



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

November 12, 2009

**TO:** Yvette Sanchez Fuentes  
Director, Office of Head Start  
Administration for Children and Families

**FROM:** /Lori S. Pilcher/  
Assistant Inspector General for Grants, Internal Activities,  
and Information Technology Audits

**SUBJECT:** Recipient Capability Audit of Lowcountry Community Action  
Agency, Inc. (A-04-09-03530)

The attached final report provides the results of our limited scope review of Lowcountry Community Action Agency, Inc.'s (Lowcountry) capacity to manage and account for Federal funds and to operate its Head Start program in accordance with Federal regulations. This review was requested by the Administration for Children and Families, Office of Head Start, as part of its overall assessment of Head Start grantees that have applied for additional funding under the Recovery Act.

The Recovery Act was signed into law by President Obama on February 17, 2009. The Recovery Act includes measures to modernize our nation's infrastructure, enhance energy independence, expand educational opportunities, preserve and improve affordable health care, provide tax relief, and protect those in greatest need.

At the President's direction, Federal agencies are taking critical steps to carry out the Recovery Act effectively. All Federal agencies and departments receiving Recovery Act funds must maintain strong internal controls and implement oversight mechanisms and other approaches to meet the accountability objectives of the Recovery Act.

The objective of our limited scope review was to assess Lowcountry's capacity to manage and account for Federal funds and to operate its Head Start program in accordance with Federal regulations.

Generally, Lowcountry has the capacity to manage and account for Federal funds and to operate its Head Start program in accordance with Federal regulations. We did not find any problems concerning Lowcountry's: financial position, project execution policies and practices, procurement practices, controls over property, or personnel policies and procedures. However,

we did identify certain issues concerning: oversight by the Board of Directors (Board), lack of timely financial reporting, and physical security over its credit cards.

The Board did not exercise sufficient oversight over the Head Start program, nor did it act timely or effectively concerning certain significant events including a complaint involving alleged child abuse. In addition, a current member of the Board did not understand her role on the Board. Lowcountry did not submit some of its financial reports to the Federal Government timely, and one of Lowcountry's credit cards was not properly signed out to a user.

Also, in its prior review, ACF noted that a contract between Lowcountry and a financial consultant for financial services did not contain pertinent information, such as the services to be provided, the amount to be paid, and the provisions for terminating the contract. Lowcountry revised the current contract for calendar year 2009 to include that information.

## **RECOMMENDATION**

In determining whether Lowcountry should be awarded additional Head Start and Recovery Act grant funding, we recommend that ACF consider the information presented in this report.

In written comments on our draft report, Lowcountry disagreed that its Board did not exercise adequate oversight over Head Start program activities but, said that corrective action would be taken to better document in the minutes the Boards decisions. Lowcountry also included documents with its comments that it believed would provide additional information relative to the report's findings.

In response to our finding that some its Federal financial reports were filed late, Lowcountry said it obtained verbal approval from ACF to file its financial reports late. Regarding controls over its credit cards, Lowcountry said that its controls had been strengthened to assure that credit cards are properly signed out before release to an employee. Lowcountry's comments and the Office of Inspector General's response to those comments are summarized below.

Lowcountry's comments did not cause us to change our findings. Accordingly, we continue to recommend that ACF consider the information presented in this report in assessing whether Lowcountry should be awarded additional Head Start and Recovery Act grant funding.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

Please send us your final management decision, including any action plan, as appropriate, within 60 days. If you have any questions or comments about this report, please do not hesitate to contact me at (202) 619-1175 or through email at [Lori.Pilcher@oig.hhs.gov](mailto:Lori.Pilcher@oig.hhs.gov). Please refer to report number A-04-09-03530 in all correspondence.

Attachment

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**RECIPIENT CAPABILITY AUDIT OF  
LOWCOUNTRY COMMUNITY ACTION  
AGENCY, INC.**



Daniel R. Levinson  
Inspector General

November 2009  
A-04-09-03530

# *Office of Inspector General*

<http://oig.hhs.gov>

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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

## **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 P.L. No. 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.

Under the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted February 17, 2009, ACF received \$1 billion, including nearly \$354 million to help improve staff compensation and training, upgrade Head Start centers and classrooms, increase hours of operation and enhance transportation services, and \$356 million to award all Head Start grantees a nearly five percent cost-of-living increase and bolster training and technical assistance activities.

Lowcountry Community Action Agency, Inc. (Lowcountry), a not-for-profit agency, operates a Head Start program that provides education, health, and social services to low-income pre-school children and their families in South Carolina. Lowcountry also operates a number of other federally funded assistance programs including a Community Services Block Grant program, an Emergency Shelter Grant program, and a Low Income Home Energy Assistance program. In addition, Lowcountry operates a Project Share program, which provides financial assistance toward heating and cooling energy bills and is privately funded by South Carolina Electric and Gas.

Lowcountry is funded primarily through Federal and local government grants. During calendar year 2009, ACF awarded grant funds to Lowcountry totaling \$2,065,549.

