

STRATEGIC ISSUES FACING CAAs WEBINAR SERIES  
JULY 16, 2014

## HEAD START RISK MANAGEMENT

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JULY 16, 2014

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### AGENDA

- IMPORTANCE OF RISK MANAGEMENT
- RECOMPETITION
  - TRIGGERS
  - CLASS
  - DEFICIENCIES (MONITORING)
- TRANSITION TO 5-YEAR GRANTS
- AVOIDING COMMON DEFICIENCIES AND FINDINGS
  - HEALTH AND SAFETY
  - GOVERNANCE
  - FISCAL ISSUES
  - ERSEA
- RECOMMENDATIONS FOR BUILDING A CULTURE OF COMPLIANCE

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## IMPORTANCE OF RISK MANAGEMENT

- TWO WORDS: DESIGNATION RENEWAL
  - 2007 HEAD START REAUTHORIZATION INCLUDED PROVISIONS FOR "DESIGNATION RENEWAL" AND RECOMPETITION
  - AGENCIES "DELIVERING A HIGH-QUALITY AND COMPREHENSIVE HEAD START PROGRAM" ENTITLED TO REDESIGNATION ("DESIGNATION RENEWAL") AS HEAD START AGENCIES FOR 5 YEARS [42 U.S.C. § 9836(c)]
  - OTHER AGENCIES SUBJECT TO OPEN RECOMPETITION [42 U.S.C. § 9836(d)]
- BUT DO NOT FORGET OTHER CONSEQUENCES OF NONCOMPLIANCE

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## RECOMPETITION

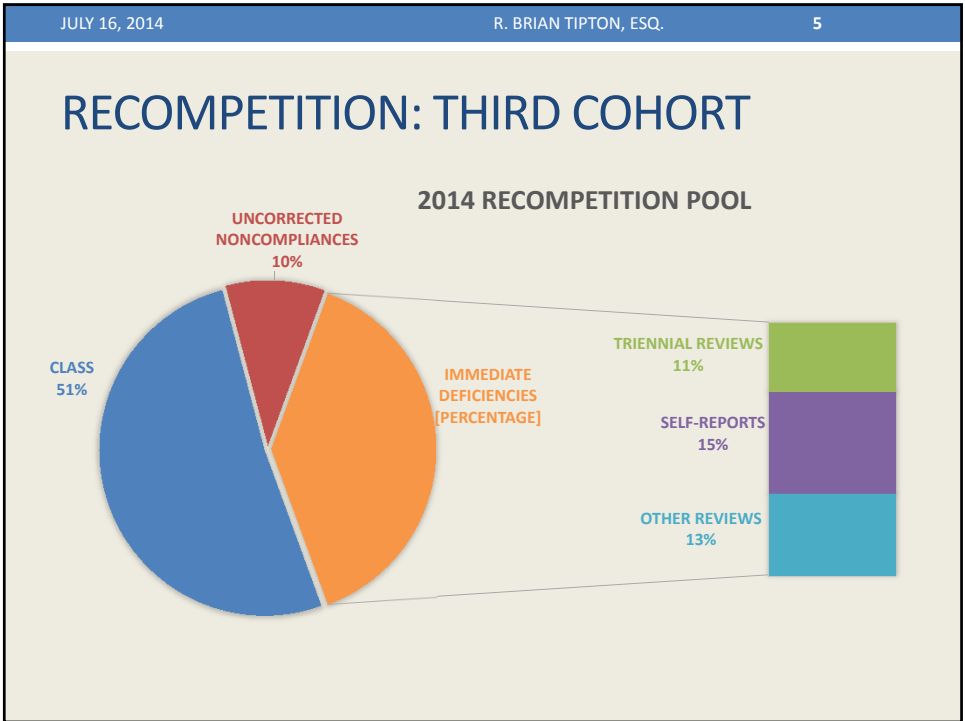
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## RECOMPETITION

- FINAL DESIGNATION RENEWAL SYSTEM REGULATIONS (45 C.F.R. PT. 1307) ISSUED NOV. 2011
- SEVEN TRIGGERS FOR RECOMPETITION TWO TRIGGERS STAND OUT
  - SINCE JUNE 12, 2009, HAS RECEIVED AT LEAST ONE DEFICIENCY IN A SINGLE PROGRAM REVIEW (REGARDLESS OF SUBSEQUENT CORRECTION);
  - AFTER DEC. 9, 2011, SCORES BELOW MINIMUM SCORE IN ANY CLASS DOMAIN OR SCORES IN LOWEST 10% OF ANY DOMAIN (UNLESS SCORE IS AT LEAST 6)
- THREE COHORTS TO DATE



