

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**THE COLUMBUS URBAN LEAGUE
CLAIMED SOME UNALLOWABLE COSTS
TO HEAD START**

*Inquiries about this report may be addressed to the Office of Public Affairs at
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Sheri L. Fulcher
Regional Inspector General

September 2012
A-05-11-00053

Office of Inspector General

<http://oig.hhs.gov>

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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

EXECUTIVE SUMMARY

BACKGROUND

Title VI of the Omnibus Budget Reconciliation Act of 1981 established Head Start as a Federal discretionary grant program. The Head Start program provides grants to local public and private non-profit and for-profit agencies to provide comprehensive child development services to economically disadvantaged children and families, with a special focus on helping preschoolers develop the early reading and math skills they need to be successful in school.

Within the U.S. Department of Health and Human Services (HHS), the Administration for Children and Families (ACF), Office of Head Start (OHS), administers the Head Start program. In fiscal year (FY) 2010, Congress appropriated \$7.2 billion to fund Head Start's regular operations.

The American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted on February 17, 2009, provided an additional \$1 billion to expand the Head Start program during FYs 2009 and 2010. These funds were intended for activities such as expanding enrollment, funding cost-of-living wage increases for grantees, upgrading centers and classrooms, and bolstering training and technical assistance.

The Columbus Urban League (the grantee) is a 93-year-old, non-profit organization that was established to assist disadvantaged families in the community, and offer full-day, part-day, home-based and childcare partnership options. The program can provide services for up to 925 children. The grantee's Head Start program is funded primarily through Federal Head Start grants. During our review period, the grantee claimed Head Start program costs totaling \$6,396,640 for regular operations from November 1, 2009, through October 31, 2010; Head Start Recovery Act expansion costs of \$375,582 from September 30, 2009, through September 29, 2010; and \$461,778 for cost-of-living adjustments (COLA) and quality improvements from July 1, 2009, through September 30, 2010. The grantee also receives funds from other Federal and State sources.

OBJECTIVE

Our objective was to determine whether costs claimed by the grantee were allowable under the terms of the grant and applicable Federal regulations and to determine whether the grantee's financial management practices and systems met Federal requirements.

SUMMARY OF FINDINGS

Of the \$177,886 in direct costs that we reviewed, the grantee claimed \$164,784 that was allowable under the terms of the grants and applicable Federal regulations. However, the grantee claimed Federal reimbursement of as much as \$13,102 for unreasonable costs associated with travel and attendance at an out-of-State conference. In addition, although the grantee generally followed an acceptable methodology for allocating administrative and executive staff salaries, it inappropriately used a 2-week time period when calculating its monthly employee activity.

RECOMMENDATIONS

We recommend that OHS require the grantee to:

- refund \$13,102, or amounts determined to be unreasonable, for conference attendance costs and
- calculate indirect cost percentages based on the entire month of employee activity.

GRANTEE COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the grantee did not concur with the first recommendation but concurred with the second. Regarding the first recommendation, the grantee stated that the National Urban League conference provided an agenda that was in line with Head Start objectives, was for a grant-related purpose, and was an authorized Head Start activity. The grantee stated that it was in compliance with Federal grant policies and procedures when it decided to increase its initial travel and conference fees budget without prior approval. The grantee said that the conference agenda, the consideration of benefits to Head Start children and families, and the grantee's multidisciplinary approach justified the conference attendance of the 17 individuals. The grantee's comments, excluding attachments related to findings or issues not in this report, are included as Appendix B.

After reviewing the grantee's comments, we maintain that the grantee claimed unreasonable costs associated with travel and attendance for the out-of-State conference. We recognize that conference training is an ordinary and necessary expense for the performance of the award and is not prohibited under Federal and State laws and regulations. However, the number of people sent to the National Urban League conference was excessive and deviated significantly from the practices of the organization. Additionally, when deciding to send such a large group of employees and parents to an out-of-State conference, the grantee did not act with prudence when considering its financial responsibilities to its clients, the public at large, and the Federal Government.

ADMINISTRATION FOR CHILDREN AND FAMILIES COMMENTS

In written comments on our draft report, ACF concurred with our recommendations. ACF's comments are included in their entirety as Appendix C.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
Federal Head Start Program.....	1
Columbus Urban League	1
Federal Requirements for Head Start Grantees	1
OBJECTIVE, SCOPE, AND METHODOLOGY	2
Objective.....	2
Scope.....	2
Methodology.....	2
FINDINGS AND RECOMMENDATIONS	3
UNALLOWABLE COSTS	3
INDIRECT COST ALLOCATION	4
Federal Requirements	4
Indirect Cost Allocation Methodology	5
RECOMMENDATIONS	5
GRANTEE COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE	5
ADMINISTRATION FOR CHILDREN AND FAMILIES COMMENTS	6
OTHER MATTER	6
APPENDIXES:	
A: COLUMBUS URBAN LEAGUE’S IN-KIND PARENT/CHILD IN-HOME ACTIVITIES FORM	
B: COLUMBUS URBAN LEAGUE’S COMMENTS	
C: ADMINISTRATION FOR CHILDREN AND FAMILIES COMMENTS	

INTRODUCTION

BACKGROUND

Federal Head Start Program

Title VI of the Omnibus Budget Reconciliation Act of 1981 established Head Start as a Federal discretionary grant program. The Head Start program provides grants to local public and private non-profit and for-profit agencies to provide comprehensive child development services to economically disadvantaged children and families, with a special focus on helping preschoolers develop the early reading and math skills they need to be successful in school.