In addition, Lowcountry received Recovery Act grant funding for calendar year 2009 totaling \$158,883 for salary increases and quality improvement.

### **OBJECTIVE**

The objective of our limited scope review was to determine whether Lowcountry is financially viable and has the capacity to manage and account for Federal funds and to operate its Head Start program in accordance with Federal regulations.

### **SUMMARY OF FINDINGS**

Generally, Lowcountry is financially viable and has the capacity to manage and account for Federal funds and to operate its Head Start program in accordance with Federal regulations. We did not find any problems concerning Lowcountry's: project execution policies and practices, procurement practices, controls over property, or personnel policies and procedures. However,

we did identify certain issues concerning: oversight by the Board, lack of timely financial reporting, and physical security over its credit cards.

The Board did not exercise sufficient oversight over the Head Start program, nor did it act timely or effectively concerning certain significant events including a complaint involving alleged child abuse. In addition, a current member of the Board did not understand her role on the Board. Lowcountry did not submit some of its financial reports to the Federal Government timely, and one of Lowcountry's credit cards was not properly signed out to a user.

Also, in its prior review, ACF noted that a contract between Lowcountry and a financial consultant for financial services did not contain pertinent information, such as the services to be provided, the amount to be paid, and the provisions for terminating the contract. Lowcountry revised the current contract for calendar year 2009 to include that information.

## **RECOMMENDATION**

In determining whether Lowcountry should be awarded additional Head Start and Recovery Act grant funding, we recommend that ACF consider the information presented in this report.

## **LOWCOUNTRY COMMUNITY ACTION AGENCY, INC. COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

Lowcountry disagreed that its Board did not exercise adequate oversight over Head Start program activities but said that corrective action would be taken to better document the Board's decisions in the minutes. Lowcountry also included documents with its comments that it believed would provide additional information relative to the report's findings.

In response to our finding that it had filed some of its Federal financial reports late, Lowcountry said it had obtained verbal approval from ACF to file its financial reports late. Regarding controls over its credit cards, Lowcountry said that its controls had been strengthened to assure that credit cards are properly signed out before release to an employee.

Lowcountry's comments did not cause us to change our findings. Accordingly, we continue to recommend that ACF consider the information presented in this report in assessing whether Lowcountry should be awarded additional Head Start and Recovery Act grant funding.

The complete text of Lowcountry's comments, excluding exhibits that contained personally identifiable information, is included as the Appendix.

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## **INTRODUCTION**

### **BACKGROUND**

#### **Head Start Program**

Pursuant to P.L. No. 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 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.

Under the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted February 17, 2009, ACF received \$1 billion, including nearly \$354 million to help improve staff compensation and training, upgrade Head Start centers and classrooms, increase hours of operation and enhance transportation services, and \$356 million to award all Head Start grantees a nearly five percent cost-of-living increase and bolster training and technical assistance activities.

#### **Lowcountry Community Action Agency, Inc.**

Lowcountry Community Action Agency, Inc. (Lowcountry), a not-for-profit agency, operates a Head Start program that provides education, health, and social services to low-income pre-school children and their families in South Carolina. Lowcountry also operates a number of other federally funded assistance programs including a Community Services Block Grant program, an Emergency Shelter Grant program, and a Low Income Home Energy Assistance program. In addition, Lowcountry operates a Project Share program, which provides financial assistance toward heating and cooling energy bills and is privately funded by South Carolina Electric and Gas.

Lowcountry is funded primarily through Federal and local government grants. During calendar year 2009, ACF awarded grant funds to Lowcountry totaling \$2,065,549.

In addition, Lowcountry received Recovery Act grant funding for calendar year 2009 totaling \$158,883 for salary increases and quality improvement.

## **Federal Requirements**

P.L. No. 110-134 “Improving Head Start for School Readiness Act of 2007” (the Head Start Act) reauthorized the Head Start program and significantly revised the previous Head Start Act. Various provisions of the Head Start Act address specific grantee activities. In addition, Federal regulations contained in 45 CFR govern the Head Start program.

Section 642(c)(1)(A) of the Head Start Act states that the governing body “shall have legal and fiscal responsibility for the Head Start agency.” The Board of Directors (Board) is the governing body of Lowcountry with fiscal and legal responsibilities for administering the program.

Section 642(1)(E)(i) through (xi) of the Head Start Act describes the responsibilities of the Board. In general, the Board is responsible for assuring “active, independent, and informed governance of the Head Start agency.”

With respect to Policy Council actions, Section 642(c)(2)(D)(vi) of the Head Start Act states that the Policy Council shall submit decisions it makes to the Board.

Section 647 of the Head Start Act requires agencies to disclose the amount and disposition of financial assistance.

Federal regulations (2 CFR § 215.51(b)) require that recipients submit annual reports 90 calendar days after the grant year and quarterly or semiannual reports 30 calendar days after the reporting period for the grant.

Federal regulations (2 CFR § 215.21(b)(3)) require that agencies “have effective control over and accountability for all funds, property and other assets.”

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

### **Objective**

The objective of our limited scope review was to determine whether Lowcountry is financially viable and has the capacity to manage and account for Federal funds and to operate its Head Start program in accordance with Federal regulations.