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## RECOMPETITION: CLASS

- DURING ON-SITE REVIEWS, A SAMPLE OF PRE-SCHOOL CLASSROOMS WILL BE OBSERVED USING CLASS
  - NO OBSERVATION IN CLASSES NOT LED BY PRIMARY TEACHING STAFF (BUT NEW TEACHER OKAY IF IN CLASS AT LEAST 10 CONSECUTIVE DAYS)
  - NO OBSERVATIONS IN CLASSES LED BY SHORT-TERM SUBSTITUTES (FEWER THAN 10 CONSECUTIVE DAYS)
- CLASS FOR HEAD START MONITORING PURPOSES DIFFERS FROM USE FOR PROFESSIONAL DEVELOPMENT

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## RECOMPETITION: CLASS

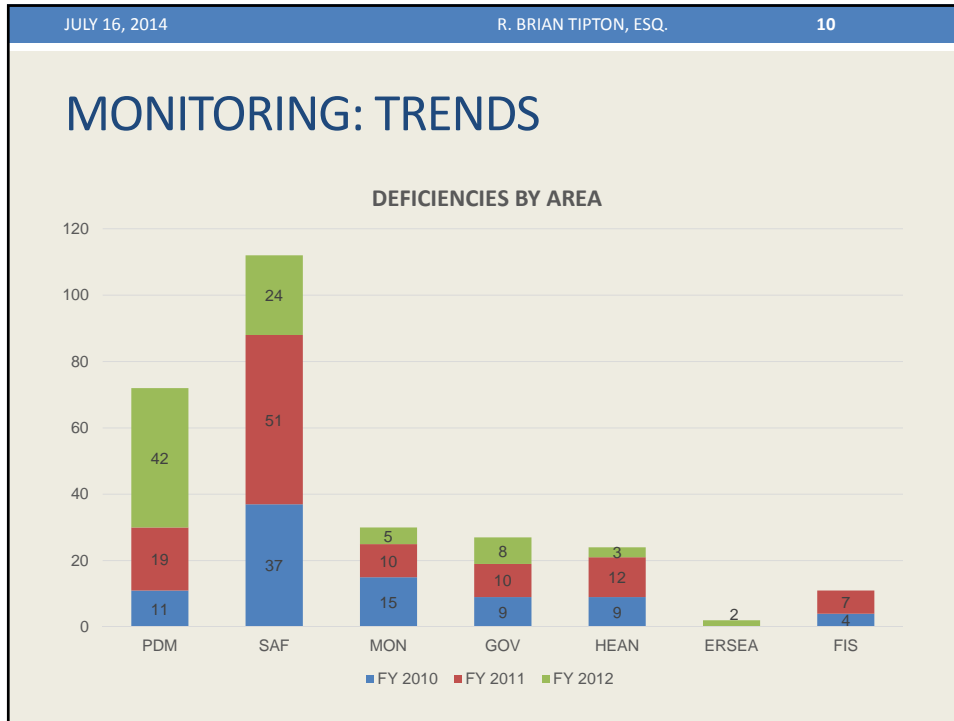
- CLASS TRIGGER FOR RECOMPETITION REALLY TWO STANDARDS
  - ABSOLUTE STANDARDS SET FOR EACH DOMAIN
    - EMOTIONAL SUPPORT = 4
    - CLASSROOM ORGANIZATION = 3
    - INSTRUCTIONAL SUPPORT = 2
  - RELATIVE STANDARD
    - BOTTOM 10% ANY DOMAIN
    - REPLACEMENT FOR 25% MINIMUM RECOMPETITION IN ORIGINAL PROPOSAL FOR DESIGNATION RENEWAL SYSTEM
- MANY AGENCIES MEETING ABSOLUTE STANDARD BUT GETTING CAUGHT BY RELATIVE STANDARD

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## RECOMPETITION: CLASS 2013