Within the U.S. Department of Health and Human Services (HHS), the Administration for Children and Families (ACF), Office of Head Start (OHS), administers the Head Start program. In fiscal year (FY) 2010, Congress appropriated \$7.2 billion to fund Head Start's regular operations.

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Columbus Urban League

The Columbus Urban League (the grantee) is a 93-year-old, non-profit organization that was established to assist disadvantaged families in the community, and offer full-day, part-day, home-based and childcare partnership options. The program can provide services for up to 925 children. The grantee's Head Start program is funded primarily through Federal Head Start grants. During our review period, the grantee claimed Head Start program costs totaling \$6,396,640 for regular operations from November 1, 2009, through October 31, 2010; Head Start Recovery Act expansion costs of \$375,582 from September 30, 2009, through September 29, 2010; and \$461,778 for cost-of-living adjustments (COLA) and quality improvements from July 1, 2009, through September 30, 2010. The grantee also receives funds from other Federal and State sources.

Federal Requirements for Head Start Grantees

Regulations at 45 CFR 1301—1311 establish rules for program operation, administration, and grants management for all grants awarded under the Head Start Act. 45 CFR Part 74 establishes uniform administrative requirements for grants awarded to non-profit and commercial organizations. The allowability of costs incurred by non-profit organizations is determined in accordance with the provisions of 2 CFR pt. 230 (Office of Management and Budget (OMB) Circular A-122), *Cost Principles for Non-Profit Organizations*.

Pursuant to 2 CFR pt. 230, Appendix A, § A.2, “[t]o be allowable under an award, costs must . . . be reasonable for the performance of the award, and be adequately documented.” Additionally, 230, Appendix B, § 8(m)(1) states, the distribution of salaries and wages must be supported by personnel activity reports.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether costs claimed by the grantee were allowable under the terms of the grant and applicable Federal regulations and to determine whether the grantee’s financial management practices and systems met Federal requirements.

Scope

We performed this limited scope review in response to a request from ACF. Therefore, we did not perform an overall assessment of the grantee’s internal control structure. Rather, we reviewed only the internal controls that pertained to our objective. Our review period was July 1, 2009, through October 31, 2010. During the review period, the grantee claimed \$7,234,000. We reviewed the allocation methodology associated with \$755,445 in executive staff salary costs. We also reviewed \$177,886 in direct costs claimed by the grantee.

We performed our field work at the grantee’s office in Columbus, Ohio from March through December 2011.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws and regulations pertaining to Head Start operations and Recovery Act projects, and the Federal Head Start program guidance related to reporting expenditures for regular operations;
- reviewed OHS program and policy announcements for the Head Start program;
- reviewed the grantee’s bylaws, board of directors meeting minutes, and organizational chart;
- reviewed the grantee’s policies and procedures;
- reviewed the grantee’s audited and unaudited financial statements and supporting documentation;
- held discussions with grantee officials related to the grantee’s policies, procedures, and methodology for claiming Head Start program expenditures;

- judgmentally selected 26 checks for Head Start grant expenses, from the period July through September 2010, totaling \$177,886;
- obtained and reviewed final annual Financial Status Reports (SF-269) for:
 - November 1, 2009, through October 31, 2010, for Head Start operations,
 - September 30, 2009, through September 29, 2010, for Recovery Act expansion,
 - July 1, 2009, through September 30, 2010, for Recovery Act COLA and quality improvement; and
- reviewed a random sample of in-kind contributions for parent/child in-home activities.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

FINDINGS AND RECOMMENDATIONS

Of the \$177,886 in direct costs that we reviewed, the grantee claimed \$164,784 that was allowable under the terms of the grants and applicable Federal regulations. However, the grantee claimed Federal reimbursement of as much as \$13,102 for unreasonable costs associated with travel and attendance at an out-of-State conference. In addition, although the grantee generally followed an acceptable methodology for allocating administrative and executive staff salaries, it inappropriately used a 2-week time period when calculating its monthly employee activity.

The deficiencies occurred because the grantee did not establish adequate financial procedures and controls. As a result, Federal program funds may be at risk of not being properly accounted for or expended in accordance with Federal requirements.

UNALLOWABLE COSTS

Pursuant to 2 CFR pt. 230 (OMB Circular A-122), Appendix A, § A.2, “[t]o be allowable under an award, costs must ... [b]e reasonable for the performance of the award, and be adequately documented.” Factors used in the determination of reasonableness are listed in 2 CFR Pt. 230, App. A.3, and include: (a) whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award; (b) the restraints or requirements imposed by such factors as generally accepted sound business practices, arms length bargaining, Federal and State laws and regulations, and terms and conditions of the award; (c) whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees, and clients, the public at large, and the Federal Government; and, (d) significant deviations from the established practices of the organization which may unjustifiably increase the award costs.

