

Head Start: Ensuring Dollars Benefit the Children.

Bill Number:

Hearing Date: April 5, 2005, 9:30 am

Location: SD430

Witness:

Jim Caccamo

Kansas City, Missouri

Director Metropolitan Council on Early Learning

Testimony

Mr. Chairman and Members of the Committee, thank you for allowing me the opportunity to testify this morning.

Introduction:

For the past 34 years I have been actively working to improve the status of children in Metropolitan Kansas City. My name is Jim Caccamo and I am the director of the Mid America Regional Council's Metropolitan Council on Early Learning.

For our young children and their families, the words of Rogers and Hammerstein's song from the musical Oklahoma, couldn't be truer, "everything's up to date in Kansas City".

Over the past dozen years, our community has worked hard to improve early learning with the vision that every child will begin school ready to learn. Civic, business, and philanthropic leaders have formed partnerships with many agencies and organizations to promote the well being of our children.

Eight years ago, Kansas City began a campaign to help focus our community's attention to the well being of our children. We asked every citizen to use what we called Kansas City's #1 Question – Is it good for the children? – as a guide for making decisions at home, in schools, in the workplace, in places of worship, and in their neighborhoods.

One of the early adopters of the # 1 Question Campaign was KCMC – Head Start. Using the #1 Question as a guide, each and every program was reviewed and, where necessary, changes were made so that they could answer "yes" – it is good for the children.

For over three decades Head Start has delivered high quality comprehensive services.

KCMC's Executive Director devoted his 27-year career to the enhancement and development of innovative approaches to educating our young children and supporting their families. Through his leadership KCMC reaches over 2,700 children and their families annually. His strong sense of the importance of early childhood helped engage our private philanthropic community to make sizable contributions toward continued program improvement in both Head Start and the broader early childhood community. Understanding the value of Head Start's comprehensive approach to children and families, there has been and continues to be extremely strong community support for Head Start in Kansas City.

KCMC delivered outstanding care to young children. The agency stressed quality in every programmatic aspect of its Head Start program and was a leader in ensuring that its sites moved toward accreditation by the National Association for the Education of Young Children.

It is so ironic that such a solid agency programmatically, still experienced financial and governance mismanagement.

What Happened in Kansas City?

The financial and governance problems at KCMC began to surface four years ago, in April 2001. The Controller/Chief Financial Officer was engaged in a kickback scheme and in February of 2002, pled guilty to bribery and money laundering. He was sentenced to 51 months in prison and ordered to pay over \$800,000.

In March of 2002, the Kansas City Missouri School District began trying to collect the delinquent payments of approximately a million and a half dollars from KCMC for operating Head Start programs.

These serious problems should have caused significant and intensive scrutiny and supervision of all financial and governance practices at KCMC.

But clearly, whatever interventions occurred were not sufficient. In October 2003, some 18 months after learning of the comptroller's abuses, the Kansas City Star reported that the KCMC Board was paying the Executive Director an excessive salary. Revelations about fiscal mismanagement continued to unfold. In February of 2004, KCMC's Executive Director resigned. In December of 2004, the agency gave up the Head Start grant. It is estimated that KCMC is as much as 3 million dollars in debt.

The fiscal mismanagement, excessive salaries, and the employee kickback problems could have been avoided with tighter oversight on the part of the Executive Director and Board.

Since last winter, the Community Development Institute in Denver Colorado has been running the Head Start program. During all of this, the programs and services for children and families served by the agency continued to be strong without a noticeable interruption in services.

There is a strong community interest in seeing that Head Start continues to be one of our "flagship" programs. The very best of our community organizations have come together to talk about responding to the RFP that will soon be published. Our community will respond to the RFP with a strong application that reflects our commitment to quality comprehensive services for children and their families and to ensuring strong fiscal management.

The financial and governance problems that occurred at KCMC have been identified and local experts who are working on responding to the RFP are bringing particular attention to ensuring that these issues do not reoccur.

Kansas City has been driven by a strong vision that all children will start kindergarten ready to learn. We are committed to continue to provide the strong early education experiences that our children need.

What Steps Could have been taken that could have avoided the situation in the first place?

All of us who care so deeply about supporting low income children and their families during these early years must come together to ensure that the Head Start monitoring process helps programs to provide the best possible support for children and families.

The Government Accountability Office's recommendations to improve program oversight and financial management seem appropriate.

I have participated in Head Start reviews over my career and found them to be rigorous and thorough. In fact, it seems to me that the Head Start reviews are more complex and rigorous than any other program reviews with which I am familiar. Clearly, these reviews

are necessary and as I said the GAO's recommendations seem appropriate.

In KCMC's case, rules and regulations were in place. But, we must be committed to having all financial aspects closely attended to by the Board and the Executive Director. I believe that there are additional steps that can be taken at the community level. These include but are not limited to:

1. Increased Board membership to include community members such as a member from a delegate agency and a school board member from one of the contracting school districts.
2. Increased involvement of the Board in program and fiscal accountability with closer review and monitoring of the budget, ensuring that payments are made in a timely manner, and ensuring that each budget year is closed out so that the current fiscal year's bills are not paid with next fiscal year's dollars.
3. Insistence that delegates and subcontractors notify the executive director and treasurer of the Board, in writing, when payment for services is more than 60 days in arrears. They should also be instructed to notify the executive director, treasurer of the Board, the regional office of ACF if payments are over 90 days in arrears. These red flags, if they occur, should be enough for ACF fiscal oversight to become very engaged.
4. Internal controls on financial transactions such as procurement, accounts payable, payroll, and expense reimbursement, must be strengthened and fiscal review must attest to the agency's following all of the financial regulations of ACF.
5. Staff development for the senior management and the Board of Directors should be required. This development should include a review of ACF's budget practices, budget planning, and ethical leadership.

Ensuring that financial and governance problems don't occur is a matter of ethics, integrity, accountability, active engagement of the Board of directors.

Conclusion:

In conclusion, I want to thank the Committee for their focus on helping to improve one of our national treasures. For almost forty years, Head Start has served our nation's low-income children and their families to help ensure their physical and emotional health and to prepare the children to be successful in school. Head Start has made a difference for millions of children.

Please keep in mind that strict rules and regulations are necessary but communities must also be committed to ensuring that their local Head Start programs are doing the best possible job for children and families.

In Kansas City, we believe that Head Start is good for the children.

Thank you.