DOMAIN	PART 1307 STANDARD	2013 MEAN (AVERAGE)	2013 MEDIAN (50%)	2013 LOWEST 10%	2013 MIN.
EMOTIONAL SUPPORT	4	5.99	5.99	5.5417	4.99
CLASSROOM ORGANIZATION	3	5.63	5.62	5.0556	4.15
INSTRUCTIONAL SUPPORT	2	2.72	2.71	2.1061	1.33

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- ## RECOMPETITION: DEFICIENCIES
- RECENT ISSUES CAN BE GROUPED INTO A FEW BROAD CATEGORIES
    - FACILITIES/HEALTH & SAFETY
    - GOVERNANCE
    - MONITORING AND REPORTING
    - HUMAN RESOURCES
    - FISCAL OPERATIONS
    - ERSEA
  - MONITORING INSTRUMENT TENDS FOCUS ON THESE AND OTHER "HIGH VALUE" AREAS
    - MAY WANT TO GIVE ADDITIONAL ATTENTION WHEN PREPARING FOR REVIEWS AND DESIGNING COMPLIANCE/ON-GOING MONITORING PLANS
    - CAVEAT: PROGRAMS ARE EXPECTED TO COMPLY WITH ALL HEAD START REQUIREMENTS EVEN IF NOT INCLUDED IN MONITORING INSTRUMENT



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## TOP DEFICIENCIES: TRENDS

DEFICIENCY	2010	2011	2012	TOTAL
CODE OF CONDUCT (CHILD SUPERVISION) [1304.52(i)(1)(iii)]	7	15	37	59
ON-GOING MONITORING [1305.51(i)(2)]	15	10	3	28
CRIMINAL RECORD CHECKS [648A(g)(3)(A)]	5	9	11	25
RELEASE OF CHILDREN TO AUTHORIZED PERSONS [1310.10(g)]	N/A	12	4	16
CODE OF CONDUCT (GUIDANCE & DISCIPLINE) [1304.52(i)(1)(iv)]	3	4	7	14
PLAYGROUND EQUIPMENT AND SURFACES [1304.53(a)(10)(x)]	8	3	2	13
MAINTENANCE, REPAIR, SAFETY, AND SECURITY OF FACILITIES, MATERIALS & EQUIPMENT [1304.53(a)(7)]	8	5	N/A	13
INITIAL HEALTH EXAM FOR STAFF [1304.52(k)(1)]	N/A	9	2	11
CLEANING OF PREMISES [1304.53(a)(10)(viii)]	6	4	N/A	10

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## TOP DEFICIENCIES: THIRD COHORT

- STANDARDS OF CONDUCT
  - LEFT CHILD ALONE OR UNSUPERVISED
  - FAILED TO USE POSITIVE METHODS OF CHILD GUIDANCE
- CHILDREN ARE NOT RELEASED TO A PARENT OR LEGAL GUARDIAN
- CRIMINAL RECORD CHECKS
- MAINTENANCE, REPAIR, SAFETY AND SECURITY OF ALL FACILITIES, MATERIALS AND EQUIPMENT
- PHYSICAL ARRANGEMENTS CONSISTENT WITH THE HEALTH, SAFETY & DEVELOPMENTAL NEEDS OF CHILDREN
- ONGOING MONITORING OF GRANTEE, DELEGATE & PARTNER OPERATIONS

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## TRANSITION TO 5-YEAR GRANTS

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## CHANGES: 5-YEAR GRANTS

- NEW REQUIREMENTS AS PART OF TRANSITION TO 5-YEAR GRANT CYCLES (REVISED ACF-IM-HS-13-02)
  - GOVERNANCE
    - "The grantee governing body must conduct a governance and leadership capacity screening within 60 calendar days of the start of the project period."
    - "The governing body must certify that the . . . screening was conducted and a training plan was developed. The certification must be submitted to OHS in the Head Start Enterprise System (HSES) within 75 calendar days of the start of the project period."
  - ALSO SEE INFORMATION MEMORANDUM ACF-IM-HS-14-02 (MARCH 19, 2014)
    - DISCUSSES FEDERAL OVERSIGHT OF 5 YEAR GRANTS
    - KEY AREA: EFFECTIVE GOVERNANCE AND LEADERSHIP

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## CHANGES: 5-YEAR GRANTS

- NEW REQUIREMENTS AS PART OF TRANSITION TO 5-YEAR GRANT CYCLES (REVISED ACF-IM-HS-13-02)
  - HEALTH AND SAFETY
    - "Each grantee must complete a screening of the health and safety environment of each center and/or family child care home where services are provided within 45 calendar days of the start of the program/school year, or within 45 calendar days of the start of the five year project period when the five year project period begins during the program/school year."
    - "The grantee governing body must submit to OHS the signed certification of compliance . . . within 75 calendar days of the start of the program or school year, or within 75 calendar days of the start of the five year project period when the five year project period begins during the program or school year."