### **Scope**

We performed this review based on a June 19, 2009, limited scope request from ACF. We did not perform an overall assessment of Lowcountry’s internal control structure. Rather, we reviewed only the internal controls that pertained directly to our objectives. Our review focused on calendar year 2009. We also reviewed some documentation for earlier periods.

We performed our fieldwork at Lowcountry’s administrative office in Walterboro, South Carolina, during July 2009.

## **Methodology**

We performed a limited scope review of Lowcountry. To accomplish our objective, we reviewed: (1) relevant Federal laws, regulations, and guidance and (2) Lowcountry's:

- audited financial statements for 2005, 2006, 2007, and 2008;
- financial position, including performing ratio analysis of financial information;
- organizational structure and duties, including that of the Board;
- policies and procedures that address the reporting requirements and terms and conditions of the grant award;
- financial systems established to account for Head Start program funding;
- procurement practices;
- controls over property; and
- personnel policies and procedures.

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.

## **FINDINGS AND RECOMMENDATION**

Generally, Lowcountry is financially viable and has the capacity to manage and account for Federal funds and to operate its Head Start program in accordance with Federal regulations. We did not find any problems concerning Lowcountry's: project execution policies and practices, procurement practices, controls over property, or personnel policies and procedures. However, we did identify certain issues concerning: oversight by the Board, lack of timely financial reporting, and physical security over its credit cards.

The Board did not exercise sufficient oversight over the Head Start program, nor did it act timely or effectively concerning certain significant events including a complaint involving alleged child abuse. In addition, a current member of the Board did not understand her role on the Board. Lowcountry did not submit some of its financial reports to the Federal Government timely, and one of Lowcountry's credit cards was not properly signed out to a user.

Also, in its prior review, ACF noted that a contract between Lowcountry and a financial consultant for financial services did not contain pertinent information, such as the services to be

provided, the amount to be paid, and the provisions for terminating the contract. Lowcountry revised the current contract for calendar year 2009 to include that information.

## **BOARD OF DIRECTORS OVERSIGHT**

We concluded that the Board did not exercise adequate oversight over Head Start program activities. In some instances, significant decisions were either made or endorsed by the Board in what appeared to be a perfunctory manner without documented debate or consideration. In other instances, no decision was made at all concerning issues brought to the Board's attention.

### **Handling of Alleged Child Abuse**

The Board did not handle an incident of alleged child abuse timely. The Executive Director informed the Board on November 25, 2008, that a child abuse complaint had been made against a Lowcountry employee. The Board did not make a decision at that time nor did the Board minutes indicate that the Board investigated the matter. In addition to Federal requirements, Section 604 of Lowcountry's policies and procedures require that major complaints from the community be investigated and resolved by the Board or Policy Council (which reports to the Board).

We did not find any other evidence that Lowcountry took action until July 2, 2009, after we began our audit, when, Lowcountry dismissed the employee who was the subject of the allegation. The Board did not act on the complaint timely.

### **Hiring of Executive Director**

We did not see in the Board minutes that the Board officially appointed Lowcountry's Executive Director prior to his employment in June 2009, even though Lowcountry's by-laws (Article XXI, Section I) state that the governing body (Board) has the responsibility to appoint the Executive Director. The Board minutes subsequent to the Executive Director's hiring were not yet available at the time we were on site.

### **Hiring of Deputy Executive Director**

The Executive Committee minutes contained only very brief comments concerning the hiring of the Deputy Executive Director. Although the Executive Committee approved the Deputy's employment, it did not document in the minutes the need for the position, the length of the Deputy's employment, or any reimbursement or funding method. According to Article VII of Lowcountry's by-laws, the Executive Committee is to report on actions it takes at the next meeting of the full Board. We did not find any evidence of the Executive Committee's actions in the Board minutes.

### **Responding to Office of Head Start Concerns**

Minutes of the Executive Committee meeting on January 24, 2009, state that Lowcountry only received partial funding because it had six program issues and two fiscal issues that needed to be

addressed before the Office of Head Start would provide the full grant amount. The minutes state that information was sent to the Office of Head Start along with responses for its review and approval.

No documentation in subsequent minutes showed that the Board followed up with Lowcountry staff to determine whether the issues had been resolved.

### **Transportation Concerns**

According to the November 25, 2008, Board minutes, the Executive Director said that he wanted the caseworkers and the transportation coordinators to “sit down and map out the routes for children being picked up and how far a driver is to go and not to go.” The Executive Director said that children “are being signed up 5 and 6 miles out of the way and this is where our problem comes in.” The Executive Director also said that at a Policy Council meeting, a parent complained about a child not getting off the bus and the bus monitor not performing a complete check of the bus before it departed. According to the Executive Director, the child was still on the bus and was found by the bus driver, but the bus driver had not written a report about the incident.

The Board minutes do not show that the Executive Director’s concerns were resolved. The minutes did not mention any new or revised bus routes, parent satisfaction with actions taken to correct the problem, disciplinary actions against the bus monitor or bus driver, or any kind of incident report completed by the bus driver.