Pursuant to 2 CFR pt. 230 (OMB Circular A-122), Appendix B, § B.29, costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable. This includes costs of meals, transportation, rental of facilities, speakers' fees, and other items incidental to such meetings or conferences.

The grantee claimed as much as \$13,102 for unreasonable costs associated with travel and attendance at an out-of-State conference. The grantee's budget included \$8,000 to send six people to the 2010 National Urban League conference in Washington, D.C. However, the grantee sent a total of 17 persons to the conference. We obtained documentation of costs charged to the grant totaling \$21,102 for 17 individuals, which consisted of grantee officials, advocates, teachers, a parent, and a cook.

Although the cost of a conference is generally recognized as ordinary and necessary for the performance of the award and is not prohibited under Federal and State laws and regulations, the grantee sent almost three times the number of people budgeted and paid more than \$13,000 more than the amount included in the grant budget. The number of people sent to the National Urban League conference deviated significantly from the practices of the organization in 2008, 2009, and 2011 when 6, 11, and 5 persons, respectively, attended.

INDIRECT COST ALLOCATION

Federal Requirements

Pursuant to 2 CFR § 230, Appendix A, part C (1) *Indirect Costs*, indirect costs are those that have been incurred for common and joint objectives and cannot be readily identified with a particular final cost objective. After direct costs have been determined and assigned directly to awards or other work as appropriate, indirect costs are those remaining to be allocated to other benefiting cost objectives.

Pursuant to 2 CFR § 230, Appendix A, part D (3) *Allocation of Indirect Costs and Determination of Indirect Cost Rates*, where an organization has several major functions which benefit from its indirect costs in varying degrees, allocation of indirect costs may require the accumulation of such costs into separate cost groupings which then are allocated individually to benefiting functions by means of a base which best measures the relative degree of benefit.

According to 2 CFR pt. 230, Appendix B, § 8(m), the distribution of salaries and wages must be supported by personnel activity reports. The activity reports maintained by nonprofit organizations must meet the following standards:

- reflect an after-the-fact distribution of the actual activity of each employee,
- account for the total activity for which each employee is compensated,
- be signed by the employee or by a responsible supervisory official having firsthand knowledge of the activities performed, and

- be prepared at least monthly and coincide with one or more pay periods.

Indirect Cost Allocation Methodology

Our review focused on the grantee's methodology for allocating indirect costs associated with administrative and executive staff salaries. Salaries and fringe benefits for administrative and executive staff are first charged directly to the project for which identifiable services have been provided. The remaining salary expense becomes part of the administrative cost pool and is allocated to each project based on the percentage of each project's employee full-time equivalent (FTE) count to all projects FTE count. The FTE count and indirect allocation percentage are calculated monthly and are based on after-the-fact distribution of the actual activity of each employee, which are supported by signed activity reports.

Although the grantee generally followed an acceptable methodology for allocating administrative and executive staff salaries, the grantee inappropriately used a two-week time period when calculating its monthly FTE counts. Using a two-week period results in an estimate of activity for the remaining period of time in each month's calculation. Without using signed activity reports for the entire month, the grantee is assuming that the same staff worked on the same projects for the second half of the month. The estimated monthly FTE may not accurately represent time spent on the grant and could result in an inappropriate allocation to the grant and other projects. The monthly FTE counts should have been based on the total monthly activity for which each employee is compensated in accordance with Federal requirements.

RECOMMENDATIONS

We recommend that OHS require the grantee to:

- refund \$13,102, or amounts determined to be unreasonable, for conference attendance costs and
- calculate indirect cost percentages based on the entire month of employee activity.

GRANTEE COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the grantee did not concur with the first recommendation but concurred with the second. Regarding the first recommendation, the grantee stated that the National Urban League conference provided an agenda that was in line with Head Start objectives, was for a grant-related purpose, and was an authorized Head Start activity. The grantee stated that it was in compliance with Federal grant policies and procedures when it decided to increase its initial travel and conference fees budget without prior approval. The grantee said that the conference agenda, the consideration of benefits to Head Start children and families, and the grantee's multidisciplinary approach justified the conference attendance of the 17 individuals. The grantee's comments, excluding attachments related to findings or issues not in this report, are included as Appendix B.

After reviewing the grantee's comments, we maintain that the grantee claimed unreasonable costs associated with travel and attendance for the out-of-State conference. We recognize that conference training is an ordinary and necessary expense for the performance of the award and is not prohibited under Federal and State laws and regulations. However, the number of people sent to the National Urban League conference was excessive and deviated significantly from the practices of the organization. Additionally, when deciding to send such a large group of employees and parents to an out-of-State conference, the grantee did not act with prudence when considering its financial responsibilities to its clients, the public at large, and the Federal Government.

ADMINISTRATION FOR CHILDREN AND FAMILIES COMMENTS

In written comments on our draft report, ACF concurred with our recommendations. ACF's comments are included in their entirety as Appendix C.