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## CHANGES: 5-YEAR GRANTS

- NEW REQUIREMENTS AS PART OF TRANSITION TO 5-YEAR GRANT CYCLES
  - SCHOOL READINESS
    - "Grantee must participate in individual school readiness progress meetings with the OHS regional office."
  - AUDIT WEBINAR:
    - "Grantee must participate in an OHS-sponsored single audit webinar within six months of the start of the project period."
- SEE **REVISED** INFORMATION MEMORANDUM ACF-IM-HS-13-02 (JULY 1, 2013)

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## AVOIDING COMMON HEAD START FINDINGS

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## HEALTH AND SAFETY

- CHILD HEALTH AND SAFETY IS THE TOP AREA FOR PROBLEMS
- THREE MAJOR ISSUES BASED ON RECENT REVIEWS
  - FACILITIES & EQUIPMENT (SAFE ENVIRONMENTS)
  - CHILD SUPERVISION & RELEASE (CHILD SAFETY)
  - BACKGROUND CHECKS



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## FACILITIES & EQUIPMENT

- MAJOR FACILITIES & EQUIPMENT ISSUES IN RECENT YEARS RELATE TO SAFE ENVIRONMENTS STANDARDS AT 45 C.F.R. § 1304.53
  - 45 C.F.R. § 1304.53(a) CONTAINS PRIMARILY FACILITIES-RELATED STANDARDS & REQUIRES SAFETY INSPECTIONS (AT LEAST ANNUALLY)
  - 45 C.F.R. § 1304.53(b) IS MORE CONCERNED WITH EQUIPMENT SAFETY (AND APPROPRIATENESS)
- HEAD START STANDARDS SET FLOORS, NOT CEILINGS
  - MANY GRANTEES ALSO SUBJECT TO STATE & LOCAL LICENSING REQUIREMENTS
  - WHICHEVER REQUIREMENT IS STRICTEST SHOULD BE FOLLOWED
  - SEE 45 C.F.R. § 1306.30(c)

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## FACILITIES & EQUIPMENT

- OHS HAS DEVELOPED "SCREENER" TOOL FOR ASSESSMENT AND CERTIFICATION REQUIRED UNDER 5-YEAR GRANT CYCLES
- SCREENER LOOKS AT FOUR AREAS
  - ENVIRONMENTS
  - HEALTH AND SAFETY PROCEDURES
  - SUPERVISION
  - TRANSPORTATION
- SCREENER REFLECTS MANY FINDINGS FROM RECENT MONITORING AND COMPLIANCE QUESTIONS FROM PROTOCOLS

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## FACILITIES & EQUIPMENT

- OTHER RESOURCES
  - HEAD START DESIGN GUIDE: <http://eclkc.ohs.acf.hhs.gov/hslc/tta-system/operations/fiscal/prop-stnds/property/HeadStartDesign.htm>
  - PROGRAM INSTRUCTION ACF-PI-HS-07-02 (FEB. 6, 2007) & CPSC HANDBOOKS FOR PUBLIC PLAYGROUND SAFETY: <http://www.cpsc.gov/en/Safety-Education/Safety-Guides/Sports-Fitness-and-Recreation/Playground-Safety/>
  - AMERICA'S PLAYGROUNDS SAFETY REPORT CARD (NATIONAL PROGRAM FOR PLAYGROUND SAFETY): [http://playgroundsafety.org/sites/default/files/report\\_card\\_form.pdf](http://playgroundsafety.org/sites/default/files/report_card_form.pdf)
  - CARING FOR OUR CHILDREN (3RD EDITION) & OHS CROSSWALK WITH PERFORMANCE STANDARDS: <http://eclkc.ohs.acf.hhs.gov/hslc/tta-system/health/center/school-readiness/goals/crosswalk.html#>