### **Filling Vacant Positions**

The Head Start Director stated at a July 2008 Board meeting that they were having trouble filling two types of positions—bus drivers and cooks—because the high schools and surrounding programs offered higher pay. According to the Board minutes, the Head Start Director proposed allowing one of the bus drivers to serve also as a cook assistant. The minutes do not show what action the Board took on the Head Start Director’s proposal.

### **Board Member Did Not Understand Her Role**

We interviewed four members of the Board. One member said that she did not have a full understanding of her role as a member of the Board. This member has been a Board member since February 2009.

### **FINANCIAL REPORTS NOT SUBMITTED TO THE ADMINISTRATION FOR CHILDREN AND FAMILIES TIMELY**

Lowcountry did not always submit financial reports to the Administration for Children and Families timely. Lowcountry submitted the annual report for calendar year 2007 33 days late and for calendar year 2008 14 days late. We calculated the number of days late after subtracting the 90-day grace period allowed by Federal regulations to submit annual financial reports.

The semiannual report for July through December 2008 was 21 days late. Quarterly reports for January through March 2007, July through September 2007, October through December 2007, and January through March 2008 were 7 days, 113 days, 21 days, and 2 days late, respectively. We calculated the number of days late after subtracting the 30-day grace period allowed by Federal regulations to submit both semiannual and quarterly financial reports.

## **CONTROLS OVER CREDIT CARDS**

Lowcountry had nine credit cards at the time of our site work in July 2009. Lowcountry's accounting manual states in Section IV that all credit cards are to be stored in a safe and that any employee needing a credit card must sign it out from the safe on a credit card log. On July 16, 2009, we found seven of the credit cards in the safe. One of the two missing cards was signed out by an employee. The remaining card was neither in the safe nor signed out by an employee. When we inquired about the missing card, Lowcountry officials said the card was being used by the Executive Director for official travel to a meeting at the Regional ACF office. According to a Lowcountry official, it was an oversight that the Executive Director did not sign the credit card out.

## **FINANCIAL CONSULTING CONTRACT**

ACF noted in its November 2008, onsite monitoring review that Lowcountry had a contract with a financial consultant for calendar year 2008 that did not contain pertinent information such as the services to be provided, the amount to be paid, or the provisions for terminating the contract. The contract for calendar year 2009, which was signed on January 1, 2009, had been revised to contain specific information such as the amount of reimbursement, time required, and conditions related to termination.

## **RECOMMENDATION**

In determining whether Lowcountry should be awarded additional Head Start and Recovery Act grant funding, we recommend that ACF consider the information presented in this report.

## **LOWCOUNTRY COMMUNITY ACTION AGENCY, INC. COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

Lowcountry disagreed that its Board did not exercise adequate oversight over Head Start program activities but said that corrective action would be taken to better document the Board's decisions in the minutes. Lowcountry also included documents with its comments that it believed would provide additional information relative to the report's findings.

In response to our finding that it had filed some of its Federal financial reports late, Lowcountry said it had obtained verbal approval from ACF to file its financial reports late. Regarding controls over its credit cards, Lowcountry said that its controls had been strengthened to assure that credit cards are properly signed out before release to an employee. Lowcountry's comments and the Office of Inspector General's response are summarized below.

## **Board of Directors Oversight**

### *Handling of Alleged Child Abuse*

#### *Lowcountry Community Action Agency, Inc. Comments*

Lowcountry said that in lieu of Board minutes, action taken by the Executive Director against those employees would be found in the employees' personnel files. Lowcountry provided a number of documents showing that it took disciplinary action concerning the alleged child abuse. Lowcountry also said that the Board Chairman was fully advised of the incident. Lowcountry further said that, in the future, the Board would ensure that personnel issues are resolved by the next Board meeting and that action taken is documented in the minutes.

#### *Office of Inspector General Response*

Our finding was not that Lowcountry management did not take action regarding the child abuse allegation. Our finding was that Lowcountry did not provide any evidence that the Board or the Policy Council, which reports to the Board, investigated and resolved the matter as required by Federal regulations (45 CFR § 1304.50(d)(2)(v)) and Lowcountry's policies and procedures. Lowcountry's anticipated changes should help ensure more effective Board involvement in the future.

### *Hiring of Executive Director*

#### *Lowcountry Community Action Agency, Inc. Comments*

In its written response, Lowcountry provided a copy of Board minutes dated May 21, 2009. These minutes contained comments that the Board, after discussion, approved hiring the Executive Director. Lowcountry said these minutes were not available at the time of our site work in July. Lowcountry said that the agency will prepare Board minutes more timely in the future.

#### *Office of Inspector General Response*

At the time of our on site work in July 2009, Lowcountry provided us the May 21, 2009 minutes, which did not include any comments about the hiring of the Executive Director. These minutes were captioned as an "excerpt." On August 19, 2009, about a month after completing our onsite review, we requested Lowcountry provide us any additional information it had that pertained to the Board minutes we had received up to that point. Lowcountry did not provide any updated minutes prior to its response to our findings.

