



Highlights of [GAO-05-473T](#), a testimony before the Senate Committee on Health, Education, Labor and Pensions Subcommittee on Education and Early Childhood

## Why GAO Did This Study

In fiscal year 2004, the Congress appropriated \$6.8 billion to serve 919,000 poor children through 1,680 Head Start grantees nationwide. Recent reports of financial improprieties at a number of Head Start programs around the country raised questions about the effectiveness of the oversight provided by the Department of Health and Human Services' (HHS) Administration for Children and Families (ACF) in identifying and resolving financial management weaknesses in Head Start grantees. This testimony discusses (1) the processes ACF uses to assess the programs' risks, (2) whether those processes could be improved to ensure the accuracy and reliability of the information ACF collects on its Head Start grantees, and (3) whether ACF ensures that grantees with financial management weaknesses correct those problems in a timely manner.

## What GAO Recommends

This testimony repeats recommendations we made in our report: *Head Start: Comprehensive Approach to Identifying and Addressing Risks Could Help Prevent Grantee Financial Management Weaknesses* (GAO-05-176, Feb. 28, 2005) for improving ACF's oversight of Head Start grantees.

[www.gao.gov/cgi-bin/getrpt?GAO-05-473T](http://www.gao.gov/cgi-bin/getrpt?GAO-05-473T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Marnie S. Shaul at (202) 512-7215 or [shaulm@gao.gov](mailto:shaulm@gao.gov).

## HEAD START

# Comprehensive Approach to Identifying and Addressing Risks Could Help Prevent Grantee Financial Management Weaknesses

## What GAO Found

ACF has not developed a comprehensive risk assessment system to identify financial management weaknesses of Head Start grantees. ACF has many processes it uses to collect information on how well grantees are performing and managing their federal grant funds. But different organizations within ACF conduct these activities, and we could not identify a systematic process that ACF uses to bring together information gained from the different data collection processes.

Moreover, when we looked more closely at each of the processes ACF uses to oversee Head Start grantees, we identified flaws that limit the quality, accuracy, and reliability of the information ACF collects. ACF does not ensure that its on-site reviews are conducted in accordance with its own guidelines for grantee compliance; it does not verify the accuracy of the data grantees submit on key performance indicators each year; and it does not reconcile grantees' actual withdrawals with reported expenditures until all the funds have been spent. In addition, many of the staff we spoke with said that they often learn about problems after they get calls from parents and teachers—an ad-hoc, reactive approach on which ACF relies too heavily instead of comprehensive, proactive risk assessment.

Our analysis of the data shows that more than half the grantees cited for failure to comply with rules related to financial management were out of compliance again with one or more financial management standards during their next review. We also found poor linkages between grantee performance and funding. ACF rarely invokes its authority to terminate grantees when a community is being served by a poorly-performing grantee. Instead, ACF usually tries to convince a grantee to relinquish its grant, and only then will look for another grantee to serve that community. Opening competition to qualified applicants to replace a poorly-performing grantee may be a necessary step toward ensuring that as many eligible children as possible are provided with services that meet Head Start's standards.

A comprehensive risk assessment system would provide ACF with the information it needs to target its oversight more effectively, reduce the risks inherent in managing a large federal grant program, and help grantees manage resources more effectively.