

DOCUMENT RESUME

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[Survey of the Harrison County Head Start Program, Gulfport, Mississippi]. HRD-78-82; B-164031(1). March 10, 1978. 8 pp.

Report to Rep. Trent Lott; by Gregory J. Ahart, Director, Human Resources Div.

Issue Area: Accounting and Financial Reporting (2900).

Contact: General Government Div.

Budget Function: Income Security: Public Assistance and Other Income Supplements (604).

Organization Concerned: Department of Health, Education, and Welfare; Department of Health, Education, and Welfare: Administration for Children, Youth, and Families; Department of Agriculture; Harrison County Civic Action Committee, Inc., Gulfport, MS; Moore & Powell.

Congressional Relevance: Rep. Trent Lott.

The Harrison County Head Start Program, operated by the Harrison County Civic Action Committee, Inc., in Gulfport, Mississippi, received \$2,246,424 in Head Start funds and \$243,735 from the Department of Agriculture to reimburse Head Start's food costs for the 13-month grant period ended August 31, 1977. A survey examined the audit work performed by Moore & Powell, a certified public accounting firm, in its audit of the program for the 13-month period. Moore & Powell conducted its audit with professional care and in accordance with GAO standards and Head Start audit guidelines. Some Head Start employees may not have been qualified for their positions and, since the grantee did not maintain documentation supporting employee promotions, GAO was unable to determine whether the filling of vacancies complied with the Head Start manual. Enrollment has declined for the last 3 years and was below the level required by the grant in November 1977. A review of the eligibility of program participants showed that 21% of the children enrolled in the program were from families whose total income exceeded the poverty level. Since guidelines state that no more than 10% of enrollees may come from families above the poverty level, 11% of the children were ineligible to participate. Other problems noted included a lack of controls over property and supplies, unnecessary payments for bus maintenance, and wide variations in food costs. (RRS)



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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

HUMAN RESOURCES
DIVISION

March 10, 1978

B-164031(1)

The Honorable Trent Lott
House of Representatives

Dear Mr. Lott:

As requested in your August 26, 1977, letter and as modified by subsequent agreements with your office, we have made a preliminary survey of the Harrison County Head Start Program which is headquartered in Gulfport, Mississippi. The Harrison County Head Start Program is operated by the Harrison County Civic Action Committee, Inc., a Community Action Agency, as grantee.

The grantee received \$2,246,424 in Head Start funds and \$243,735 from the Department of Agriculture to reimburse Head Start's food costs for the 12-month grant period ending August 31, 1977. In addition, the grantee received \$308,925 from the Community Services Administration, \$351,319 from the Department of Labor, and \$63,719 from other Federal programs. During the grant period, the grantee operated 14 Head Start centers that were dispersed throughout Harrison County.

We discussed the results of our survey with your office on January 31, 1978, with officials of the Administration for Children, Youth, and Families (ACYF), Department of Health, Education, and Welfare (HEW), on February 1, 1978, and with officials of the Harrison County Civic Action Committee, Inc., on February 3, 1978. Representatives from your office attended our February 1 meeting with ACYF officials. As you requested, we did not obtain formal written comments from HEW on our findings because of the additional time required. However, we considered oral comments obtained from ACYF and the grantee in preparing this report.

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As agreed with your office, our survey was directed primarily toward examining the audit work performed by Moore & Powell, a certified public accounting firm, in its audit of the Head Start Program for the 13-month period ended August 31, 1977, and reviewing the firm's audit report issued on November 14, 1977. We examined the firm's workpapers prepared in support of its audit report and made test checks of its verifications. In our opinion, Moore & Powell conducted its audit with due professional care and in accordance with GAO standards for audit of governmental activities and Head Start audit guidelines; and the audit report adequately reflects the results of the audit work.

Also, we obtained and tested data prepared by a consultant that was selected by a steering committee to investigate, among other things, parents' complaints about Head Start operations. The steering committee was formed in September 1977 at the direction of ACYF, Region IV, Atlanta, to (1) review the parent policy council's concerns, (2) determine which of the council's concerns merited further investigation, and (3) recommend solutions where problems existed. The steering committee is comprised of three members elected by the parent policy council and three members elected by the grantee's Board of Directors. In addition, a representative from the ACYF Region IV office and one from the ACYF headquarters office serve as members of the committee.

Moore & Powell in its audit report stated that during the program year, the grantee had improved its internal accounting and administrative controls and had generally administered its program in accordance with Federal requirements but concluded that further improvements were needed in both areas. Moore & Powell and the consultant recognized several deficiencies in the operation of the Head Start program which we believe need to be corrected, as discussed below.