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## CHILD SAFETY

- CHILD SUPERVISION & RELEASE AMONG TOP DEFICIENCIES RESULTING IN RECOMPETITION
  - CHILDREN LEFT UNSUPERVISED OR ALONE (SUCH AS ON BUS)
  - CHILDREN ABLE TO LEAVE FACILITY
  - INAPPROPRIATE DISCIPLINE
  - RELEASE OF CHILDREN OTHER THAN TO PARENTS OR LEGAL GUARDIANS
- CRITICALLY IMPORTANT FOR RECOMPETITION
  - SUPERVISION IS TOP ISSUE
  - OFTEN SELF-REPORTED

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## CHILD SAFETY

- **45 C.F.R. § 1304.52(g)(5):** Staff must supervise the outdoor and indoor play areas in such a way that children's safety can be easily monitored and ensured.
- **45 C.F.R. § 1304.52(i)(1):** Grantee and delegate agencies must ensure that all staff, consultants, and volunteers abide by the program's standards of conduct. These standards must specify that: . . .
  - (iii) No child will be left alone or unsupervised while under their care.
  - (iv) They will use positive methods of child guidance and will not engage in corporal punishment, emotional or physical abuse, or humiliation. In addition, they will not employ methods of discipline that involve isolation, the use of food as punishment or reward, or the denial of basic needs.
- **45 C.F.R. § 1310.10(g):** Each agency must ensure that children are only released to a parent or legal guardian, or other individual identified in writing by the parent or legal guardian. This regulation applies when children are not transported and are picked up from the classroom, as well as when they are dropped off by a vehicle. Agencies must maintain lists of the persons, including alternates in case of emergency, and up-to-date child rosters must be maintained at all times to ensure that no child is left behind, either at the classroom or on the vehicle at the end of the route.
- INFORMATION MEMORANDUM ACF-IM-HS-09-06 (AUG. 3, 2009)

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## BACKGROUND CHECKS

- HEAD START ACT PROVIDES [42 U.S.C. § 9843a(g)]: "Before a Head Start agency employs an individual, such agency shall--
  - (1) conduct an interview of such individual;
  - (2) verify the personal and employment references provided by such individual; and
  - (3) obtain--
    - (A) a State, tribal, or Federal criminal record check covering all jurisdictions where the grantee provides Head Start services to children;
    - (B) a State, tribal, or Federal criminal record check as required by the law of the jurisdiction where the grantee provides Head Start services; or
    - (C) a criminal record check as otherwise required by Federal law."

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## BACKGROUND CHECKS

- MUST HAVE CRIMINAL RECORDS CHECK COMPLETED BEFORE HIRING
- PROGRAM INSTRUCTION ACF-PI-HS-09-05 (MARCH 26, 2009)
  - GRANTEE MUST OBTAIN RESULTS FROM STATE, TRIBAL, FEDERAL, OR OTHER ACCEPTABLE CRIMINAL RECORDS CHECK BEFORE EMPLOYING PERSON WITH HEAD START PROGRAM
  - CAN EMPLOY PERSON AS PROBATIONARY EMPLOYEE ONCE HEAD START BACKGROUND CHECK COMPLETED EVEN IF ADDITIONAL STATE OR TRIBAL REQUIREMENTS NOT COMPLETED

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## BACKGROUND CHECKS

- ALSO NEED DECLARATION FROM EMPLOYEES AND PROSPECTIVE EMPLOYEES
- 45 C.F.R. § 1301.31(b)(2) REQUIRES: "Grantee and delegate agencies must require that all current and prospective employees sign a declaration prior to employment that lists:
  - (i) All pending and prior criminal arrests and charges related to child sexual abuse and their disposition;
  - (ii) Convictions related to other forms of child abuse and neglect; and
  - (iii) All convictions of violent felonies."

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## HEALTH SCREENINGS

- RELATED ISSUE IS LACK OF REQUIRED HEALTH SCREENINGS
- 45 C.F.R. 1304.52(k) REQUIRES SCREENINGS FOR STAFF AND VOLUNTEERS AS FOLLOWS:
  - "(1) Grantee and delegate agencies must assure that each staff member has an initial health examination (that includes screening for tuberculosis) and a periodic re-examination (as recommended by their health care provider or as mandated by State, Tribal, or local laws) so as to assure that they do not, because of communicable diseases, pose a significant risk to the health or safety of others in the Early Head Start or Head Start program that cannot be eliminated or reduced by reasonable accommodation.
  - (2) Regular volunteers must be screened for tuberculosis in accordance with State, Tribal or local laws."