OTHER MATTER: EXCESSIVE IN-KIND CONTRIBUTIONS CLAIMED

The grantee did not report in-kind contributions in compliance with Federal Head Start regulations. The hourly rate used for in-kind contributions for parent/child in-home activities was excessive and sampled activities did not meet Federal regulations.

Federal regulations at 45 CFR § 74.23(d) state that "Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program. Rates for volunteer services shall be consistent with those paid for similar work in the recipient's organization." OHS guidance (OHS-PC-A-006) states that "the valuation of the parent's time should, unless a program can demonstrate otherwise, be valued at the rate of a teacher's assistant." Further clarification is provided in OHS guidance (OHS-PC-A-048) which states: "A volunteer's rate should be determined based on the nature of the work being done and the experience and education brought to the job by the volunteer. A program may include, in this valuation, a fringe benefit rate for the volunteer that is comparable to the grantee's average fringe benefit rate."

The grantee used a volunteer hourly rate for parent/child in-home activities of \$18.57 for November and December 2009 and \$19.14 after a 3.06 percent COLA increase for January through October 2010. Based on our review of the grantee's payroll records, we determined that the hourly rate of a teacher's assistant plus the cost of fringe benefits should have been \$15.63 for November and December 2009 and \$16.07 from January through October 2010.

OHS guidance (OHS-PC-A-077) states:

"Parent involvement activities that provide a good or service to benefit the program is considered an allowable cost for an in-kind match. Parent involvement activities that primarily benefit the parent and their child are not considered an allowable cost for an in-kind match. Parent involvement activities that primarily benefit the parent and child include items such as parent orientation; home visits including pre-natal, newborn or postpartum visits; staff-

teacher conferences; socialization activities; parent education or training; meetings and activities related to family goal setting with the family partnership agreement; participation in specific activities that are related to a child's developmental or educational plan, Individualized Family Service Plan or Individualized Education Plan; field trips; or transition meetings.”

We reviewed a random sample of 100 in-kind contributions for parent/child in-home activities from a population of 11,340 activities. Based on our sample review, we found that 22 activities did not meet Federal requirements to qualify for an in-kind match. One of the sampled in-kind contributions was for time and mileage associated with a Head Start family on an out-of-State trip. Another sampled in-kind contribution was for a parent's time for sports activities and watching a movie with his/her Head Start child. General parenting duties, or activities that primarily benefit parents and their own children, may not be included as in-kind matching contributions. See Appendix A for example details.

APPENDIXES

APPENDIX A: COLUMBUS URBAN LEAGUE'S IN-KIND PARENT/CHILD IN-HOME ACTIVITIES FORM

Example 1



Columbus Urban League Head Start
Center Based In-Kind Form



Center Center: Madison E.S. Head Start
Month: October Year: 2010 Child's

Parent Home / Activities
Home Space
Product
Service
Mileage

Types of Contributions
Center Space
Facilities
Other (Consultant, Comm. Donation)
Home Visits

Sign In / Sign Out
Volunteer

Date	Start Time	End Time	Parent At Home Activity	Hours/ Minutes	Round Trip Miles Traveled	Per Item Quantity Donated	\$ Value of Donation/ or Salary Per Hour	Total	Initials of Person Entering Data Into Genesis Earth
10/20	11:00 AM	1:00 PM	Drinks to NYC / counted fruits, trees, Davis Drive to NJ / counted trees, bushes	11 hrs 60	610				
10/21	10 AM	12 PM	Hospital / NJ / counted trees, bushes	10 hrs 15	148				
10/22	10 AM	9 PM	Hospital / NJ / counted trees, bushes	10 hrs 15	152				
10/23	9 AM	12 PM	Session day / counted rollers, cushions	3 hrs 28	98				
10/23	1 PM	9 PM	NJ Hospital / play shops, colored, spelling	8 hrs 16	161				
10/23	9 PM	11:30 PM	BK to NY / copying, paint Alphabet song	2 hrs 14	148				
10/24	10 AM	9 PM	NJ Hospital / Alphabet, numbers, name	11 hrs 48	148				
10/25	6 AM	9 PM	Driving BK to OH / counted cars, trucks, the	15 hrs 10	1010				
			and Family Driving Trip to NYC and NJ and back to Ohio. Took Time exploring						
				Totals	1931 Miles				

10/20/10
Date

10/20/10
Date

Volunteer Rate: \$19.14 X Total Hours 22.5 = \$1194.25
 Consultant Rate \$ X Total Hours = \$
 Mileage (.50) X Total Miles = \$9125.50
 Mileage (.50) X Total Rate = \$1196.25
 Mileage (.50) X Total Rate = \$
 Donation Total \$
 Grand Total: \$2161.75

Office of Inspector General Note—The deleted text has been redacted because it contains personally identifiable information.



