

## Report in Brief

Date: February 2020

Report No. A-04-19-08069

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



### Why OIG Did This Audit

The U.S. Department of Health and Human Services (HHS) provides funding through numerous programs that support and provide assistance to low-income families. Our prior audit (A-04-14-04026) of Wateree Community Actions, Inc. (Wateree), for fiscal years (FYs) 2012 and 2013, found that Wateree improperly managed some Federal funds related to HHS programs. As a result, Wateree put at risk both vital Federal funds and its ability to continue as a viable organization assisting low-income households in South Carolina.

Our objectives were to (1) determine whether Wateree allocated and claimed costs in accordance with Federal requirements and (2) follow up on the findings identified in our prior OIG audit.

### How OIG Did This Audit

We audited HHS grant funding and expenditures during FYs 2016 and 2017 (audit period). Our audit covered three HHS program grants for which Wateree claimed \$27.4 million in costs during the audit period. We also followed up on findings identified in OIG's prior audit report, as well as in Wateree's 2015 Single Audit, and we audited Wateree's ongoing actions to address these issues after 2017.

## Wateree Community Actions, Inc., Made Improvements but Still Requires Monitoring

### What OIG Found

Wateree continued to experience financial management problems related to its Federal programs because it misallocated funds or claimed duplicate Head Start program costs in violation of Federal requirements, did not meet its non-Federal match requirement for Head Start, and continued to file Federal and non-Federal reports inaccurately or late. However, Wateree resolved one prior OIG audit finding and improved its financial condition.

These deficiencies occurred because Wateree did not have adequate cash management or other controls. As a result, Wateree mismanaged \$354,597 in Federal funds, is subject to a Federal funds disallowance of \$252,591, and may incur other administrative actions from the Administration for Children and Families (ACF).

Since the end of our audit period, Wateree has taken steps to improve its cash management system. Specifically, Wateree has instituted a new accounting system, which it believes will provide better accountability. After the initiation of our audit and our discussion of the \$354,597 of unallowable Head Start costs with both ACF and Wateree officials, Wateree repaid the unallowable amount.

### What OIG Recommends and Wateree Comments

We recommend that Wateree monitor the non-Federal match it is receiving throughout the budget year and, if needed, either request a waiver from ACF immediately upon determining that it cannot meet its match requirements or adjust its Federal funds grant expenditures accordingly and ensure adequate controls are in place to prevent invoicing both Head Start and the U.S. Department of Agriculture's Child Nutrition programs for the same expenses. We also made two procedural recommendations.

In written comments on our draft report, Wateree described actions taken or processes implemented to address our recommendations. Wateree added that it had developed a corrective action plan to prevent recurrence of the financial management problems identified in this audit.