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## CHILD HEALTH

- PROGRAMS MUST PERFORM OR OBTAIN REQUIRED LINGUISTICALLY AND AGE-APPROPRIATE SCREENINGS (IN COLLABORATION WITH PARENTS) TO IDENTIFY CONCERNS REGARDING CHILDREN WITHIN 45 CALENDAR DAYS OF ENTRY INTO PROGRAM (45 C.F.R. § 1304.20)
- PROGRAMS MUST ALSO:
  - OBTAIN STATUS OF CHILD'S PRIMARY AND PREVENTATIVE HEALTH CARE FROM HEALTH CARE PROFESSIONAL AND UPDATE PARENTS
  - ENSURE CHILD WITH KNOWN, OBSERVABLE OR SUSPECTED HEALTH, DENTAL OR DEVELOPMENTAL PROBLEM RECEIVES DIAGNOSTIC TESTING, EXAMINATION, TREATMENT AND A FOLLOW-UP PLAN
  - CONSULT WITH PARENTS
  - ESTABLISH PROCEDURES FOR TRACKING HEALTH SERVICES
- MUST HAVE WRITTEN PROCEDURES FOR ADMINISTRATION, HANDLING, & STORAGE OF MEDICATION FOR EVERY CHILD

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## GOVERNANCE

- COMMON COMPLIANCE ISSUES RELATED TO HEAD START GOVERNANCE
  - GOVERNING BODY COMPOSITION
  - FAILURE TO EXERCISE GOVERNANCE RESPONSIBILITIES
  - LACK OF OVERSIGHT OVER EXECUTIVE DIRECTOR
  - REPORTING TO GOVERNING BOARDS AND POLICY COUNCILS (E.G., MONTHLY REPORTS)
  - ANNUAL REPORT TO PUBLIC
  - BOARD AND POLICY COUNCIL TRAINING
- RANGE OF GOVERNANCE-RELATED ISSUES FROM ALMOST MINISTERIAL TO CORE GOVERNANCE FUNCTIONS

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## GOVERNANCE

- TRAIN BOARD AND POLICY COUNCIL ON THEIR INDIVIDUAL AND SHARED ROLES AND RESPONSIBILITIES
- DOCUMENT TRAINING, DECISION-MAKING & ACTIONS TAKEN
  - EXAMPLE: APPROVAL OF REQUIRED POLICIES AND PLANS
  - MINUTES & SIGN-IN SHEETS
  - BOARD & POLICY COUNCIL SHOULD ALSO BE ABLE TO EXPLAIN TRAINING & HOW BENEFITTED AND APPLIED
- DEMONSTRATE HOW AND WHEN BOARD ENGAGES IN THE FOLLOWING:
  - LEGAL AND FINANCIAL DECISIONS
  - FISCAL HEALTH AND INTEGRITY OVERSIGHT
  - ERSEA COMPLIANCE (ALSO INVOLVES POLICY COUNCIL)

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## GOVERNANCE

- ENSURE BOARD AND POLICY COUNCIL RECEIVE REQUIRED REPORTS IN TIMELY FASHION
  - MUST RECEIVE AT SPECIFIED TIMES (NOT JUST PREPARED)
  - SHOULD BE IN WRITING
- DEMONSTRATE HOW BOARD AND POLICY COUNCIL USE THE INFORMATION THEY RECEIVE
- COMMUNICATE THAT CAA IS ONE ORGANIZATION, OF WHICH HEAD START IS JUST ONE COMPONENT
  - HEAD START DIRECTOR REPORTS TO EXECUTIVE DIRECTOR
  - FISCAL, HR & OTHER ADMINISTRATIVE DEPARTMENTS ACT AS GATE-KEEPERS FOR ALL PROGRAMS, INCLUDING HEAD START



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## FISCAL ISSUES

- COMMON FISCAL MANAGEMENT ISSUES
  - ALLOWABILITY OF NON-FEDERAL SHARE
  - FINANCIAL MANAGEMENT SYSTEMS
  - FAILURE TO CONDUCT PHYSICAL INVENTORIES EVERY TWO YEARS
  - FAILURE TO FOLLOW PROCUREMENT RULES
  - USE OF HEAD START ADVANCES FOR NON-HEAD START PURPOSES

