



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

Office of Audit Services
Region I
John F. Kennedy Federal Building
Boston, MA 02203
(617) 565-2684

OCT 28 1996

(A-O 1-96-02504)

Mr. Jack Hamilton, Executive Director
Community Action Agency of Somerville, Inc.
66-70 Union Square, #104
Somerville, MA 02143

Dear Mr. Hamilton:

Enclosed is the report of our Review of the Head Start Costs for the Period December 1, 1994 through June 30, 1996 at Community Action Agency of Somerville, Inc.

If you have any questions, please contact Lori Pilcher, Audit Manager, at (6 17) 565-2685. To facilitate identification, please refer to Common Identification Number A-O 1-96-02504 in any correspondence relating to this report.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Richard J. Ogden".

Richard J. Ogden
Regional Inspector General
for Audit Services

Enclosure - as stated

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**COMMUNITY ACTION AGENCY OF SOMERVILLE, INC.
REVIEW OF HEAD START COSTS FOR THE PERIOD
DECEMBER 1, 1994 THROUGH JUNE 30, 1996**



**JUNE GIBBS BROWN
Inspector General**

**OCTOBER 1996
A-01-9642504**



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(A-01 -96-02504)

Mr. Jack Hamilton, Executive Director
Community Action Agency of Somerville, Inc.
66-70 Union Square, #104
Somerville, MA 02143

Dear Mr. Hamilton:

We have completed a review of the Community Action Agency of Somerville, Inc. (CAAS), Somerville, Massachusetts. The objective of our review was to determine the appropriateness and allowability of costs charged to Head Start grants for the period December 1, 1994 through June 30, 1996.

Based on the results of our review of financial information, attendance reports, Board of Directors meetings, Policy Council meetings, supporting documentation, and reports prepared by independent auditors, we identified no unallowable nor inappropriate costs. Accordingly, we are not recommending any financial adjustments.

BACKGROUND

The CAAS is a nonprofit organization founded in 1981. Its primary mission is to provide services to low-income people in Somerville, Massachusetts. One of its principal tasks is to provide Head Start services to preschool children of families with limited financial resources. The CAAS was awarded \$1,267,569 in Head Start funds in the fiscal year ended November 30, 1995 and \$1,255,346 in the fiscal year ended November 30, 1994 (FY 1994). Current funding for FY 1996 is \$1,220,390, which is \$47,179 less than the amount funded in FY 1995.

The Head Start grant funded 12 classrooms at six sites in the 1995-1996 school year, with September through November paid for by FY 1995 funds and from December through June by FY 1996 funds. The CAAS is administered by an Executive Director with oversight and policy decisions made by a Board of Directors consisting of community representatives and, in addition, for the Head Start program, by a Policy Council composed of community representatives and parents of Head Start children.

A significant portion of the Head Start \$1,258,459 grant expenditures for FY 1995 covered the cost of salaries (\$543,000 or 45 percent) and fringe benefits (\$208,000 or 17 percent), and indirect costs (\$155,000 or 13 percent) which are primarily salaries and fringe benefits of the

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agency's administrative staff. Other major costs are rent (\$13 1,000 or 11 percent) of the central office and the classrooms and the hiring of consultants (\$81,000 or 7 percent) such as a nutritionist, health workers, Certified Public Accountant audit, and so on, with remaining direct cost categories being classified as supplies, travel, and other direct costs.

OBJECTIVE, SCOPE AND METHODOLOGY

Our review was performed in accordance with generally accepted government auditing standards. The objective of our review was to determine the **appropriateness** and allowability of costs charged to Head Start grants for the period December 1, 1994 through June 30, 1996. We selected this period because it included the most recently completed Head Start grant year, which is the year ended November 30, 1995, plus the most recently completed Head Start school year, which covered from September 1995 to June 1996. Our review included the evaluation of CAAS's payroll, procurement and financial management reporting systems.

Our review included limited tests and procedures that we considered necessary to evaluate CAAS's internal control structure design and operation. This included a review of the internal control policies and procedures related to cash withdrawals for January 1, 1996 through June 30, 1996, and for disbursements and purchases for the period December 1, 1994 through June 30, 1996.

Below is a summary of the steps we took to achieve our objective.

- We reviewed the FY 1995 A- 133 single audit work papers prepared by CAAS's independent certified public accountant.
- For the period December 1, 1994 through June 30, 1996, we reviewed the minutes of the Board of Directors and the Policy Council meetings.
- We reviewed student enrollment and attendance data for the 1995-1 996 school year.
- We visited four of the twelve Head Start classrooms at two of the six separate facilities.
- We obtained an understanding of CAAS's policies and procedures and internal controls relating to its financial functions.
- We reviewed and tested transactions and general ledger balances for salaries, fringe benefits, indirect costs, travel, and supplies for the period December 1, 1994 through June 30, 1996 to determine that charges to Head Start were appropriate and allowable and that controls were adequate.
- We reviewed the procedures for providing meals to Head Start participants.
- We reviewed procedures to draw down funds from the Department of Health and Human Services Payment Management System and verified that the draw downs for the period January 1996 through June 1996 did not exceed the Federal draw down limits.

Our audit was conducted at CAAS's administrative and accounting offices in Somerville, Massachusetts during the period July 9, 1996 through August 5, 1996.

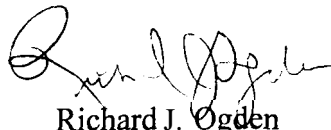
CONCLUSION

We did not identify any unallowable nor inappropriate costs in our review of the Head Start grant for the period December 31, 1994 through June 30, 1996. Accordingly, we are not recommending any financial adjustments to CAAS's financial status reports.

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), Office of Inspector General, Office of Audit Services reports issued to the Department's grantees and contractors are made available, if requested, the members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5.)

Please contact Lori Pilcher, Audit Manager, at (617) 565-2685 if you have any questions. To facilitate identification, please refer to Common Identification Number A-O 1-96-02504 in any correspondence relating to this report.

Sincerely yours,



Richard J. Ogden
Regional Inspector General
for Audit Services