SOME PERSONNEL MAKING
HEAD START DECISIONS
MIGHT NOT BE QUALIFIED

In our discussions with grantee personnel and Moore & Powell, we were informed that some Head Start employees may not be qualified for their positions.

The grantee's Executive Director told us that two of his key staff, including the Head Start Director, were unqualified for their positions. He said that he has been unable to fire the Head Start Director because his decision to fire him was not approved by the parent policy council.

Head Start Instruction I-31, section B-2, dated August 10, 1970, provides that only the grantee's Executive Director has authority to hire and fire a Head Start Director and that only the Head Start Director may hire and fire program staff. This instruction also provides, however, that the parent policy council must approve or disapprove all personnel actions within the Head Start Program.

This instruction also provides that the grantee's Executive Director and Board of Directors are responsible for the efficient and effective administration of the Head Start Program. The grantee's Executive Director told us that although he is responsible for the administration of the Head Start Program, he has not been able to fulfill this responsibility adequately because the parent policy council had not approved his decision to fire the Head Start Director.

ACYF officials said that an amendment to the instruction has been prepared to allow for binding arbitration to solve disputes such as discussed above between the parent policy council and the grantee. These officials told us in February 1978 that this amendment was awaiting approval from the Secretary, HEW.

The grantee's Executive Director also said that the grantee's policy of normally filling vacancies with personnel from within has resulted in persons being promoted into positions for which they were not qualified. This policy of filling vacancies from within is encouraged by the Head Start Manual of Policies and Instructions. The manual provides (1) that priority should be given to the employment of parents of poor children and individuals from target areas and young people from poor families who have training in child development work, (2) that these persons should be provided with training and experience to broaden their skills and to advance them to positions of greater responsibility, and (3) that promotions must be based on superior performance at the lower job level and a showing of potential for future development.

The grantee did not maintain documentation supporting employee promotions. Therefore, we were unable to determine whether the filling of the vacancies complied with the Head Start manual.

GRANT ENROLLMENT LEVELS NOT BEING MET

ACYF has funded the Head Start grant for the past 4 grant years at a level to serve a combined total of 1,800 enrollees in full-time (6 hours a day, 5 days a week) and split session (5 hours a day, 2 days a week) classes. Although enrollment in Head Start in the program year ended July 31, 1975, exceeded 1,800, enrollment has declined during the last 3 program years and was below the level required by the grant in November 1977. The enrollment for the past 4 program years based on available records is shown in the table below.

<u>Program year ended July 31</u>	<u>Enrollment as verified by Moore & Powell</u>
1975	1,827
1976	1,725
<u>a/</u> 1977	1,653
1978	<u>b/</u> 1,559

a/Program year ended August 31.

b/This figure represents the enrollment verified by the consultant as of November 1977.

The grantee launched an enrollment campaign which was initiated as a result of an instruction received from ACYF Region IV that pushed enrollment to 1,774 in early January 1978. However, the Executive Director said it does not appear that this increased level can be maintained because of parent dissatisfaction with the program. We were told by the consultant and the grantee's Executive Director that many parents were removing their children from the program because the parents were becoming increasingly dissatisfied with the program's operation. Many parents would like Head Start activities to begin earlier each morning, continue later each afternoon, and be open to more children each weekday.

SOME HEAD START ENROLLEES
NOT ELIGIBLE

ACYF Head Start guidelines state that no more than 10 percent of the enrollees in the program may be from families with income above the poverty level. The consultant's review of the eligibility of program participants showed that 21 percent of the 1,559 children enrolled in the program in November 1977 were from families whose total income exceeded the poverty level, thereby indicating 11 percent of the children were ineligible to participate. However, based on our test of the consultant's review, we believe the 11 percent figure may be too low. For one center, we reviewed the eligibility of the first 10 of 28 enrollees that were designated as eligible on a listing prepared by the consultant. We questioned the eligibility of one-half of these enrollees because our review of enrollee applications showed that data needed to make eligibility determinations were either missing and/or inaccurate.

In its audit report, Moore & Powell pointed out several problems encountered in verifying the eligibility of participants such as

- the alteration of application data that affected eligibility,
- the absence of some original applications, and
- confusion among grantee staff over criteria to use in determining eligibility.

Region IV ACYF officials were working with the grantee in January 1978 to develop a solution to the problem of ineligibles participating in the program.