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## FISCAL ISSUES: MATCH

- MATCH PROVIDED BY VOLUNTEER SERVICES AND DONATED GOODS OR SUPPLIES ARE ALLOWABLE COSTS IF:
  - VERIFIABLE FROM GRANTEE'S RECORDS;
  - NOT INCLUDED AS CONTRIBUTIONS FOR ANY OTHER FEDERALLY-FUNDED PROGRAM;
  - NECESSARY & REASONABLE FOR ACCOMPLISHING PROGRAM OBJECTIVES;
  - ALLOWABLE UNDER APPLICABLE COST PRINCIPLES;
  - NOT PAID BY THE FEDERAL GOV'T UNDER ANOTHER AWARD, EXCEPT WHERE AUTHORIZED BY FEDERAL STATUTE;
  - PROVIDED FOR IN THE APPROVED BUDGET; AND
  - MEET OTHER REQUIREMENTS SPECIFIED IN 45 C.F.R. § 74.23

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## FISCAL ISSUES: MATCH

- ACCURATE DOCUMENTATION OF MATCH
  - SIGN-IN & SIGN-OUT SHEETS
  - ACCURATE DESCRIPTIONS OF VOLUNTEER ACTIVITIES
- MUST BE CAREFUL IN VALUING ITEMS CLAIMED AS MATCH
  - DONATED SPACE VALUED AT FAIR MARKET VALUE OR ACQUISITION COST
  - VOLUNTEER SERVICES VALUED AT RATES CONSISTENT WITH THOSE:
    - PAID FOR SIMILAR WORK IN THE CAA
    - WHERE REQUIRED SKILLS ARE NOT FOUND AT CAA, CONSISTENT WITH RATES PAID FOR SIMILAR WORK IN LABOR MARKET IN WHICH CAA COMPETES FOR THE KIND OF SERVICES INVOLVED

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## FISCAL ISSUES: MATCH

- FEDERAL GRANT FUNDS MAY NOT BE USED FOR MATCH, UNLESS PERMITTED BY THAT FEDERAL PROGRAM'S STATUTE (NOT CSBG)
- KNOW WHAT DOESN'T QUALIFY FOR MATCH:
  - PARENT TRANSPORTATION OF CHILDREN IN PERSONAL VEHICLE
  - GENERAL TIME SPENT BY PARENTS WITH CHILDREN AT HOME OR CARING FOR THEM OUTSIDE OF HS
  - TIME SPENT BY PARENTS ATTENDING TRAINING
- CONSIDER APPLYING TO OHS FOR WAIVER IF UNLIKELY TO MEET 20% MATCH REQUIREMENT
- SEE ACF-PI-HS-12-02:  
[http://eclkc.ohs.acf.hhs.gov/hslc/standards/pi/2012/resour\\_pri\\_002\\_021012.html](http://eclkc.ohs.acf.hhs.gov/hslc/standards/pi/2012/resour_pri_002_021012.html)

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## FISCAL ISSUES: PROCUREMENT

- HAVE WRITTEN PROCEDURES REFLECTING 45 C.F.R. §§ 74.40-.48 OR COMMON RULE
- FOLLOW PROCESS ENSURING:
  - FREE AND OPEN COMPETITION
  - COST AND PRICE ANALYSIS
- ENSURE ADEQUATE VENDOR CONTRACTS
  - CONTAINING ALL REQUIRED PROVISIONS
  - SIGNED AND CARRIED OUT
  - SYSTEMS FOR MONITORING CONTRACT PERFORMANCE

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## FISCAL ISSUES: PROCUREMENT

- INCLUDE DAVIS-BACON LANGUAGE IN CONSTRUCTION CONTRACTS
- ENSURE INDIVIDUALS INVOLVED IN PROCUREMENT:
  - DO NOT HAVE REAL OR APPARENT CONFLICTS OF INTEREST
  - DO NOT RECEIVE PERSONAL GRATUITIES, FAVORS, OR ANYTHING OF SIGNIFICANT MONETARY VALUE FROM VENDORS OR POTENTIAL VENDORS

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## FISCAL ISSUES: PHYSICAL INVENTORY

- FAILURE TO TAKE REGULAR PHYSICAL INVENTORY HAS BEEN ANOTHER COMMON FINDING IN RECENT REVIEW CYCLES
- 45 C.F.R. § 74.34(f)(3) PROVIDES:
  - "The recipient shall take a physical inventory of equipment and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment."

