



DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF AUDIT SERVICES
233 NORTH MICHIGAN AVENUE
CHICAGO, ILLINOIS 60601

REGION V
OFFICE OF
INSPECTOR GENERAL

January 24, 2005

Report Number: A-05-04-00023

Ms. Cecelia Huffman, Chairperson
Board of Trustees
Council for Economic Opportunities in Greater Cleveland
1228 Euclid Avenue, Suite 700
Cleveland, Ohio 44115

Dear Ms. Huffman:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) report entitled "Review of Compensation Practices for Executives and Teachers." A copy of this report will be forwarded to the HHS action official noted below for review and any action deemed necessary.

Final determination as to actions taken on all matters reported will be made by the HHS action official. We request that you respond to the HHS official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports are made available to the public to the extent the information is not subject to exemptions in the Act. (See 45 CFR Part 5.)

To facilitate identification, please refer to report number A-05-04-00023 in all correspondence relating to this report.

Sincerely,

A handwritten signature in black ink that reads "Paul Swanson".

Paul Swanson
Regional Inspector General
for Audit Services

Enclosures – as stated

Direct Reply to HHS Action Official:
Joyce A. Thomas, Regional Administrator
Administration for Children and Families
Chicago Regional Office
233 N. Michigan Avenue, Suite 400
Chicago, Illinois 60601

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF COMPENSATION
PRACTICES FOR
EXECUTIVES AND TEACHERS**

**COUNCIL FOR ECONOMIC
OPPORTUNITIES IN
GREATER CLEVELAND**



**January 2005
A-05-04-00023**

Office of Inspector General

<http://oig.hhs.gov>

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OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the awarding agency will make final determination on these matters.



EXECUTIVE SUMMARY

BACKGROUND

Head Start

The Head Start program was enacted under Title V of the Economic Opportunity Act of 1964 and is administered by the Administration for Children and Families (ACF) within the Department of Health and Human Services (HHS). The purpose of the Head Start program is to: (1) promote school readiness by enhancing the social and cognitive development of low-income children through the provision of comprehensive health, educational, nutritional, social, and other services and (2) involve parents in their children's learning and help parents progress toward their own educational, literacy, and employment goals. To carry out the program, grants are awarded primarily to community-based non-profit organizations and school systems.

Following news articles and congressional inquiries relating to excessive executive compensation at some Head Start agencies, Federal Head Start officials asked the Office of Inspector General (OIG) to initiate a nationwide review of nine Head Start agencies' compensation practices. Head Start officials agreed on the selection of the Council for Economic Opportunities in Greater Cleveland (CEOGC) for review.

Council for Economic Opportunities in Greater Cleveland

CEOGC was funded as the Head Start grantee for the City of Cleveland and Cuyahoga County. For each of the grant years 2000, 2001, and 2002, CEOGC received Federal Head Start funding ranging from approximately \$28.2 million to \$32.3 million.

In addition to funding from the Head Start program, CEOGC also receives funding from other Federal, State and local programs, such as the Ohio Head Start program, Home Energy Assistance Program, Community Service Block Grants, and the Child Care Food Program. The total amount of funding received from the other Federal, State and local programs ranged from about \$22.9 million to \$25.1 million over the three grant years.

OBJECTIVE

The objective of our audit was to determine whether CEOGC's compensation practices for five key executives and teachers were reasonable and consistent with Federal requirements and guidelines.

SUMMARY OF FINDINGS

CEOGC's compensation practices for top executives did not meet Federal requirements and guidelines. While wages paid to teachers were comparable to teachers' wages in surrounding areas, compensation for CEOGC's key executives appeared unreasonable compared to the top-level executive compensation at other Head Start programs. The total compensation to CEOGC's Executive Director, Chief Financial Officer, and Head Start Director exceeded the

compensation for the same positions of a comparable agency by around \$86,000, \$70,000, and \$22,000, respectively. A grantee survey in December 2003 of senior management salaries did not support the level of compensation provided to top officials.

