Standard tasks consist of basic transactions as requested by the Center Director and SPCH Management Team/board. The financials are consolidated for all four sites of SPCH instead of being done individually. Invoices/monthly bills are reviewed and paid when submitted to the C.P.A. upon arrival to the Center. Electronic records, as well as hardcopies, are maintained (in monthly binders) for each transaction, for reference by The Center Director and staff. Payroll data is entered as received from the payroll processing vendor, Mary Kraft Associates. Accurate transfer/notation of expense was verified using actual signed employee timesheets submitted to the payroll processor and entries into the payroll register.

Monthly general ledgers and journals were prepared using Quickbooks software. Upon monthly review of the financial statements and account reconciliations, the C.P.A. notifies the Management Team of any potential problems with incurred expenses in relation to recognized revenue and offers suggestions that may alleviate the Center's financial stress. Monthly variance reports are provided to the Center Director, the Policy Committee and the Board of Directors. This action has been evidenced by Minutes from several board and parent committee meetings. Suggestions are for advisement purposes only, with the final decision-making responsibility lying with the Management Team.

ASSESSMENT AND EVALUATION ~ SUMMER PROGRAMS

Contracted Funding, Staffing, and Operations

SPCH has operated a summer camp for at least the last three years, with the basic structure of the program inherited from the previous leadership team. Funding was provided by a DHCD State Supplemental Grant, which is separate and distinct from the head start school year federal funding. The Center's Management Team (Director, Administrative Assistant, Education Coordinators, and Family Service Coordinator Supervisor) are covered in the standard school- year contract and are not included in any summer labor or fringe dollars reflected in this report. All summer programs were held at the Gardenville location.

2009 Funding

Summer 2009 funding totaled \$78,376.00, which included a major training and retention effort. The contractual agreement did separate the summer camp labor dollars from professional development dollars; however, it did not show the data in terms of specific job classification details, as it had in the most recent years. The contract covered a total of 40 children with associated curriculum, supplies, meals, activities/field trips, and transportation. The funding referenced in our analysis only covers the estimated summer camp portion, with the training and retention efforts carved out of the total.

2010 Funding

The 2010 summer camp period was funded in the amount of \$ 71,997.00, to cover the program for 60 children from 06/01/2010 to 08/07/2010, a total of ten weeks. The terms of the agreement adjusted the standard staffing (which normally covers 202 children) to a smaller team to operate the summer program. Positions funded under the State Supplemental Grant are: (3) Lead Teachers, (3) Teaching Assistants, (5) Family Service Coordinators, (1) Facility Maintenance person and (1) part-time Mental Health Consultant.

2011 Funding

The summer camp for 2011 was funded in the amount of \$61,632.00. The contractual agreement outlines a six week summer camp program, from 06/06/2011 to 07/2011, to include educational curriculum, field trips and activities for 60 children. The terms of the agreement funded the following positions under the state supplemental grant: (1) lead teacher, (2) teaching assistants, (1) long-term substitute, (3) family service coordinators, (1) facility maintenance person (1) part-time mental health consultant and (1) part-time nutritionist.

Actual Funding Utilization, Staffing and Operations

During each of the three years of summer programs reviewed (2009-2011) parents were charged for participation even though funding was provided.

Parents were given the choice of payment frequency to suit their individual situations: weekly, bi-weekly, or full payment, with exact due dates for each provided in advance. Payment methods included self-pay and Social Services Care Vouchers, as well as fee waivers for those families unable to pay. All payments were documented by receipts to parents, detailing the amount paid and the method of payment. Personal checks, Social Services Care Vouchers, and money orders received accurately reconcile with the general ledger, and were captured separately for tracking. Cash transactions were documented by receipts to parents and then converted to money orders for bank deposit or payment to summer camp vendors.

2009 Participation

A total of 28 students attended the summer 2009 camp, which was advertised (and charged) at a cost of \$75.00 per week per child. It is noted that the program was funded for 40 children during this period, to cover all camp-associated expenses. Sibling discounts were applied as applicable. Signed applications, health checklists, and emergency contact information were on file for each attendee. The required educational and recreational activities were planned and implemented, with a published schedule provided for review.

2010 Participation

The 2010 summer program was attended by 30 children, at a rate of \$80 per week per child, with sibling discounts as applicable. The program was funded for a total of 60 attendees (and associated expenses). The Center again maintained the necessary signed applications, health checklists, and emergency contact information as required by the contractual agreement, along with records of activities and field trips.

2011 Participation

For the 2011 program, there was a total of 27 children that were verified to have been in attendance; again, all were housed at the Gardenville location. The program was again funded for 60 participants (and associated expenses). Signed applications were received for all camp attendees, including the required health checklist and emergency contact information to be kept on file. The required educational and recreational activities were planned and implemented, with a published schedule provided for review.

Fee Assessment

The 2011 summer program was advertised at a cost of \$80 per week per child. When questioned about the fees charged for the summer program, the Center Director stated that the idea was to keep the price competitive with other programs within the community offering comparable services. She also stated that, “the charging of fees was done for previous years, with no issues or corrective actions brought forth by the Grantee’s office, so they didn’t believe they were doing anything wrong.” The Center Director also said, “Her team is always above board with its actions and would never intentionally engage in non-compliant activities.”