Columbus Urban League Head Start
Center Based In-Kind Form

Center: Little Miracles Classroom
Month: April Year: 2003-

Parent Home / Activities
Home Space
Product
Service
Mileage

Types of Contributions
Center Space
Facilities
Other (Consultant, Comm. Donation)
Home Visits

Sign In / Sign Out
Volunteer

Date	In/ Drop Off Time	Out/ Pick up Time	Signature / Sign In / Description of Product or Services Donated / Duties Performed / Volunteer Activity / Center / Agency	Hours/ Minutes	Round Trip Miles Traveled	Per Item Quantity Donated	\$ Value of Donation/ or Salary Per Hour	Total	Initials of Person Entering Data Into Genesis Earth
4-21-03			Outsiders Wood Reading Play outside	1:00					
4-21-03			Basketball game Reading outdoors	2:15					
4-21-03			Play outside Reading outdoors	1:00					
4-21-03			Play outside park Reading	2:10					
4-25-03			Rede bike park Reading	2:00					
4-21-03			Activities outside Reading playground	1:15					
4-27-03			Basketball game Reading	2:5					
4-28-03			Activities outside Reading playground	1:5					
4-24-03			Basketball game Reading	2:5					
4-30-03			Movie Reading	2:0					
Totals				18:5					

04/21/03
Date

Information Below Completed By Staff

Volunteer Rate: \$19.14 X Total Hours 18.5 = \$ 354.09
 Consultant Rate \$ X Total Hours = \$
 Mileage (.50) X Total Rate = \$
 Mileage (.50) X Total Rate = \$
 Donation: Agency or Business: Donation Total \$
 Signature: _____ Date: _____ Grand Total: \$ 354.09

Office of Inspector General Note—The deleted text has been redacted because it contains personally identifiable information.

APPENDIX B: COLUMBUS URBAN LEAGUE'S COMMENTS



Columbus
Urban League

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*Empowering Communities.
Changing Lives.*

May 15, 2012

Sheri L. Fulcher
Regional Inspector General for Audit Services
Office of Inspector General
Office of Audit Services Services, Region V
233 North Michigan, Suite 1360
Chicago, IL 60601

Re: Report Number A-05-11-00053

Dear Ms. Fulcher:

This communication is in response to your letter dated May 9, 2012 regarding the draft report entitled *The Columbus Urban League Claimed Some Allowable Costs to Head Start*. The following statements reflect The Columbus Urban League's (CUL) concurrence or non-concurrence with the Office of Inspector General's (OIG) recommendations for the review period of July 1, 2009 through October 31, 2010.

Recommendation One: Refund \$13,102, or amounts determined to be unreasonable, for conference attendance costs.

CUL – does not concur with this recommendation.

The National Urban League develops a national agenda for its ninety three affiliates which serves as a blueprint for providing programs that become the voice of advocacy for urban America. Each year, the National Urban League annual conference focuses on major action priorities and showcases best practices and strategies that will improve the chances for advancement and progress of those living in American's urban cities. Education, health and quality of life, jobs, and housing are areas of concerns faced by our Head Start families. Additionally, as a part of the National Urban League's "Opportunity Compact: Blueprint for Economic Equality – a research-based document meant to prompt action – one of the priorities is Opportunity to Thrive (Children) which is to commit to mandatory early childhood education beginning at age three and to establish policies that provide tools for working families to become economically self-sufficient. Both of these priorities are in line with Head Start objectives. Additionally, the focus on preventing childhood obesity which research shows has more than tripled in the past three years according to the Centers of Disease Control and Prevention, is an area of focus for the Leagues' health care work platform.

The approval of staff to attend the National Urban League (NUL) 2010 Conference was for a grant related purpose and was an authorized Head Start activity. Costs were allocable as the conference would advance work under the grant by providing Head Start staff with exposure and knowledge to approach many of the social and economic issues facing Head Start families and children as well as address national concerns related to teaching strategies. CUL Head Start is a program offered in support of the agency's mission and goals to empower communities and change lives. The Head Start program is enriched with access to other community services that enhances family support, economic development and stability.

Sheri L. Fulcher

May 15, 2012

Page 2

CUL was in compliance with federal grant policies and procedures when the decision was made to increase additional travel and conference fees from the initial budget projection without prior approval. According to the Federal Health and Human Services' Grant Policy Statement dated January 2007, Terms and Conditions of Award, Part II, Prior Approval Requirements, Change in Scope, Page 54:

"Significant rebudgeting occurs when, under a grant with a Federal share exceeding \$100,000, cumulative transfers among direct cost budget categories for the current budget period exceed 25 percent of the total approved budget (which includes direct and indirect costs, whether chargeable to Federal funds or required matching or cost sharing) for that budget period or \$250,000, whichever is less."

CUL did not exceed \$100,000 of cumulative transfers or \$250,000 for the grant year 2010. Per the grant policy guidelines, CUL was not required to request prior approval for the additional staff sent to the conference and was in compliance with federal policies and procedures.

The CUL 2010 Head Start budget originally projected expenditures of \$8,000 to send a total of six Head Start staff to the 2010 National League Conference. After review of the actual conference agenda and consideration of the benefits to both CUL Head Start children and families, the decision was made to send 17 Head Start staff and parents, all of whom make an impact on the results of the CUL's Head Start program. CUL consistently determines use of federal Head Start funds by evaluating if costs are reasonable and allowable. The NUL's 2010 conference focused on many of the social, educational and economical ills, affecting Head Start families to include self sufficiency, family stability, and goal setting (See Exhibit One – 2010 National Urban League Conference Agenda).