## *Hiring of Deputy Executive Director*

### *Lowcountry Community Action Agency, Inc. Comments*

Regarding our finding on the lack of information in the Board minutes about hiring the Deputy Executive Director, Lowcountry said that the Board discussed the hiring of the Deputy Executive Director in executive session and that these discussions were handled confidentially with only brief reference in the Executive Committee minutes. Lowcountry said that, in the future, it would include more details in Board minutes.

### *Office of Inspector General Response*

We did not find any comments in the Board's minutes concerning the hiring of the Deputy Executive Director. According to Lowcountry's by-laws, actions taken by the Executive Committee are to be reported to the Board. Lowcountry's anticipated changes should help improve the circumstances we found.

## *Responding To Office of Head Start Concerns*

### *Lowcountry Community Action Agency, Inc. Comments*

Regarding our finding that Board minutes did not show that the Board followed up with Lowcountry staff to determine whether Office of Head Start concerns had been resolved, Lowcountry said that during the May 21, 2009, Board meeting, the Finance/Human Resources Director advised the Board that reports submitted to the Office of Head Start Regional Office had resolved the issues. Lowcountry said that this information was omitted from the Board minutes and that Board minutes will be more complete in the future.

### *Office of Inspector General Response*

Lowcountry's comments do not specifically address whether the Board approved the actions that its staff took. Board minutes should reflect the Board's decisions and any actions taken on those decisions.

## *Transportation Concerns*

### *Lowcountry Community Action Agency, Inc. Comments*

Regarding our finding that Board minutes do not show that transportation concerns were resolved, Lowcountry said that, currently, the Board receives staff reports from department heads. The Head Start report contains a transportation component that informs the Board of ongoing issues. Lowcountry said that it had sent a formal response to the Regional Office (ACF) on April 6, 2009, concerning the issues noted at a November Board meeting. Lowcountry also said that these staff reports would now be received as information by the Board to be resolved and that the reports would be attached to and made a part of the Board minutes.



*Office of Inspector General Response*

When implemented, the procedural changes that Lowcountry outlined in its comments should help to ensure that actions that the Board takes are documented in meeting minutes.

*Filling Vacant Positions*

*Lowcountry Community Action Agency, Inc. Comments*

Regarding our finding that the Board minutes did not show what action the Board took on the Head Start Director's proposal to allow one of the bus drivers to serve also as a cook assistant, Lowcountry said that the action taken by the Board is reflected in the Board's approval of the 2009 Head Start budget, which included the Head Start director's proposal for salary increases for bus drivers. Lowcountry said that the Board currently receives information on changes for each new budget proposal or revision and that a copy of each Summary of Changes will be acted upon by the Board and attached to and made a part of the Board minutes.

*Office of Inspector General Response*

Although Lowcountry's comments indicate that the Board approved bus driver and cook positions in the 2009 budget, subsequent Board minutes do not document an approved plan of action to fill these vacancies.

*Board Member Did Not Understand Her Role*

*Lowcountry Community Action Agency, Inc. Comments*

Lowcountry said that the board member in question has now received formal training and that the Board will schedule additional training for Board members as necessary.

**Financial Reports Not Submitted Timely to the Administration for Children and Families**

*Lowcountry Community Action Agency, Inc. Comments*

Lowcountry said that the lack of a Fiscal Officer resulted in the delayed financial reporting. Lowcountry also said that they obtained verbal extensions from ACF Region IV for submission of the reports but failed to document these extensions. Lowcountry said that they now have a full-time Finance/HR Director who would ensure that all reports are filed timely and that any required extensions are properly documented.

*Office of Inspector General Response*

Lowcountry's changes should help ensure that reports are filed timely or appropriately extended.

## **Controls Over Credit Cards**

### *Lowcountry Community Action Agency, Inc. Comments*

Lowcountry said that the Executive Director was newly hired at the time he obtained the agency's credit card and, thus, was not aware of the requirement to sign the card out. Lowcountry also said that new policies had been implemented to help ensure that credit cards are properly accounted for.

The complete text of Lowcountry's comments, excluding exhibits that contained personally identifiable information, is included as the Appendix.

# **APPENDIX**

**APPENDIX: LOWCOUNTRY COMMUNITY ACTION AGENCY, INC.  
COMMENTS**



**Lowcountry Community Action Agency, Inc.**

319 Washington Street • P.O. Box 1726 • Walterboro, South Carolina 29488 • 843-549-5576 • Fax: 843-549-2190  
Hampton County Office: 843-943-3561 • Headstart Admin. Office: 843-835-2760 • Headstart Fax: 843-835-5783

October 19, 2009

Department of Health and Human Services  
Office of Inspector General  
**Attn: Mr. Peter J. Barbera**  
Regional Inspector General for Audit Services  
61 Forsyth St. SW. Suite 3T41  
Atlanta, GA 30303

**RECEIVED**

OCT 21 2009

Office of Audit Svcs.