Contractual agreements/invoices for all field trips, onsite activities vendors, transportation, meals, and other expenses were on file and provided to the OIG, upon request. Copies of checks and money orders for each were also provided as proof of payment, accompanied by actual receipts from vendors, noting a paid in full/zero balance status. The accounting software used was QuickBooks, which is maintained by the C.P.A. who provides all necessary reports and documentation to the Center Director and Board of Directors, upon request.

Staffing was documented using completed/signed timesheets for each position and applied to the State Supplemental Grant, where appropriate (for the summer period of performance). Timesheets are reviewed and signed by the Center Director or one of three Site Managers. The accompanying payroll register and general ledger were provided for review, detailing the associated labor hours and expenses incurred for the summer camp program.

ASSESSMENT AND EVALUATION ~ HEAD START PROGRAM OFFICE

The Head Start Program is now administered by the Mayor’s Office of Human Services; however, the program is transitioning from the Baltimore City Department of Housing and Community Development. The Head Start Program Office, now located within the Mayor’s Office of Human Services, is specifically tasked with the oversight and compliance of the program and its Delegates. There are semi-annual internal audits as

well as an annual A-133 audit conducted for each center, documenting the financial performance for any given fiscal year. Monthly expense reports (Form HCD-8) are also required for review by the program office, which should reconcile to the general ledger.

A CQI (Continuous Quality Improvement) Report was issued on 11/21/2011 summarizing the 2011 fiscal review and noted items from previous audit reports. The OIG was not able to locate any evidence of such a report for previous fiscal years or summer programs. In addition, we were also not able to locate any documentation of *definitive* corrective actions taken regarding the SPCH. A detailed review and correction (training, payback, etc.) of the 2009 summer program, or likely previous periods, would have served to significantly minimize the adverse impact of SPCH program administration errors. Specifically, an end of cycle 2009 summer program review would have clearly shown the reduced enrollment figures, as well as the overstaffing issues that were reported within SPCH submissions. Despite certain issues being noted and reported, program requirements were not meaningfully enforced. Recognition of these issues should have led to a proper review of enrollment reports and a payroll audit of the general ledger, which would have shown the fees/revenues collected, indicating the core issues that continued unabated for the next two summer cycles.

FINDINGS

The OIG recognizes that the City administers a considerable amount of pass-through funding. Further, that each grant's parameters, or mandates, are contained within the contractual agreements between the City and the Grantor. The OIG's findings and recommendations are intended solely to strengthen the protocols and processes employed by the City to administer and oversee grant funds in accordance with the applicable mandates.

Although several communications exist between the Grantee's office and the Delegate pertaining to the proposed scope of the summer camp program, the binding document is the contractual agreement, which outlines the required parameters. These details, in conjunction with our investigative findings, comprise the summary information shown here. Data below provides a comparative analysis of the contractual/budgeted financials to the actual financials of the 2009 - 2011 summer camp programs. Individual annual financial reports showing line item detail within each budgeted category have been included in the documentation section of this report.

Chart #1

Category	Summer 2009		Summer 2010		Summer 2011		Net
	Budget	Actual	Budget	Actual	Budget	Actual	Variance (+/-) ⁵
Attendance	40	28	60	30	60	27	75
Staffing ¹	\$ 29,910.00	\$ 30,968.06	\$ 43,776.80	\$ 53,063.82	\$ 32,400.00	\$ 27,018.89	\$ (4,963.97)
Consultants ⁴	\$ 2,369.23	\$ -	\$ 3,000.00	\$ -	\$ 2,250.00	\$ -	\$ 7,619.23
Supplies and Materials	\$ 3,055.85	\$ 2,270.58	\$ 3,624.00	\$ 1,107.90	\$ 5,500.00	\$ 441.21	\$ 8,360.16
Fringes ³	\$ 3,603.00	\$ 3,603.00	\$ 14,650.00	\$ 17,757.92	\$ 5,899.00	\$ 2,000.49	\$ 790.59
Other Charges ²	\$ -	\$ 5,697.58	\$ 6,946.20	\$ 4,418.70	\$ 15,583.00	\$ 9,884.82	\$ 2,528.10
Sub-totals	\$ 38,938.08	\$ 42,539.22	\$ 71,997.00	\$ 76,348.34	\$ 61,632.00	\$ 39,345.41	\$ 14,334.11
Camp Fees - Surplus		\$ 9,038.00		\$ 6,611.30		\$ 11,323.36	\$ 26,972.66
Total Surplus/(Overrun)							\$ 41,306.77
<u>Notes</u>							
1. Staffing based on a fixed hourly rate and 480 total program hours per person.							
2. Other charges include field trips, shows, transportation and food/snacks.							
3. Budgeted fringe includes: FICA, Health, Unemployment and Worker's Comp.							
4. No fringe applied to consultant hours.							
5. Positive variance denotes funds in excess of expense, negative variance denotes funds shortage.							