The various CUL Head Start staff and parents approved to attend the NUL 2010 Conference attended workshops that supported their ability to have a greater impact on the families and communities served. CUL is an agency that also provides a multitude of services for issues that plague the urban community including access to and quality education, lack of employment, substance abuse, reentry from incarceration, challenges specific to urban males, nutrition, and health issues. The CUL Head Start urban families we serve are faced with these same issues.

CUL Head Start is a program that prides itself in focusing on family self-sufficiency and stability, and it is imperative that we remain current on data, social concerns and barriers that impact urban families. The NUL Conference hosted a variety of workshops and plenary sessions that provided social, educational and economical insights for Head Start staff and parents.

Family Service Advocates (FSA) work with families to determine needs assessments, provide goal setting, and promote family self sufficiency. It is important for FSAs to not only understand the needs and resources available for parents and children, but also the national trends impacting those we serve through insight, awareness and networking, i.e. fatherhood, re-entry issues and social ills. Attending

Sheri L. Fulcher

May 15, 2012

Page 3

the workshops on creating a personal job plan and housing information was extremely beneficial for the FSAs in identifying and offering solutions to families.

Parents are an integral part of the Head Start framework, and as partners of the program provide insight on program improvement. Upon return, the two parents shared knowledge and insights at the monthly Center Parent Meetings and Policy Councils.

Cooks not only provide culinary services, but need to be abreast on nutritional issues that face children such as obesity. The NUL 2010 conference had a workshop on obesity in the Black community. The knowledge gained from the conference provided insights on addressing obesity in children and families.

Teachers not only impact children's lives but through daily contact have a direct impact on parents as well. The emphasis of workshops related to charter schools and data relative to high-school dropout rates emphasized the importance of providing effective training in early childhood education.

Therefore, the multidisciplinary approach to receive training was justifiable.

Recommendation Two: Refund \$3,806 to the Federal Government for unallowable costs.¹

CUL – does not concur with this recommendation.

Providing meals during mandatory trainings are a customary practice at CUL Head Start. Mandatory trainings during normal work hours improves attendance and employee knowledge (with consistent dissemination of information) which ensures enhanced delivery of service to children and families. In addition, CUL's Head Start policies and procedures indicate when it is allowable to purchase meals for staff and/or parents during meetings. Circular No. A-122, Revised May 10, 2004, Selected Items of Costs, 13 a. indicates the following:

13. *Employee morale, health, and welfare costs.*
 - a. *The costs of employee information publications, health or first-aid clinics and/or infirmaries, recreational activities, employee counseling services, and any other expenses incurred in accordance with the non-profit organization's established practice or custom for the improvement of working conditions, employer-employee relations, employee morale, and employee performance are allowable.*

CUL Head Start policy states staff attending mandatory trainings over four hours will receive a continental breakfast and/or light lunch (See Exhibit Two- Staff Training and Development Lunch Policy). Providing meals is therefore an established practice or custom of the agency.

¹ Office of Inspector General Note—This recommendation is not applicable because the finding or issue referred to by the auditee is not included in this report.

Sheri L. Fulcher

May 15, 2012

Page 4

During the timeframe of August 16-25, 2010, CUL Head Start held its Third Annual Professional Development Conference (See Exhibit Three). The conference brochure provided professional background of all presenters. While there was no workshop summary information listed in the brochure, it is evident from the titles that dissemination of technical information was provided.

The CUL Team Building Meeting held on August 27, 2010 (See Exhibit Four) was an all-day off-site training led by CUL Human Resources and Training staff. The training provided information related to the full spectrum of community services available at the CUL. As a result of the information shared, Head Start staff are better equipped to identify and address family stability, goal setting and self sufficiency needs. CUL's Head Start program contributed \$900 of the \$1,600 for the food at this event. CUL Head Start staff represents 67 percent of total agency staff. Therefore, the allocation of 57 percent of Head Start funds for this event is justifiable.

The monthly Head Start Policy Council meeting was held on September 1, 2010 (See Exhibit Five). Parents, Head Start Center Volunteers, Community Liaisons, CUL Executives and Head Start staff attend this mandatory monthly meeting which covers the timeframe of 12:30 p.m. to 2:00 p.m. The CUL Head Start Policies and Procedures – Parents Meeting Meals Policy (See Exhibit Six) states meals will be provided for parents and volunteers. Based on the above paragraph from Circular A-122 and the subsequent description of occurrences, food is an allowable cost for this meeting.

Corrective Action: While CUL does not agree with the OIG's decision to reimburse the funds spent on meals for the above listed meetings and/or trainings, in the future CUL Head Start will create a synopsis for each training session clearly listing the type of technical information disseminated.

Recommendation Three: Calculate indirect cost percentages based on the entire month of employee activity.

CUL concurs with this statement.