RECOMMENDATIONS

We recommend that CEOGC ensure that executive compensation is reasonable and that future wage comparability studies meet the requirements of §653 of the Head Start Act and any future clarification, guidance, or requirements set out by ACF.

CEOGC COMMENTS AND OIG RESPONSE

In a written response dated December 20, 2004, CEOGC officials accepted our audit recommendations, but expressed concerns about our comparisons of CEOGC executive compensation to other Head Start agencies. CEOGC contended that its wage study comparisons to non-profit service delivery agencies in Northeast Ohio were representative of Cuyahoga County.

We acknowledge that there were differences in the enrollment and funding levels between CEOGC and the other Head Start agencies cited in the report. In the absence of a similar sized Head Start program within CEOGC's locality, we compared CEOGC's executive compensation to the top 100 Head Start programs nationwide, to the nine Ohio Head Start programs included in the top 100, and to the second largest Head Start program in Ohio. The higher salary levels of the Hamilton County Head Start agency were used as the basis for the reasonableness of the CEOGC salaries.

CEOGC's comments are summarized at the end of the "Findings and Recommendations" section of the report and the response is presented in its entirety as an appendix to this report.

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INTRODUCTION

BACKGROUND

Head Start

The Head Start program was enacted under Title V of the Economic Opportunity Act of 1964 and is administered by the ACF agency within HHS. Its purpose is to: (1) promote school readiness by enhancing the social and cognitive development of low-income children through the provision of comprehensive health, educational, nutritional, social, and other services and (2) involve parents in their children's learning and help parents progress toward their own educational, literacy, and employment goals. To carry out the program, grants are awarded primarily to community-based non-profit organizations and school systems.

Head Start agencies are classified as either grantees or delegates. Grantees are the entities that receive HHS funding for administering a Head Start program. However, a grantee may decide to delegate all or part of its responsibilities for operating a Head Start program to a separate agency, called the delegate agency. The Council for Economic Opportunities in Greater Cleveland (CEOGC) was funded as the Head Start grantee for the City of Cleveland and Cuyahoga County.

Following news articles and congressional inquiries relating to excessive executive compensation at some Head Start agencies, Federal Head Start officials asked us to initiate a nationwide review of nine Head Start agencies' compensation practices. Head Start officials agreed with the selection of CEOGC for review.

Council for Economic Opportunities in Greater Cleveland

CEOGC was organized in 1964 as a private nonprofit organization to serve as the community action agency for Cleveland, Ohio and Cuyahoga County. CEOGC's overall mission is to promote economic self-sufficiency among the low-income families and individuals of Cuyahoga County by providing comprehensive educational, health, dental, nutritional, social, and developmental services through service programs; such as, Head Start, Workforce and Family Development, and the Emergency Home Energy Assistance Program.

CEOGC delegates the operation of a portion of its Head Start program to five delegate agencies. CEOGC and its delegates provided services to 4,831 children at over 125 sites. During FY 2002, CEOGC had 490 employees, including about 129 teachers providing services to 1,915 children enrolled in the Head Start program. For each of the grant years 2000, 2001, and 2002, CEOGC received Federal Head Start funding ranging from approximately \$28.2 million to \$32.3 million. CEOGC also receives funding from other Federal, State and local programs; such as, the Ohio Head Start program, Home Energy Assistance Program, Community Service Block Grants, and the Child Care Food Program. The total amount of funding received from the other Federal, State and local programs ranged from about \$22.9 million to \$25.1 million for the three grant years.

CEOGC Wage Comparability Studies

CEOGC's last comprehensive wage comparability study was performed by an outside consultant group in 1998. The group was to standardize current CEOGC positions, collect wage and salary data for key positions, and conduct a wage survey of other community action agencies with similar profiles to CEOGC. Since the salary information compiled in this survey is outdated, it could not be used to support the compensation to CEOGC staff.