Review of all requested/submitted documentation present the following information noted here as official findings or facts for this investigation.

- Based on the Code of Federal Regulations 45 CFR 1305.9, SPCH violated the federal program's fee policy. This guideline states delegates may NOT charge fees for participation in any standard Head Start program. Nominal fees for before/after-care are acceptable.
- Total summer program fees collected were \$26,972.66. Amounts detailed by year in the "Camp Fees" line in the above chart.
- The SPCH is a fully funded Delegate and should not at any time collect fees for a Head Start program.
- The first documented sign of a plan/idea to charge a fee for summer camp was reflected in the Minutes for the February 2011 meeting, attended by the Executive Board, Parent Policy Committee, and SPCH staff members. The only other documentation of fees was the program enrollment advertisements.
- There was no documentation located that reflected a vote or official action to implement the discussed fees.
- No documentation was located that reflected an official review of the contract or federal program guidelines to see if this would be permissible.
- The State Supplemental Grant Agreement details a staffing plan for 160 campers

throughout the three-year period. Although SPCH stayed within the parameters of the initial agreement, they failed to adjust staffing levels to reflect the actual, and significantly reduced, attendance of 85 children (75 fewer than funded).

- The contractual agreement states that all program changes are to be submitted to the Grantee's office, in writing. Further, no effort was documented to indicate that the SPCH informed the Grantee's office, in writing or verbally, of changes in the number of attendees or the need for fewer staff members to operate the summer program.
- Total summer program staffing variance dollars was \$4,963.97. When it became evident to SPCH management that there would be fewer enrollees than anticipated, the Grantee's office should have been notified.
- Funding for supplies, materials, and other charges (including activities, field trips, transportation, etc.) was provided for 160 children but was not reduced to reflect fewer enrollees, an actual attendance of 85 children (75 fewer than funded).
- Total summer program activities variance dollars, which consisted of the "Supplies and Materials" and "Other Charges" categories from Chart #1, amounted to approximately \$10,888.26. At no time was the City notified of the variance by SPCH, as is required to be done in writing via the contract. Fewer attendees should have resulted in fewer activities dollars expended.
- There was a mid-program change in the contracted Operations Accountant service.
- Year-End A-133 audits were performed by a contracted C.P.A., for all three years (2009, 2010, and 2011) reviewed during this investigation.
- SPCH enrollment documentation was in order, but older daily financial transactions were not consistent. Some handwritten receipts for 2009 and 2010 did not reconcile to the general ledger (processed by the previous Accountant). The reconciliation for the 2011 summer program processed by the current C.P.A. was accurate. We did note, however, that there was a change in the contracted Accounting Services provider.
- The Head Start Program Office failed to timely identify the disparate data provided by the Delegate during the routine administration of the grants. These lapses in oversight thoroughness significantly delayed identification of the discrepancies and initiation of remedial actions.

RECOMMENDATIONS

During the process of conducting this program evaluation, the OIG identified several areas that offer opportunities to improve upon the administrative process as it pertains to communications, reporting, controls, and general accountability on behalf of the Delegate and the Mayor's Office of Human Services.

Head Start Program Offices

- The Head Start Program Offices should consider modifying their oversight and accountability measures to include periodic and regular reviews of actual program attendance to coincide with monthly reporting periods that mark the beginning and end of a program cycle. In the case of SPCH, there were significant deficiencies between the funded enrollee number and the actual attendees that could have been picked up through a slightly modified monthly reporting protocol. A material deficiency discovered in a timely fashion would have presented a significant opportunity for the Delegate and the City to make funding adjustments in a manageable and timely manner.
- The Head Start Program Offices should consider developing critical checklists that all Delegates must affirmatively acknowledge prior to each award period. While the OIG recognizes that the burden for contract compliance rests solely with the Grantee we also believe that a valuable tool for many delegates would be a critical checklist that could include such basics as the need to report reductions or expansion to the number of enrollees, the charging of supplemental fees, the requirement that all expenses be supported through written documentation, etc.

SPCH/Head Start Delegates

- One of the most common causes of having grant funds reduced or withdrawn is a delegates lack of clarity regarding the terms and conditions of the funds. Delegates must endeavor to perform a thorough review of the contractual documentation and confer with the Grantee's office for any questions or discrepancies.
 - SPCH failed to submit additional weeks and fewer attendees to the grantees office in writing, as required by the contractual agreement. This would allow the Management Team to assess the feasibility of the change, as well as any potential financial impacts that may jeopardize compliance. This would also reduce the possibility of future mismanagement of funds.
- Delegates should engage in proactive financial management. Do not wait until month-end to review the financial state of the Center. Make an effort to look at expenses more frequently to prevent the possibility of expense overruns or mismanagement. As HCD-8 documentation is received, the grantee should

question any perceived variance from contract, including enrollment and staffing levels.

The SPCH team was cooperative with our requests and as willingly disclosed all information to date. At no time during our investigation did we find reason to believe there was intentional misuse of grant funds or non-disclosure.