LACK OF CONTROLS OVER
PROPERTY AND SUPPLIES

Moore & Powell reported that the grantee was deficient in maintaining adequate controls over property and supplies. Our tests showed that the grantee has not maintained adequate records showing the amount of property it has purchased with Head Start funds and has been unable to locate many items purchased because it

- seldom recorded purchases of property in the inventory accounts,
- did not always mark property purchased to enable later identification, and
- could not reconcile its property inventory records with the actual physical count of items on hand.

Moore & Powell has advised grantee management of property control problems for the past several years yet the grantee has failed to fully implement the auditor's suggestions for improvements in this area.

Moore & Powell reported that controls over supplies were also deficient since the grantee did not always record supplies purchased or issued on the perpetual inventory records. Also, the physical inventory of supplies on hand did not agree with the perpetual inventory records and Moore & Powell was unable to reconcile the inventory differences.

UNNECESSARY PAYMENTS FOR BUS MAINTENANCE

In December 1976, the grantee contracted with an automotive maintenance firm to repair and perform preventative maintenance services for 32 Head Start buses for a 12-month period. Under the contract terms, the firm was required to provide maintenance and repair services--as specifically itemized in the contract--to keep the buses in good operating condition. The firm agreed to provide the services for \$37,800 to be paid by the grantee in 12 equal monthly installments.

Moore & Powell informed us that, although its tests did not reveal deficiencies in payments made to the firm, it might be worthwhile for us to look into this area. We scanned the grantee's cash disbursements journal for the contract period and identified about \$1,250 in maintenance and repair service payments that were made to the contractor and to other automotive supply and repair firms. These payments were for parts and repair services that should have been provided at no additional cost by the grantee's bus maintenance contractor under the fixed payment terms of the contract.

The transportation and facilities coordinator, who was responsible for monitoring the contract and approving payments for bus maintenance and repair, told us that at the time that he approved the payments of \$1,250, he was unsure as to whether the services and repairs should have been paid for by the contractor or the grantee.

The grantee's Executive Director told us in February 1978 that action had been taken to recover these funds from the contractor and to insure that unnecessary payments would not recur.

WIDE VARIATIONS
IN FOOD COSTS

In its audit report, Moore & Powell expressed its concern over possible loss or waste of food purchased for Head Start participants' meals because the direct cost of food per meal at some centers was almost double the cost at other centers. Specifically, Moore & Powell computed a cost range from 20 to 37 cents per meal served. To better manage this aspect of the program, the audit report stated that the grantee should develop food cost statistics as Moore & Powell had done. Moore & Powell also stated that surprise visits should be made by grantee officials to centers to insure that the size of the servings was not reduced to cover a food loss. The grantee's Executive Director informed us in February 1978 that he was aware that food loss was a problem. However, he did not inform us of any actions that would be taken to resolve this problem.

HIRING PROCESS
NOT DOCUMENTED

Moore & Powell informed us that the grantee did not maintain adequate documentation of its hiring process. This lack of documentation precluded Moore & Powell from evaluating whether the grantee was following its personnel policies and procedures approved by ACYF Region IV relating to the filling of vacancies.

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In the February 1, 1978, meeting, ACYF officials told us that they were aware of many problems in the Harrison County Head Start Program and that they had received more

complaints on this particular program than from all other Head Start Programs combined. They said, however, that they were not aware that the problems were as severe as our survey has indicated.

At the conclusion of our discussions, ACYF officials agreed with the representatives from your office that they would take steps to alleviate the problems including the selection of a new grantee to operate the program if necessary. ACYF officials agreed to visit the grantee in February 1978.

During their visit, on February 23, 1978, ACYF officials met with the grantee's Board of Directors and the parent policy council and advised them that a show cause hearing would be held at which time the grantee must show cause why the program should continue under its present structure. Also, during this visit, the ACYF Acting Regional Director, Region IV, said that the grantee would receive an official letter on the show cause hearing in about 10 days that would spell out all of the problems that prompted the need for a show cause hearing. The ACYF Head Start Director stated that if the grantee could not show cause at this hearing, ACYF would start grant termination procedures.

In our February 3, 1978, meeting with the grantee's Executive Director, we discussed the findings presented in our meetings with ACYF officials and your office. The Executive Director concurred in the existence of the problem areas and said that many were known to ACYF officials. He added that his staff was currently working with ACYF regional representatives to solve some of the problems noted.

As arranged with your office, we are sending copies of this report to the Secretary, HEW, the grantee, and Moore & Powell. Also, copies of the report will be made available to anyone who requests them.

Sincerely yours,


Gregory J. Ahart
Director