



DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF AUDIT SERVICES  
233 NORTH MICHIGAN AVENUE  
CHICAGO, ILLINOIS 60601

REGION V  
OFFICE OF  
INSPECTOR GENERAL

March 18, 2009

Report Number: A-05-09-00045

Mary Burns  
Chief Executive Officer  
Miami Valley Child Development Centers, Inc.  
215 Horace Street  
Dayton, Ohio 45402-8318


Dear Ms. Burns:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Audit of Head Start Matching Costs for the Period January 1, 2006, Through December 31, 2007." We will forward a copy of this report to the HHS action official noted on the following page.

Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, OIG reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act. Accordingly, this report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please direct them to the HHS action official. Please refer to report number A-05-09-00045 in all correspondence.

Sincerely,

  
Marc Gustafson  
Regional Inspector General  
for Audit Services

Enclosure

**Direct Reply to HHS Action Official:**

Kent Wilcox  
Regional Administrator  
Administration for Children and Families  
U.S. Department of Health and Human Services  
Region V  
233 North Michigan Avenue, Suite 400  
Chicago, Illinois 60601

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**AUDIT OF HEAD START  
MATCHING COSTS FOR THE  
PERIOD JANUARY 1, 2006,  
THROUGH DECEMBER 31, 2007**

**MIAMI VALLEY CHILD  
DEVELOPMENT CENTERS, INC.**



**Daniel R. Levinson  
Inspector General**

**March 2009  
A-05-09-00045**

# ***Office of Inspector General***

<http://oig.hhs.gov>

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The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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# *Notices*

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**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
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## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

Pursuant to Public Law 110-134, Improving Head Start for School Readiness Act of 2007, Head Start is a national program that promotes school readiness by enhancing the social and cognitive development of children through the provision of educational, health, nutritional, social and other services to enrolled children and families. Within the U.S. Department of Health and Human Services, the Administration for Children and Families (ACF) administers the Head Start program.

The Head Start program provides grants to local public and private non-profit and for-profit agencies (local agencies) to provide comprehensive child development services to economically disadvantaged children and families, with a special focus on helping preschoolers develop the early reading and math skills needed to be successful in school. Head Start programs engage parents in their children's learning and emphasize parental involvement in the administration of local Head Start programs.

Federal regulations require local agencies to provide a 20-percent matching share of the total costs of their program. The matching share is from non-Federal sources which may be in the form of cash or in-kind contributions. Federal regulation 45 CFR part 1310.12(a), effective June 24, 2007, eliminated certain transportation costs that were previously allowable for classification as in-kind contributions. However, ACF Program Instruction ACF-PI-HS-07-04, dated June 27, 2007, instructed ACF regional offices to consider giving grantees that are significantly impacted by this change a one-year (partial) waiver of Head Start's non-Federal share requirement.

The Miami Valley Child Development Centers, Inc. (grantee) reported Head Start costs totaling \$22,311,762 for its fiscal year (FY) 2006 (January 1, 2006, through December 31, 2006) and \$20,787,602 for FY 2007 (January 1, 2007, through December 31, 2007). Of these costs, the grantee reported in-kind contributions totaling \$4,749,218 for FY 2006 and \$3,299,607 for FY 2007 as part of its share of the required 20-percent match. The grantee requested and the ACF Region V office approved a partial waiver of the 20-percent match for FY 2007 on April 21, 2008.

### **OBJECTIVE**

Our objective was to determine whether the grantee reported costs that met the Federal program requirements for the 20-percent matching share and allowable in-kind contributions claimed for FYs 2006 and 2007.

### **SUMMARY OF RESULTS**

The grantee reported costs that met Federal program requirements for the matching share and allowable in-kind contributions claimed for FYs 2006 and 2007. The grantee reported allowable in-kind contributions for volunteer services, facility space, and donated items that met the 20-percent matching share requirement for FY 2006. For FY 2007, the grantee provided 16 percent

in matching share costs but complied with the matching share requirements because the ACF Region V office approved the Federal waiver request related to the 20-percent matching share and the elimination of certain transportation costs as in-kind contributions.

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## **INTRODUCTION**

### **BACKGROUND**

Pursuant to Public Law 110-134, Improving Head Start for School Readiness Act of 2007, Head Start is a national program that promotes school readiness by enhancing the social and cognitive development of children through the provision of educational, health, nutritional, social and other services to enrolled children and families. Within the U.S. Department of Health and Human Services, the Administration for Children and Families (ACF) administers the Head Start program.

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Federal regulations require local agencies to provide a 20-percent matching share of the total costs of their program. The matching share is from non-Federal sources which may be in the form of cash or in-kind contributions. Federal regulation 45 CFR part 1310.12(a), effective June 24, 2007, eliminated certain transportation costs that were previously allowable for classification as in-kind contributions. However, ACF Program Instruction ACF-PI-HS-07-04, dated June 27, 2007, instructed ACF regional offices to consider giving grantees that are significantly impacted by this change a one-year (partial) waiver of Head Start's non-Federal share requirement.

The Miami Valley Child Development Centers, Inc. (grantee) reported Head Start costs totaling \$22,311,762 for its fiscal year (FY) 2006 (January 1, 2006, through December 31, 2006) and \$20,787,602 for FY 2007 (January 1, 2007, through December 31, 2007). Of these costs, the grantee reported in-kind contributions totaling \$4,749,218 for FY 2006 and \$3,299,607 for FY 2007 as part of its share of the required 20-percent match. The grantee requested and the ACF Region V office approved a partial waiver of the 20-percent match for FY 2007 on April 21, 2008.

### **OBJECTIVE, SCOPE, AND METHODOLOGY**

#### **Objective**

Our objective was to determine whether the grantee reported costs that met Federal program requirements for the 20-percent matching share and allowable in-kind contributions claimed for FYs 2006 and 2007.

## **Scope**

Our review included costs reported for the period January 1, 2006, through December 31, 2007. We did not review the overall internal control structure of the grantee. We limited our internal control review to obtaining an understanding of the procedures used by the grantee to document compliance with Federal requirements for the 20-percent matching share of costs and in-kind matching contributions.

We reviewed three months of sampled in-kind contributions totaling \$930,816 from FY 2006 and \$332,785 from FY 2007. In each of the three months, we reviewed sampled volunteer services, facility space, and donated items claimed as in-kind contributions in Montgomery, Clark, and Madison Counties.

We conducted fieldwork at the grantee's office in Dayton, Ohio in November 2008.

## **Methodology**

To accomplish the objective, we:

- reviewed applicable laws, regulations, and guidelines;
- reviewed the most recently completed triennial review of the grantee;
- reviewed correspondence with the ACF Region V Office related to non-Federal matching costs;
- gained an understanding of the grantee's accounting system;
- reviewed sampled invoices, journal entries, and trial balances;
- reviewed costs claimed and supporting documentation for sampled cost categories;
- reconciled the final financial status report to the grantee's accounting records; and
- reviewed sampled costs for allocability, reasonableness, and allowability.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## **RESULTS OF AUDIT**

The grantee reported costs that met Federal program requirements for the matching share and allowable in-kind contributions claimed for FYs 2006 and 2007. The grantee reported allowable

in-kind contributions for volunteer services, facility space, and donated items that met the 20-percent matching share requirement for FY 2006. For FY 2007, the grantee provided 16 percent in matching share costs but complied with the matching share requirements because the ACF Region V office approved the Federal waiver request related to the 20-percent matching share and the elimination of certain transportation costs as in-kind contributions.