While CUL did follow a generally acceptable methodology for allocating administrative and executive staff salaries, we inappropriately used a two-week time period when calculating the monthly FTE counts. CUL realizes that estimated monthly FTE used to allocate administrative and executive staff time may not have accurately reflected total time spent on the grant. Effective May 17, 2011 CUL implemented a direct costing activity log which reflects actual hours worked by programs for all administrative and executive staff, thereby ensuring actual time applied to the Head Start grant is expensed.

CUL Head Start believes it has operated the program with the utmost integrity and intention of following standards, practices, and regulations. If you have questions concerning this response, please contact Chief Financial Officer, Mary Love, at 614-372-2313.

Sincerely,

Stephanie Hightower

Stephanie Hightower
President and CEO

Attachments: Exhibits One through Six

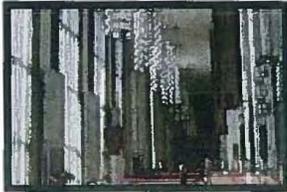
Exhibit One

CENTENNIAL	SCHEDULE	SPEAKERS	EVENTS	SPONSORS	RESOURCES	REGISTER NOW
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Schedule At-A-Glance

Wednesday, July 28th Thursday, July 29 Friday, July 30 Saturday, July 31

7:00 am - 8:00 am	GUILD FAMILY SESSION	
8:00 am - 6:00 pm	REGISTRATION OPEN	
8:00 am - 10:30 am	<p>OPENING CENTENNIAL PLENARY SESSION I - THE STATE OF BLACK AMERICA</p> <p>Hall E</p> <p><u>Vernon E. Jordan, Jr.</u></p> <p>Hide Speakers</p>	
10:15 am - 11:45 am	<p>CONCURRENT WORKSHOPS</p> <p><u><i>The Prosperity Promise: A Plan to Put Urban America back to Work</i></u></p> <p><u><i>Health Saving Our Sons: Empowering the African American Male</i></u></p> <p><u><i>Healthcare Obesity in the Black Community: Tipping the Scale Towards a Viable Solution</i></u></p>	

	<p><u>Housing Predatory Lending and Industry Scams: How to Protect Yourself</u> <u>Education Public School and Private School Privilege: Education Reform in America</u> <u>Jobs Creating a Personal Economic Recovery Plan</u></p> <hr/> <p><u>Hide Workshops</u></p>	
12:30 pm - 2:30 pm	SALUTE TO LEADERSHIP LUNCHEON	
2:45 pm - 4:45 pm	CENTENNIAL TOWN HALL ON EDUCATION: THE PAST 100 YEARS OF BLACK EDUCATION	
6:30 pm - 8:30 pm	STATE OF THE URBAN LEAGUE ADDRESS	
9:30 pm - 11:30 pm	<p>WELCOME RECEPTION <u>The Kennedy Center</u></p>	

CENTENNIAL SPONSORS



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Centennial	Schedule	Speakers	Events	Sponsors	Resources
Timeline	Plenary Sessions		YP Summit	Sponsorship Opportunities	Stay Travel

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CENTENNIAL	SCHEDULE	SPEAKERS	EVENTS	SPONSORS	RESOURCES	REGISTER NOW
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Plenary Sessions

[Wednesday, July 28th](#) [Thursday, July 29](#) [Friday, July 30](#) [Saturday, July 31](#)

8:15 am - 10:00 am	PLENARY SESSION II - THE PRESIDENT OF THE UNITED STATES OF AMERICA <hr/> <i>Show Speakers</i>	
2:30 pm - 4:30 pm	PLENARY SESSION III - WHAT WILL BLACK AMERICA LOOK LIKE IN 2025?	

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Page 3 of 3

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CENTENNIAL	SCHEDULE	SPEAKERS	EVENTS	SPONSORS	RESOURCES	REGISTER NOW
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Schedule At-A-Glance

Wednesday, July 28th Thursday, July 29 Friday, July 30 Saturday, July 31

6:00 am - 7:00 am	CENTENNIAL VOLUNTEER DAY OF SERVICE CONTINENTAL BREAKFAST AND PEP RALLY	
7:00 am - 11:00 am	CENTENNIAL VOLUNTEER DAY OF SERVICE	
8:00 am - 5:00 pm	REGISTRATION OPEN	
10:30 am - 5:00 pm	EXPO HALL & CAREER FAIR OPEN	
12:30 pm - 2:30 pm	NATIONAL COUNCIL OF URBAN LEAGUE GUILDS LUNCHEON	Show Speakers
3:00 pm - 5:30 pm	LISTEN UP: VOICES FROM THE NEXT GENERATION	

6:30 pm - 8:30 pm	PRE-CONCERT RECEPTION
6:30 pm - 8:30 pm	URBAN LEAGUE LEADERS & PARTNERS RECEPTION
8:30 pm - 11:30 pm	NATIONAL URBAN LEAGUE BENEFIT CONCERT <i>Warner Theater</i>
10:00 pm - 11:59 pm	YOUNG PROFESSIONALS LATE NIGHT EVENT

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Page 3 of 3

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[Day of Service](#)

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[Employee
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[FAQ](#)

CENTENNIAL	SCHEDULE	SPEAKERS	EVENTS	SPONSORS	RESOURCES	REGISTER NOW
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Schedule At-A-Glance

