

## Report in Brief

Date: October 2017  
Report No. A-06-16-00015

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES  
**OFFICE OF INSPECTOR GENERAL**



### Why OIG Did This Review

Oversight and management of grant programs is crucial to the Department of Health and Human Services' (HHS) mission and to the health and well-being of the public. Audits of Head Start and other HHS grantees have found internal control deficiencies, problems with financial stability, inadequate organizational structures, inadequate procurement and property management policies, and inadequate personnel policies and procedures. The HHS Administration for Children and Families, Office of Head Start (OHS), requested this review.

The objective of our review was to determine whether Southeast Arkansas Community Action Corporation (Southeast) operated its Head Start program and managed Federal funds in accordance with Federal regulations.

### How OIG Did This Review

For the period April 2014 through October 2015, Southeast claimed approximately \$3.4 million in Head Start grant costs. We limited our review to a judgmental sample of 76 Head Start general ledger transaction line items totaling \$103,455, a judgmental sample of 79 equipment inventory items with a purchase price of \$272,229, and internal controls relevant to our objective.

## Southeast Arkansas Community Action Corporation Did Not Always Operate Its Head Start Program in Accordance With Federal Regulations

### What OIG Found

Southeast did not always operate its Head Start program in accordance with Federal regulations and did not always manage and account for Federal funds. Specifically, Southeast (1) had ineffective controls and accountability over its assets, (2) used questionable methods to allocate shared costs, (3) did not have required fiscal or legal expertise on its governing board, and (4) claimed some unallowable costs.

### What OIG Recommends and Southeast's Comments

We recommended that Southeast (1) conduct a full physical inventory to ensure inventory asset records are accurate and complete, follow its existing purchasing policy to submit a purchase requisition one week in advance, and expand its purchasing policies to include review procedures for credit card purchases and consequences for unauthorized purchases; (2) work with OHS to ensure shared costs claimed during our audit period are allocated correctly; (3) elect members to the board of directors who have legal and financial expertise or hire a consultant or another individual with relevant expertise; and (4) refund \$4,784 in unallowable costs.

We also made other procedural recommendations in the full report.

In written comments on our draft report, Southeast concurred with all but one of our recommendations and provided information on actions it has taken or plans to take to address our recommendations. Southeast did not fully concur that \$4,784 of costs are unallowable and should be refunded. Specifically, Southeast requested that \$4,677 of these costs be reconsidered as allowable because Southeast believes they benefit the Head Start program. We maintain that these costs are unallowable because they do not benefit the Head Start program.