Because of our impending executive compensation review, CEOGC staff performed an in-house senior management salary survey in December 2003. The purpose of the survey was to support the salaries paid to senior management staff, giving primary emphasis to each agency's top official. The agencies in the survey included delegates, community action agencies, and other non-profit organizations in the surrounding areas.

ACF Compensation Study

In October 2003, Congress asked the Secretary of HHS to conduct a review of financial management at Head Start grantees, to include information on the salaries and benefits of Head Start executives, and the portion thereof charged to Head Start. To obtain the requested information, ACF contracted with Xtria, the Head Start Bureau's Program Information Report (PIR) contractor, to conduct a salary survey of all Head Start programs. The survey results included detailed information on compensation provided to most Executive Directors and Head Start Directors in grant years 2000, 2001, and 2002. ACF provided us with data collected by Xtria which we used in evaluating executive salaries.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of our audit was to determine whether CEOGC's compensation practices for executives and teachers were reasonable and consistent with Federal requirements and guidelines.

Scope

Our review covered CEOGC's grant years 2000, 2001, and 2002 (February 1, 2000 through January 31, 2003).

The five key executives were the highest paid employees at CEOGC who received some or all of their compensation from Head Start funding. For the review, we defined compensation as anything that increases the personal assets of the individual, such as salary and wages, fringe benefits, bonuses, retirement, etc.

We did not review the overall internal control structure of CEOGC for the Head Start program. Our review of internal controls was limited to those controls related to the approval of compensation packages.

We performed our on-site field work at the Region V ACF office in Chicago, Illinois and CEOGC's offices in Cleveland, Ohio.

Methodology

To accomplish our objective, we:

- reviewed Federal regulations relating to the Head Start program and Office of Management and Budget (OMB) Circular A-122, Cost Principles for Non-Profit Organizations;
- interviewed Region V ACF and CEOGC officials;
- reviewed organizational charts, personnel records, payroll registers, employee leave records, and billing/invoice statements to determine the total compensation for the five key executives;
- reviewed indirect cost rate proposals and cost allocation summaries to determine the funding sources and amounts of compensation allocated to Head Start;
- reviewed policies, procedures, and board of director meeting minutes to determine the compensation approval process;
- reviewed CEOGC's wage comparability studies;
- used the survey data collected by Xtria to determine the top 100 Head Start programs based on funded enrollment;
- calculated the average Chief Executive Officers (CEO) and Head Start Director compensation for these top 100 programs and for the 9 Ohio programs included in the top 100; and
- reviewed teachers' wages to determine if cost of living adjustment and quality improvement funds were used in accordance with Head Start program instructions.

Our audit was conducted in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

CEOGC's executive compensation practices did not meet Federal requirements and guidelines. While wages paid to teachers were comparable to teachers' wages in surrounding areas, compensation for CEOGC's key executives appeared unreasonable compared to the top-level executive compensation at other Head Start programs. The total compensation to CEOGC's Executive Director, Chief Financial Officer, and Head Start Director exceeded the compensation for the same positions of a comparable agency by around \$86,000, \$70,000, and \$22,000,

respectively. A grantee survey in December 2003 of senior management salaries did not support the level of compensation provided to top officials.

TEACHER COMPENSATION APPEARED REASONABLE

CEOGC's compensation practices for teachers appeared reasonable. Cost of living adjustments and quality improvement funds were used in accordance with Head Start program instructions. Based on our comparison to teachers with similar credentials in the surrounding areas, compensation to CEOGC's teachers appeared reasonable.

EXECUTIVE COMPENSATION APPEARED UNREASONABLE

OMB Circular A-122 and the Head Start Act require that compensation for Head Start employees be comparable to salaries for similar services. Compensation for CEOGC's five key executives appeared unreasonable compared to the top-level executives' compensation at other Head Start programs. While CEOGC performed a survey of senior management salaries in December 2003, the study did not support the level of compensation provided to top officials.