**Re: A-04-09-03530**

Dear Mr. Barbera:

Lowcountry Community Action Agency, Inc. has thoroughly and comprehensively reviewed report number **A-04-09-03530** regarding the Recipient Capability Audit of Lowcountry Community Action Agency, Inc. The Board is please with the findings which determined that Lowcountry Community Action Agency, Inc. *"has the capacity to manage and account for Federal funds and to operate its Head Start program in accordance with Federal regulations."* Furthermore, the statement regarding not finding *"any problems concerning Lowcountry's: financial position, project execution policies and practices, procurement practices, controls over property, or personnel policies and procedures,"* speaks to this agencies strive for excellence in the operation of a quality Head Start Program. Please let this letter serve as the board's commentary on the validity of the facts and reasonableness of the findings presented in this report.

**I. Finding Re: Board of Directors Oversight.**

**Agency Response:**

The Board of Directors for Lowcountry Community Action Agency, Inc. diligently performs its responsibilities described in Section 642(1)(E)(i) through (xi) of the Head Start Act by assuring "active, independent, and informed governance of the Head Start agency." Decisions are not made or endorsed without detailed staff reports, thorough questioning, and deliberation. The Board maintains that it was informed and acted upon

the concerns and issues noted in this report. Personnel related issues are confidential; therefore, the discussions of these types of instances are reserved for executive session and are not placed in the minutes. The Board recognizes that minutes should at a minimum reflect the actions taken during executive session, copies of the staff reports received by the board, and additional details regarding the deliberation process before a final decision is made; therefore the following corrective action will be taken:

***Corrective Action Plan:***

The Board has asked the agencies Administrative Assistant to provide complete details of all discussions, concerns, and actions taken at all board meetings. The details should be reflected in the official minutes of Board of Directors meetings. Staff reports will be received as information by board resolution and that each such resolution will direct that the report be attached to and made a part of the minutes of the board meeting. Executive session actions taken will be reflected in the board minutes.

**II. *Finding Re: Handling of Alleged Child Abuse.***

***Agency Response:***

The Board was fully advised of the incident regarding alleged child abuse. The Executive Director was charged with investigating the incident and with responding in compliance with agency policies and procedures. Due to the Thanksgiving holidays, the incident in question could not be investigated immediately; however, action was taken on December 1, 2008. Subsequent actions are duly noted in the personnel file of the employee in question. The board chairman, Lawrence Shaw, was fully informed of the actions taken. After reviewing the matter, he concluded that staff's response to the incident was adequate and that no further board review was necessary. Please note the attached correspondence from Mr. Lawrence Shaw to the Regional Program Manager dated April 6, 2009 regarding the situation. After subsequent communication with the Region IV Office of Head Start and noting their disagreement with the disciplinary actions taken in this instance, the agency's Executive Director reevaluated the Agency's response to the actions of the employee and issued a more severe action in July 2009.

***Corrective Action Plan:***

As to personnel related issues discussed during executive session, the board, in the future, will ensure that personnel related issues are resolved by the next official board meeting and at the least, documented in the minutes, in such a manner as to note

action has been taken, but not to disclose details, but with reference to the employee's personnel file for details. **See details contained in Corrective Action Plan listed under Item I.**

**III. Finding Re: Hiring of the Executive Director.**

**Agency Response:**

The Board of Director's held a Board Meeting on May 21, 2009 wherein the minutes clearly indicate the decision of the board to officially appoint [REDACTED] as the new Executive Director effective June 8, 2009. The minutes of this meeting were not prepared and available for review during the onsite visit due to staffing issues; however, a copy has been attached for your review.

**Corrective Action Plan:**

The Board has asked that the agencies Administrative Assistant prepare the minutes in a timely fashion; not later than two (2) weeks after the conclusion of a meeting.

**IV. Finding Re: Hiring of the Deputy Executive Director.**

**Agency Response:**

The Board of Director's discussed in detail the necessity of the position, the job description/responsibilities, terms/length of employment, and funding method during executive session. The discussions related to this position were defined as a personnel matter and therefore handled confidentially. Brief comments concerning the hiring of the Deputy Executive Director are contained in the Executive Committee minutes. Detailed employment information is contained in the employee's personnel file. Executive Committee minutes were presented to the full board and submitted for adoption/approval.

**Corrective Action Plan:**

Personnel related issue discussed during executive session. **See details contained in Corrective Action Plans listed under Items I and III.**

**V. Finding Re: Responding to the Office of Head Start Concerns.**

**Agency Response:**

The deleted text has been redacted because it is personally identifiable information.

The Board of Director's receives staff reports from department heads which are presented during the Board Meetings. During the May 21, 2009 meeting, the Finance/HR Director advised the board that the reports submitted to the Regional Office of Head Start were sufficient to resolve fiscal and programmatic issues; subsequently the remainder of PY2009 funds was awarded to the agency. The board was made aware of this fact at its May 2009 meeting, but this detail was not included in the minutes.

