

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**APPROPRIATENESS OF  
COSTS CHARGED TO THE HEAD START  
GRANT FOR CENTER, INC**



**JUNE GIBBS BROWN  
Inspector General**

**DECEMBER 1996  
A-01-96-02505**



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

(A-O 1-96-02505)

Ms. Catherine Amory, Executive Director  
Center, Inc.  
14 Maple Avenue  
Cambridge, MA 02139

Dear Ms. Amory:

We have completed our review of the Head Start grant administered by the Mental Health and Retardation Center of Cambridge and Somerville, Inc. (Center, Inc.), Cambridge, Massachusetts. The objective of our review was to determine the appropriateness and allowability of costs charged to the 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, and reports prepared by independent auditors, we identified no unallowable nor inappropriate costs. Accordingly, we are not recommending any financial adjustments.

## INTRODUCTION

### BACKGROUND

The Center, Inc. is a nonprofit organization founded in 1977. Its primary mission is to provide services to low-income people in Cambridge, Massachusetts. One of its principal tasks is to provide Head Start services to preschool children of families with limited financial resources. Center, Inc. is administered by an Executive Director with oversight and policy decisions provided by a Board of Directors composed of community representatives and also, for the Head Start program, by a Policy Council composed of community representatives and parents of Head Start children.

Center Inc received Head Start grant amounts of \$1,157,666 in grant year (GY) 1995 and \$1,090,903 in GY 1996. A significant portion of the Head Start expenditures for FY 1995, included salaries (\$717 thousand or 62 percent) and fringe benefits (\$192 thousand or 17 percent). Other costs included rent and utilities (\$61 thousand or 5 percent); consultants (such as a nutritionist, health workers, student aides), substitute teachers, and other labor (\$3 1 thousand or 3 percent); travel/training (\$23 thousand or 2 percent); and supplies (\$18 thousand or less than 2 percent). Administrative costs are included in the various expense categories above.

## **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 Center, Inc.'s payroll, procurement and financial management reporting systems.

Our review included limited tests and procedures that we considered necessary to evaluate Center, Inc.'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, 1995 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 Center Inc. FY 1996 A-133 single audit work papers prepared by Center Inc.'s independent certified public accountant.
- We reviewed the minutes of the Board of Directors and the Policy Council meetings for the period December 1, 1994 through June 30, 1996.
- We reviewed student enrollment and attendance data for the 1995 - 1996 school year.
- We visited four of the ten Head Start classrooms at two of the seven sites.
- We obtained an understanding of Center, Inc.'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, rent, utilities, insurance, administrative costs, food, 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 food to Head Start participants.
- We reviewed procedures to withdraw funds from the Department of Health and Human Services Payment Management System and verified that the draw downs for the period January 1995 through June 1996 did not exceed the Federal draw down limits.

Our audit was conducted at Center, Inc.'s administrative and accounting offices in Cambridge, Massachusetts. Field work was performed from August 19, 1996 through September 16, 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 Center, Inc.'s financial status reports.

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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 1-96-02505 in any correspondence relating to this report.

Sincerely yours,



Richard J. Ogden  
Regional Inspector General  
for Audit Services