OMB Circular A-122 provides that in order to be reasonable, compensation for employees in organizations predominantly engaged in Federally sponsored activities should be comparable to that paid for similar work in the labor markets in which the organization competes for the kind of employees involved. Similarly, §653 of the Head Start Act (42 U.S.C. 9848) provides that Head Start employees may not receive compensation:

. . . in excess of the average rate of compensation paid in the area where the program is carried out to a substantial number of persons providing substantially comparable services, or in excess of the average rate of compensation paid to a substantial number of the persons providing substantially comparable services in the area of the person's immediately preceding employment

Compensation for CEOGC's five key executives appeared unreasonable compared to: (1) average executive compensation for the top 100 Head Start programs nationwide; (2) average executive compensation for 9 Ohio Head Start programs in the top 100 nationwide; and (3) executive compensation at Cincinnati-Hamilton County Community Action Agency, a non-profit organization with a Head Start enrollment similar in size to CEOGC. Our comparison is presented in the following chart:

Executive Compensation Comparison – 2002

Position	CEOGC	Nationwide Average	Ohio Head Start Average	Cincinnati-Hamilton County CAA
Executive Director	\$221,742	\$133,578	\$125,839	\$135,752
CFO	\$166,523	N/A	N/A	\$96,046*
Head Start Director	\$128,510	\$95,359	\$93,494	\$106,392
MIS Director	\$98,881	N/A	N/A	N/A
Head Start Quality Assurance Manager	\$97,231	N/A	N/A	\$75,070*

*The compensation was obtained from the IRS 990 by combining the reported compensation and contributions to employee benefit plans and deferred compensation.

WAGE COMPARABILITY STUDY

Although CEOGC performed a survey of senior management salaries, the survey did not always include comparable organizations or positions and did not support the level of compensation provided to its top officials. Our assessment of the survey disclosed that:

- CEOGC compared itself to the Jewish Community Federation, Urban League of Greater Cleveland, and Jewish Community Center of Cleveland, which do not provide early childhood educational services comparable to Head Start. The study simply compared its Executive Director’s salary to the highest paid official at each of the organizations without regard for the type of position or programs and services offered. Because the President’s duties and responsibilities for these organizations were not comparable to that of the Executive Director of CEOGC, we could not use these organizations to establish the reasonableness of CEOGC salaries.
- Other Head Start grantees in the survey generally paid top officials less than the amount paid to the Executive Director of CEOGC, but the other grantees’ programs were smaller with less enrollments and responsibilities.
- One Head Start delegate paid its President more than \$300,000 or about \$80,000 more than CEOGC. The individual was a prominent former politician, whose experience and salary history were not comparable to the CEOGC Executive Director. In addition, the position was not comparable to CEOGC. Because there were only 90 children enrolled in Head Start and none of the President’s compensation was allocated to the Head Start program, the position was not comparable to CEOGC.

- Incorrect salary information for CEOGC's Executive Director of \$158,380 was obtained from the Personnel Action Form effective February 1, 2001. The actual salary received during the year was \$179,611, including merit increases and payment in lieu of leave.

Because of these discrepancies in the grantee salary survey, it could not be used to establish the reasonableness of CEOGC compensation.

COMPARABLE ORGANIZATION - COMPENSATION COMPARISON

Because the Cincinnati-Hamilton County Community Action Agency was the most comparable Head Start organization in the State, we compared its executive compensation to that paid by CEOGC. The Cincinnati grantee is the second largest Head Start program in Ohio with an enrollment of almost 1,000 children. The agency and its 10 delegates provided Federal Head Start program services to about 3,600 children and administer Head Start and other Federal and State programs amounting to about \$33.2 million. Its Head Start funding for fiscal year 2002 was \$21.4 million. In comparison, CEOGC provided services to an enrollment of 1,915 children. This agency and its five delegates provided Federal Head Start program services to 4,831 children and administered programs amounting to about \$57.4 million. Its Head Start funding in fiscal year 2002 was about \$32.3 million. Although both grantees administer substantial Head Start programs, the total compensation to CEOGC's Executive Director, Chief Financial Officer, and Head Start Director exceeded the compensation for comparable positions at the Cincinnati-Hamilton County Community Action Agency by around \$86,000, \$70,000, and \$22,000, respectively.