**Corrective Action Plan:**

Written staff reports presented to the board during all meetings will be received as information by board resolution and the each such resolution will direct that the report be attached to and made a part of the minutes of the board meeting and kept on file for review. **See details contained in *Corrective Action Plans* listed under Items I and III.**

**VI. *Finding Re: Transportation Concerns.***

***Agency Response:***

The Board of Director's receives staff reports from department heads which are presented during the Board Meetings. The printed Head Start report contains a transportation component which informs the board of on-going issues related to transportation services and resolutions. With regard to the personnel matters discussed in this report, a formal response was sent to the Regional Office on April 6, 2009 by the board chairman which both confirms the board's oversight and outlines the actions taken. Incident reports and evidence of disciplinary actions are properly documented in employee personnel files.

**Corrective Action Plan:**

Written staff reports presented to the board during all meetings will be received as information by board resolution and each such resolution will direct that the report be attached to and made a part of the minutes of the board meeting and kept on file for review. **See details contained in *Corrective Action Plans* listed under Items I and III.**

**VII. *Finding Re: Filling Vacant Positions.***

***Agency Response:***

The action taken by the Board of Directors as it relates to the Bus Driver and Cook Aide issue is reflected in the Board's approval of the 2009 Head Start Grant Application which was submitted in September 2008. The 2009 Head Start Grant Application included budgeted salary increases for Bus Drivers and the creation of a dual role position entitled Bus Driver/Cook Aide. The proposed changes were effective January 1, 2009. The Board currently receives a summary of changes for each new budget proposal or revision for existing programs which outlines: personnel changes, annual budget variances, and key changes.

**Corrective Action Plan:**

A copy of each Summary of Changes submitted to the Board of Directors will be acted on by board resolution and each such resolution will direct that the Summary of Changes presented be attached to and made a part of the minutes of the board meeting and kept on file for review. ***See details contained in Corrective Action Plans listed under Items I and III.***

**VIII. Finding Re:** *Board Member Not Understanding Her Role.*

***Agency Response:***

At the time of the interview, in early July 2009, the board member in question had only been a member of the Board of Directors for five (5) months (since February 2009). Although materials were provided which outlined the duties and responsibilities of board members, formal training was not available until later in July 2009. This board member was scheduled for and did subsequently attend the Standards of Excellence Conference held by the Region IV Office of Head Start on July 13 – 16, 2009, which provided formal training related to Board Governance.

**Corrective Action Plan:**

Board Governance training was scheduled and held on Saturday, August 22, 2009 through the T/TA network. Board members are encouraged to attend conferences offered by the Regional Office and State Association. The Board will schedule additional trainings with the T/TA network as deemed necessary to instruct board members of the boards' legal and fiscal responsibilities for administering the program.



**IX. Finding Re:** *Financial Reports not submitted to the Administration for Children and Families Timely.*

**Agency Response:**

Lowcountry Community Action Agency, Inc. did not have a Fiscal Officer in place from June 2007 through May 2008 due to human resources recruitment issues. In the absence of a Fiscal officer, the agency secured the services of a Financial Consultant to ensure the submission of required reports. The agencies Executive Director communicated reporting issues verbally with ACF Region IV Fiscal Specialist, [REDACTED] subsequently receiving a verbal extension for the submission of the annual, semi-annual, and quarterly reports cited in this report. We regret that we do not have written documentation of these extensions in the agencies records.

**Corrective Action Plan:**

Lowcountry Community Action Agency, Inc. has hired a full-time Finance/HR Director as of May 26, 2008. All subsequent reporting has been filed timely with the Administration for Children and Families. The agency will ensure that all reports are filed timely and that any required extensions are properly evidenced with written communication.

**X. Finding Re:** *Credit Cards Controls.*

**Agency Response:**

The Board acknowledges two areas of weakness with the implementation of its policy regarding credit cards.

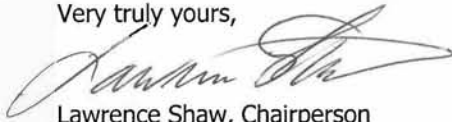
1. The New Executive Director who was hired on June 8, 2009, was not aware, at the time of the compliance audit, of the policy requiring that agency credit cards be signed out via a log before securing it from the fiscal department's safe.
2. The agency's credit card log has been maintained in the administrative area for employees to sign out the cards. Once the log was completed, the Administrative Assistant contacted the fiscal department and requested someone from the fiscal department bring the credit card from the safe to the employee in the administrative area. The fiscal staff would then issue the card to the employee without physically verifying the log.

**Corrective Action Plan:**

To ensure that credit cards are properly signed out before release to an employee, the credit card log has been moved to the fiscal department. The Administrative Assistant informs fiscal staff when an employee desires to sign out an agency credit card. The fiscal staff removes the card from the safe and walks the card and the credit card log out to the administrative area. The fiscal staff ensures that the log is completed before physically releasing the card to the employee. Cards are returned through the same process.

Thank you for providing the board the opportunity to comment on the compliance findings. If you should have any additional questions, please feel free to contact me.

