

Highlights of GAO-05-176, a report to congressional requesters

February 2005

HEAD START

Comprehensive Approach to Identifying and Addressing Risks Could Help Prevent Grantee Financial Management Weaknesses

Why GAO Did This Study

In fiscal year 2004, Congress appropriated \$6.8 billion to serve 919,000 poor children through 1,680 Head Start grantees nationwide. Recent reports of financial improprieties at a number of Head Start programs raised questions about the effectiveness of the oversight by the Department of Health and Human Services' (HHS) Administration for Children and Families (ACF) in identifying and resolving financial management weaknesses in Head Start grantees. In this report, GAO provides information on whether (1) ACF can consistently identify financial management weaknesses, if any, in Head Start grantees and (2) ACF ensures that grantees effectively resolve any problems, in a timely manner, when detected.

What GAO Recommends

To improve oversight of Head Start grantees, GAO recommends that the Assistant Secretary for Children and Families develop a comprehensive risk assessment of the Head Start program and improve the processes it currently uses to collect information on program risks. ACF agreed with the recommendations. GAO also recommends that, once ACF makes the improvements, it should make greater use of its authority to seek competition in communities that are currently served by poorly performing grantees. ACF raised concerns about our interpretation of its authority to do so; therefore, Congress may wish to consider clarifying its intent on this matter.

www.gao.gov/cgi-bin/getrpt?GAO-05-176.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Marnie Shaul at (202) 512-7215 or shaulm@gao.gov.

What GAO Found

While ACF uses many processes to collect and analyze information on Head Start grantees, it has not designed its processes and integrated this information to consistently identify Head Start grantees' financial management weaknesses. For example, ACF has not developed a comprehensive risk assessment to identify weaknesses that could limit the program's ability to achieve its objectives. Furthermore, ACF has no process in place to ensure that its on-site reviews are conducted in accordance with the framework it has designed to assess grantee compliance with program and financial management requirements. Moreover, financial reports and audits are not effectively used in day-to-day monitoring activities to identify high-risk grantees and resolve their problems.

Head Start grantees who were judged out of compliance in a review by ACF in 2000 with one or more of the program's financial management standards were about as likely to remain out of compliance as attain full compliance over the succeeding 3 years. ACF's failure to ensure that more grantees promptly resolve such problems creates opportunities for financial losses or instability that affect services to children and families. After working with one grantee to correct severe financial management problems for 3 years—including failure to account for over \$400,000 in grant funds that were not spent on Head Start services to children and their families—ACF notified the organization that it no longer would receive funding. While ACF may terminate grantees with serious financial weaknesses such as recurring failure to comply with federal management standards, this process is rarely used: ACF most often encourages grantees to voluntarily relinquish their grants. In a small number of cases, ACF must proceed with formal termination, which can be difficult and lengthy owing, in part, to grantees' right to continued funding during its appeal, regardless of merit, and their ability to finance appeals with grant funds.

High Incidence of Continued Noncompliance with Head Start Standards among Grantees Reviewed by ACF in 2000