RECOMMENDATIONS

We recommend that CEOGC ensure that executive compensation is reasonable and that future wage comparability studies meet the requirements of §653 of the Head Start Act and any future clarification, guidance, or requirements set out by ACF.

CEOGC COMMENTS

In a written response dated December 20, 2004, CEOGC officials accepted our audit recommendations, but expressed concerns about our comparisons of CEOGC executive compensation to other Head Start agencies. Since CEOGC is the only Head Start grantee in Cuyahoga County, there is no other local Head Start program for comparison. They further contended that CEOGC is by far the largest Head Start program in terms of funding, staffing, and overall enrollment and was not comparable to Head Start programs in other parts of Ohio. Given the lack of similar sized Head Start programs within CEOGC's locality, they believed that their wage study comparisons to other positions with similar responsibilities at non-profit service delivery agencies located in the Northeast Ohio labor market were representative of Cuyahoga County.

CEOGC also contended that there were substantial differences between CEOGC and the Cincinnati-Hamilton County Community Action Agency in the enrollment and funding levels

and that it was not a comparable Head Start grantee. CEOGC and its five delegates provided Federal and State Head Start program services to 7,800 children in 2002 compared to the 5,000 children served by Cincinnati-Hamilton County Community Action Agency.

CEOGC's response is included in its entirety as an appendix to this report.

OFFICE OF INSPECTOR GENERAL RESPONSE

Although we agree that employee's activities should be comparable to that paid for similar work within the local labor market, CEOGC's senior management salary survey included agencies located in the Northeast Ohio labor market that did not provide early childhood educational programs and services comparable to Head Start.

We acknowledge that there were differences between CEOGC and the second largest Head Start program in Ohio, but we believe that the Cincinnati-Hamilton County Community Action Agency services were very comparable.

In the absence of a similar sized Head Start program within CEOGC's locality, we compared CEOGC's executive compensation to the top 100 Head Start programs nationwide, to the nine Ohio Head Start programs included in the top 100, and to the Hamilton County agency. The higher salary levels of the Hamilton County Head Start agency were used as the basis for the reasonableness of CEOGC salaries.

APPENDIX



COUNCIL FOR ECONOMIC OPPORTUNITIES IN GREATER CLEVELAND

"The Coordinating Agency for Greater Cleveland's Community Action Programs"

The Halle Building • 1228 Euclid Avenue Suite 700 • Cleveland, Ohio 44115-1845
(216) 696-9077 Fax (216) 696-0770

December 20, 2004

CECELIA R. HUFFMAN
Chairman

JACQUELINE A. MIDDLETON
President and
Chief Executive Officer

Mr. Paul Swanson, Regional Inspector General
for Audit Services
Department of Health and Human Services
Office of Inspector General - Region V
Office of Audit Services
233 North Michigan Avenue
Chicago, Illinois 60601

Re: Report Number: A-05-04-00023

Dear Mr. Swanson:

We are in receipt of the draft report entitled "Review of Compensation Practices for Executives and Teachers A-05-04-00023" prepared by the U.S. Department of Health and Human Services, Office of Inspector General (OIG) and we welcome the opportunity to respond to this draft report. I would like to thank Audit Manager Mr. Mike Barton for extending the response deadline for us.

This letter transmits the initial response of the Council for Economic Opportunities in Greater Cleveland ("CEOGC") to the above-referenced draft report from your office. We wish to label this response as our initial response because we have not yet had the opportunity to review additional information cited in the draft report that would allow us to make a full response to the draft.