Very truly yours,



Lawrence Shaw, Chairperson  
Board of Directors

Enclosures:

letter from [REDACTED] Shaw to the Regional Program Manager dated April 6, 2009

LOWCOUNTRY COMMUNITY ACTION AGENCY, INC.  
BOARD OF DIRECTOR'S MEETING  
MAY 21, 2009

Board members present: [REDACTED]

Board members absent: [REDACTED] and [REDACTED]

Meeting called to order

Invocation

[REDACTED] stated that we are currently in our cooling program and one of the things that OEO is requiring is that the contractor who is installing the heating and cooling unit they have to perform manual J calculation. She stated what that was, is that the contractor test for leakage in the housing and it helps determine what type of unit should be installed.

[REDACTED] stated that she spoke with the weatherization person from Charleston County Human Service who does weatherization in Colleton County and he told her that it would cost the agency to have a contractor to go out and do the manual J calculation and plus we would have to have someone install the units. [REDACTED] stated that the price on the unit has been increased to \$5000.

[REDACTED] stated that she explained to the weatherization person that we have to have three bids on the units and he informed her that if the board could waive the \$500 limit for bids and go with the state limit of \$5000 it shouldn't be a problem to select one or two contractors to do the all of the installation as well as the manual J calculation and this would save the agency some money. [REDACTED] stated that this waive would only affect the cooling and heating program.

After a lengthy discussion [REDACTED] made a motion to waive the \$500 to allow [REDACTED] to go with the state limit of \$5000 in order for the air conditioner units to be installed and do the manual J calculation. [REDACTED] seconded the motion. The motion carried.

[REDACTED] stated that they received the final stimulus amount for the CSBG Program and Lowcountry CAA will receive \$341,219 and this budget is due one June 5, 2009 and it will require board approval. The budget will go from July 1, 2009 through September 30, 2010 and with this budget we can work with the clients up to 18 months to help them become stabilized.

████████ stated that if there were no more questions he would move on to the report.

████████ stated to the board that they received a stimulus package from the government which included Head Start Permanent COLA, ARRA COLA and Quality Improvement funds. ██████████ stated that she met with the Fiscal Officer, two Policy Council members and the management staff and here were some of the things that they thought the program needed.

████████ stated that they needed eight computer work stations seven printers, smart boards for the classroom, children computer tables, a science center with microscopes and book shelves, air conditioners for buses and telephone systems for the classrooms so that they can communicate with the teacher without have to walk down the hall, building maintenance and repairs at Cottageville and building maintenance for the Health Service center to service the children. ██████████ stated that ██████████ would go over the amount of what all of this will cost.

████████ presented the Head Start Supplemental Budget to the Board she stated that Head Start received two cost of living increase which one will be permanent increase and one would be temporary. She stated that the permanent COLA increase is going to be a 4% increase, which will be retroactive back to January 1, 2009 and the ARRA COLA increase is a temporary increase, which is going to be a 2.21% increase which will go in effective July 1, 2009 though June 30, 2010.

████████ stated that the Quality Improve funds are as listed: Eight Computer Work Station \$11,303, seven printers \$1,115.00, Eighteen Smart Boards \$53,116, Installation for Eighteen Smart Boards \$7,650, Eleven Children Computer tables \$3,634, twelve Science Centers with microscope and book shelves \$6,383, three air conditions for buses \$4500, Eighteen Communication- Telephone Systems for class rooms \$19,706, Building Maintenance and Repairs at the Cottageville center \$1500 and building maintenance and repairs for the Health Services Center \$12,030 which a total of \$120,937.00

████████ stated that the total budget is \$221,988 and the Non Fed share is \$55,497 which we are requesting a waiver for. After a lengthy discussion ██████████ made the motion to accept the Head Start Permanent COLA, the temporary ARRA COLA and the Quality Improvement. ██████████ seconded the motion. The motion carried.

████████ stated that he is fighting had to get the weatherization program back into Colleton and Hampton counties and his reason is because Colleton and Hampton counties homes are not being work on and he stated that he can't even get a report from ██████████ on the houses that they have completed in Hampton. ██████████ state that he was at the Hampton county council meeting and they stated there are many houses in that area that needs to be repaired.

He stated that if Lowcountry CAA gets the program back we would make sure that the houses in Colleton and Hampton counties are repaired properly. He stated that they will hire a Weatherization Coordinator, secretary and workers to do the repairs on the homes.

██████████ stated that the Head Start report from the finance department has been completed about two weeks ago and all we are waiting for is ██████████'s report once ██████████ report is completed it can be submitted to Atlanta.

██████████ made the motion that ██████████ needs to submit her report to ██████████ Executive Director by Wednesday, May 26, 2009 and that ██████████'s return should immediately submit the full package to Atlanta. The motion was seconded and carried.

Executive Session

During Executive Session the Personnel Committee presented the potential applicants for the Executive director's position to the full board. After a lengthy discussion ██████████

██████████ Chairperson of the Personnel Committee made a motion to hire ██████████ as the new Executive Director of Lowcountry Community Action Agency, Inc. effective June 8, 2009. ██████████ seconded the motion. The motion carried. No other actions were taken.

A motion was made to adjourn. The motion was seconded and carried.

Meeting adjourned.

Respectfully submitted,



Adreen D. Shider  
Administrative Assistant