Wednesday, July 28th *Thursday, July 29* *Friday, July 30* *Saturday, July 31*

<i>8:00 am - 3:00 pm</i>	REGISTRATION OPEN	
<i>8:00 am - 10:30 am</i>	FAMILY SESSION AND INTERFAITH BREAKFAST	
<i>11:00 am - 5:00 pm</i>	N.U.L. EXPERIENCE EXPO HALL & CAREER FAIR FINAL DAY	
<i>12:00 pm - 2:00 pm</i>	WOMEN OF POWER LUNCHEON	
<i>12:30 pm - 4:00 pm</i>	NEW COLLEGE FAIR	

Annual Conference

2:30 pm - 4:15 pm

DELEGATE ASSEMBLY

7:30 pm - 10:30 pm

WHITNEY M. YOUNG JR. AWARDS GALA

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Page 3 of 3

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APPENDIX C: ADMINISTRATION FOR CHILDREN AND FAMILIES COMMENTS



ADMINISTRATION FOR **CHILDREN & FAMILIES**

Office of Head Start | Region V | 233 North Michigan Avenue, Suite 400, Chicago, IL 60601 | eclkc.ohs.acf.hhs.gov

Date: August 16, 2012

To: Sheri Fulcher, Regional Inspector General for Audit Services
Office of Inspector General

From: Kay Willmoth, Regional Program Manager
Office of Head Start

Eric P. Staples, Regional Grants Management Officer
Office of Grants Management

Subject: CIN A-05-11-00053 – Columbus Urban League

The Office of Inspector General (OIG), Office of Audit Services, provided the draft audit report for Columbus Urban League (CUL), Common Identification Number (CIN) A-05-11-00053, to the Department of Health and Human Services (DHHS), Administration for Children and Families (ACF), Office of Head Start (OHS) for comments on July 20, 2012. The audit report covered the period July 1, 2009 through October 31, 2010, and examined expenditures under three separate grants awarded to Columbus Urban League (CUL) during that period, specifically Grant Numbers 05CH8269, 05SE8269 and 05SH8269. The two recommendations identified in the draft audit report are addressed below.

Recommendation 1:

The draft audit report recommends OHS require Columbus Urban League to refund \$13,102, or amounts determined to be unreasonable, to the Federal government for conference attendance costs.

OHS and the Office of Grants Management (OGM) concur with the recommendation for Columbus Urban League to refund \$13,102 to the Federal government for unreasonable costs associated with out-of-state travel to attend the 2010 National Urban League conference. We agree conference costs of \$13,102 incurred by the grantee were not reasonable for the performance of the award per 2 C.F.R. 230, Appendix A, § A.3.

The agency's approved Head Start budget included \$8,000 for attendance of six staff at the 2010 National Urban League conference in Washington, D.C. The agency decided to send 17 staff, 11 more than approved, at an unbudgeted cost of \$13,102. While the cost of a conference that disseminates technical information is allowable, Columbus Urban League sent 11 additional staff to the conference, which deviated from the agency's past practice regarding attendance at the national conference and increased

Ms. Fulcher

Page 2

the award costs without justification. We agree Columbus Urban League did not act prudently in incurring these additional costs, which were not reasonable for performance under the grant. Therefore, the Regional Office will request the grantee refund \$13,102 to the Federal government.

Recommendation 2:

The draft audit report recommends OHS require the grantee to calculate indirect cost percentages based on the entire month of employee activity.

Although the grantee generally followed an acceptable methodology for allocating administrative and executive staff salaries, it inappropriately used a two week time period when calculating its monthly activity. Pursuant to 2 C.F.R. 230, Appendix A, § C.1, indirect costs are those incurred for common or joint objectives that cannot be readily identified with a particular final cost objective. We agree Columbus Urban League did not comply with 2 C.F.R. 230, Appendix B, § 8(m) since it only used personnel activity reports covering a two-week rather than monthly period to calculate its base for distribution of salaries and wages.

In the OHS monitoring review report dated January 6, 2011, Columbus Urban League was notified of a deficiency in its Head Start program since it failed to use after-the-fact personnel activity reports to account for all activities for which employees were compensated. The follow-up monitoring review report dated December 26, 2011 found salaries and wages for central administrative staff were distributed based on an after-the-fact determination of the actual activity of each employee.

In addition to the recommendations, OIG raised concerns with respect to the valuation and allowability of volunteer parent activities for in-kind contributions for match purposes. OIG found the volunteer hourly rate for parent activities was valued incorrectly. Also, a sample of 100 records for at-home activities of parents that support the curriculum found 22 activities did not qualify for match. OHS and OGM agree the examples provided in the draft report were not appropriate activities for match. The Regional Office will arrange for technical assistance to be provided to Columbus Urban League. As part of the technical assistance effort, a review of the grantee's procedures for non-federal share match and its valuation methodology will be completed, and recommendations for improvement will be provided.

We are available to meet with you to discuss our positions and answer any questions you may have. Thank you for the opportunity to comment on the draft report.

cc: Ann Linehan, Deputy Director
Office of Head Start