The additional information we are requesting serves as the primary basis for the central findings of the draft report. For example, the draft states that your office used data from ACF's contractor Xtria "in evaluating executive salaries." The report goes on to state that Xtria provided compensation information on the top 100 Head Start programs based on enrollment. Your office averaged this information and compared these average numbers to CEOGC's executive compensation. More importantly, as stated on page 4 of the draft, this comparison served as the basis for two out of the three reasons cited for the draft finding that CEOGC's executive compensation was unreasonable. We would appreciate the opportunity to review your working papers (hopefully these papers would include information supporting the report) to better understand your findings and allowing us to further respond to those findings.



OVER 40 YEARS OF SERVICE

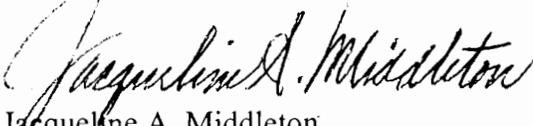


Mr. Paul Swanson
Regional Inspector General
DHHS
December 20, 2004
Page Two

We would respectfully ask that your office provide us with a full copy of the working papers and provide sufficient time (15 days would be acceptable) to amend or modify, if necessary, this response so that your office has a full record from which to issue a final report.

Please contact me or Brian Gleisser, CEOGC's Senior Vice President and COO, so we can make arrangements for reviewing the working papers. We thank you in advance for your assistance.

Sincerely,


Jacqueline A. Middleton
President and Chief Executive Officer

/mlh

Cc: Cecelia R. Huffman, Chairperson, Board of Directors
Brian S. Gleisser, Senior VP and COO

Response to Draft Report A-05-04-00023
Review of Compensation Practices for Executives and Teachers
Council for Economic Opportunities in Greater Cleveland

Findings and Recommendations

TEACHER COMPENSATION APPEARED REASONABLE

OIG Finding: The CEOGC's compensation practices for teachers appeared reasonable. Cost of living adjustments and quality improvement funds were used in accordance with Head Start program instructions. Based on our comparison to teachers with similar credentials in the surrounding areas, compensation to CEOGC's teachers appeared reasonable.

CEOGC Response: CEOGC's salary structure is based on compensation comparison studies that analyze compensation levels of other employees in the area who perform similar duties or have similar responsibilities to those employed by CEOGC. As noted in the report these studies were done in accordance with Head Start program instructions.

EXECUTIVE COMPENSATION APPEARED UNREASONABLE

OIG Finding: OMB Circular A-122 and the Head Start Act require that compensation for Head Start employees be comparable to salaries for similar services. Compensation for CEOGC's five key executives appeared unreasonable compared to the top-level executives' compensation at other Head Start programs. While CEOGC performed a survey of senior management salaries in December 2003, the study did not support the level of compensation provided to top officials.

Compensation for CEOGC's five key executives appeared unreasonable compared to: (1) average executive compensation for the top 100 Head Start programs nationwide; (2) average executive compensation for 9 Ohio Head Start programs in the top 100 nationwide; and (3) executive compensation at Cincinnati-Hamilton County Community Action Agency, a non-profit organization with a Head Start enrollment similar in size to CEOGC.

CEOGC Response: As the report points out, both the Head Start Act and OMB Circular A-122 requires a comparison to compensation paid for similar services. As stated in the draft report, "OMB Circular A-122 provides that in order to be reasonable, compensation for employees in organizations predominantly engaged in Federally sponsored activities should be comparable to that paid for similar work in the labor markets in which the organization competes for the kind of employee involved." The draft report further states that "section 653 of the Head Start Act provides that Head Start employees may not receive compensation ... in excess of

the average rate of compensation paid in the area where the program is carried out to a substantial number of persons providing substantially comparable services ...”

Historically, CEOGC has been the sole Federal Head Start grantee in Cuyahoga County, thus there are no other comparable Head Start programs within the County. When compared to Head Start programs in other parts of Ohio, CEOGC is by far the largest Head Start program in terms of funding, staffing, and overall enrollment. For example, in 2002 CEOGC's Head Start budget was 51 percent larger than the Head Start budget of the Cincinnati – Hamilton County Community Action Agency, the next largest Head Start program in Ohio after CEOGC.

In keeping with OMB Circular A-122 and the Head Start Act, CEOGC's salary surveys have not compared CEOGC's salary structure to national or Ohio average salaries as these averages are derived (1) from agencies not located in the CEOGC labor market and (2) from agencies who are often much smaller in size and complexity when compared to CEOGC and thus do not require similar management and fiscal skills. Given the lack of similar sized Head Start programs within the CEOGC program area, wage survey studies conducted by CEOGC to determine a reasonable salary structure for CEOGC executive staff have included comparable non-profit, service delivery agencies located in the Northeast Ohio labor market who provide their services primarily within Cuyahoga County.

WAGE COMPARABILITY STUDY

OIG Finding: Although CEOGC performed a survey of senior management salaries, the survey did not always include comparable organizations or positions and did not support the level of compensation provided to its top officials. Our assessment of the survey disclosed that:

- The CEOGC compared itself to the Jewish Community Federation, Urban League of Greater Cleveland, and the Jewish Community Center of Cleveland, which do not provide early childhood educational services comparable to Head Start. ... Because the President's duties and responsibilities for these organizations were not comparable to that of the Executive Director of CEOGC, we could not use these organizations to establish the reasonableness of CEOGC salaries.

CEOGC Response: Under OMB Circular A-122 CEOGC's executive positions should be compared to other positions with responsibilities similar to CEOGC's Executive Director or to other senior management positions as the case may be.

For example, CEOGC's Executive Director (now President and CEO) job duties, as defined in the CEOGC Code of Regulations, Article V, Section 2, are "(U)nder administrative direction of the Board, it shall be the responsibility of the President and Chief Executive Officer to direct, administer and monitor agency operations, hire personnel and contract with organizations and persons as deemed necessary to

conduct business; plan, develop and implement agency programs, policy and procedures; monitor fiscal operations of the agency; develop and maintain relationships with all related community, federal, state and local agencies, groups and private sector organizations; and perform other related duties as required.” As defined, these responsibilities are not specific to Head Start programs or early childhood education programs, but rather are typical of the chief executive officer of a wide variety of non-profit corporations. Thus, in its Wage Comparability Study, CEOGC made comparisons to other positions with similar responsibilities.

- Other Head Start grantees in the survey generally paid top officials less than the amount paid to the Executive Director of CEOGC, but the other grantees’ programs were smaller with less enrollments and responsibilities.
- One Head Start delegate paid its President more than \$300,000 or about \$80,000 more than CEOGC. The individual was a prominent former politician, whose experience and salary history were not comparable to the CEOGC Executive Director. In addition, the position was not comparable to CEOGC. Because there were only 90 children enrolled in Head Start and none of the President’s compensation was allocated to the Head Start program, the position was not comparable to CEOGC.

CEOGC Response: We agree that comparisons to most other Head Start grantees are questionable as CEOGC is one of the largest Head Start grantees in the country and also operates many other programs. With respect to the specific position mentioned above, we agree that it is not comparable to CEOGC given the delegate’s small Head Start enrollment relative to the Head Start enrollment of CEOGC. Head Start programs with enrollments substantially smaller than CEOGC should not be compared to the skills and responsibilities required to manage an agency the size of CEOGC.

- Incorrect salary information for CEOGC’s Executive Director of \$158,380 was obtained from the Personnel Action Form effective February 1, 2001. The actual salary received during the year was \$179,611, including merit increases and payment in lieu of leave.

CEOGC Response: The Personnel Action Form (PAF) with the correct salary information had been misplaced. The correct PAF has been placed in the Executive Director’s personnel file.

COMPARABLE ORGANIZATION – COMPENSATION COMPARISON

OIG Finding: Because the Cincinnati – Hamilton County Community Action Agency was a comparable organization, we compared its executive compensation to that paid by CEOGC. The Cincinnati grantee is the second largest Head Start program in Ohio with an enrollment of 1,545 children. The agency and its 10 delegates provide services to almost 5,000 children and administer Head Start and

other Federal and State programs amounting to about \$33.2 million. Its Head Start funding for fiscal year 2002 was \$21.4 million. In comparison, CEOGC provided services to an enrollment of 1,915 children. This agency and its five delegates provided services to about 4,900 children and administered programs amounting to about \$57.4 million. Its Head Start funding in fiscal year 2002 was about \$32.3 million. Although both grantees administer Head Start programs of similar size, the total compensation to CEOGC's Executive Director, Chief Financial Officer and Head Start Director exceeded the compensation for comparable positions at the Cincinnati – Hamilton County Community Action Agency by around \$86,000, \$70,000, and \$22,000 respectively.

CEOGC Response: While the draft report correctly stated CEOGC's 2002 Head Start and total agency funding levels, the draft report's enrollment numbers and service levels for CEOGC and its delegates in 2002 were incorrectly stated. As stated in the draft report CEOGC's Direct Operated Head Start Program did enroll 1,915 children in the Federal Head Start Program in 2002. However the draft report stated that in 2002 CEOGC and its five delegates provided services to about 4,900 children. In fact, CEOGC and its five delegates provided Federal and State Head Start Program services to 7,800 children in 2002, with 4,831 children enrolled in the Federal Head Start Program and 2,969 enrolled in the State Head Start Program.

While the draft report concludes that CEOGC and Cincinnati – Hamilton County CAA operate programs of similar size, it should be noted that CEOGC's Head Start funding is 51 percent larger than Cincinnati's, amounting to an additional \$10.9 million in Head Start funds, and CEOGC's total agency funding is 73 percent larger than Cincinnati's, amounting to an additional \$24.2 million in total funding. In terms of total Federal and State Head Start enrollment, CEOGC and its delegate agencies enrolled 2,800 more children (56 percent higher) in its programs than did Cincinnati – Hamilton County CAA.

There are a number of other differences between Cincinnati – Hamilton County CAA and CEOGC. Cincinnati – Hamilton County CAA serves Hamilton County, Ohio's southern most county, which is located 255 miles away from Cuyahoga County, Ohio's northern most county and the county served by CEOGC. According to the U.S. Census Bureau Hamilton County had a population of 845,303 people in 2000, while Cuyahoga County's 2000 population was 1,393,978 people. In 1999 Hamilton County had 11.8 percent of its population below the poverty line (approximately 99,746 people) while 13.1 percent of Cuyahoga County's population was below the poverty line (approximately 182,611 people). Moreover, U.S. Department of Labor statistics show that the cost of living is and has been for many years higher in Cuyahoga County.

In addition, it is not clear from the draft report that the same compensation elements were included in calculating total compensation for the Executive Director

of the Cincinnati – Hamilton County Community Action Agency as compared to CEOGC's Executive Director.

Lastly, we are concerned that making any comparisons to a single data point is not consistent with common industry practice in performing a wage comparability study. If the comparison to Cincinnati – Hamilton County CAA is to be kept in the final report, we would ask that the differences between Cincinnati – Hamilton County CAA and CEOGC also be accounted for in the report.

RECOMMENDATIONS

OIG Recommendation: We recommend that CEOGC ensure that executive compensation is reasonable and that future wage comparability studies meet the requirements of section 653 of the Head Start Act and any future clarification, guidance, or requirements set out by ACF.

CEOGC Response: We accept the OIG recommendation and will follow the requirements of the Head Start Act, as well as any future clarification, guidance or requirements as set out by ACF to ensure that executive compensation is reasonable.