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## FISCAL ISSUES: PRIOR APPROVAL

- PRIOR APPROVAL IS ANOTHER AREA WHERE WE HAVE SEEN ISSUES
- TWO SETS OF ISSUES
  - PRIOR APPROVAL IN GENERAL
    - GENERAL GRANTS ADMINISTRATIVE REQUIREMENTS
    - PART 74 (NONPROFITS) AND PART 92 (GOVERNMENTAL ORGANIZATIONS)
  - FACILITIES RELATED ISSUES
    - CONSTRUCTION-RELATED GENERAL PRIOR APPROVAL REQUIREMENTS
    - HEAD START FACILITIES STANDARDS [PART 1309]

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## FISCAL ISSUES: PRIOR APPROVAL

- PRIOR APPROVAL ISSUES RELATED TO FACILITIES ACQUISITION AND RENOVATION
- 45 C.F.R. § 1309.10 DESCRIBES APPLICATION PROCESS FOR PURCHASE, CONSTRUCTION, OR MAJOR RENOVATION
- 45 C.F.R. § 1309.21(b) PROVIDES:
  - "Facilities acquired with grant funds may not be mortgaged or used as collateral, or sold or otherwise transferred to another party, without the written permission of the responsible HHS official."

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## FISCAL ISSUES: LEASES

- ANOTHER ISSUE INVOLVES LEASES WITH RELATED ENTITY
  - PREVIOUSLY, MANY GRANTEES FORMED SUBSIDIARIES TO BUILD AND OWN CENTERS AND LEASE BACK TO GRANTEE; ONLY VIABLE ALTERNATIVE FOR FUNDING CENTER DEVELOPMENT/ACQUISITION
  - GRANTEES MAY HAVE BEEN ENCOURAGED TO TAKE THIS ROUTE IN SOME REGIONS
  - HOWEVER, RENTAL PAYMENTS UNDER LESS-THAN-ARMS-LENGTH LEASES LIMITED AND MAY NOT COVER TRUE CARRYING COSTS OF SUBSIDIARY
- SEE 2 C.F.R. PT. 230 APP. B(43)(c)
- SEE ALSO PROGRAM INSTRUCTION ACF-PI-HS-09-10 (DEC. 8, 2009):  
[http://eclkc.ohs.acf.hhs.gov/hslc/standards/pi/2009/resour\\_pri\\_010\\_120809.html](http://eclkc.ohs.acf.hhs.gov/hslc/standards/pi/2009/resour_pri_010_120809.html)

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## ERSEA

- KEY ERSEA RED FLAG ISSUES IN RECENT YEARS
  - LACK OF DOCUMENTATION OF ELIGIBILITY OR VERIFICATION
  - FAILURE TO MEET 10% DISABILITIES ENROLLMENT REQUIREMENT
  - LACK OF EFFECTIVE PRIORITIZATION OR SELECTION CRITERIA
  - FAILURE TO MEET FUNDED ENROLLMENT
  - LACK OF TRAINING (BOARD, POLICY COUNCIL, AND STAFF)

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## ERSEA

- EACH HEAD START AGENCY MUST VERIFY & DOCUMENT ELIGIBILITY DETERMINATIONS
  - MUST INCLUDE REVIEW OF FAMILY INCOME DOCUMENTATION FOR INCOME ELIGIBILITY
  - MUST REVIEW FAMILY SIZE AND CURRENT POVERTY GUIDELINES FOR INCOME ELIGIBILITY
  - SIGNED STATEMENT BY HEAD START EMPLOYEE IDENTIFYING WHICH DOCUMENTS REVIEWED AND STATING CHILD ELIGIBLE
- DOCUMENTATION WILL DEPEND ON BASIS FOR ELIGIBILITY
- OHS CREATED VERIFICATION FORM
  - NOT REQUIRED TO USE OHS FORM BUT STRONGLY ENCOURAGED

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## ERSEA

- ENROLL 100% OF THE PROGRAM'S FUNDED ENROLLMENT
  - CONDUCT ONGOING ACTIVITIES AND COMMUNITY OUTREACH TO IDENTIFY UNDERSERVED POPULATIONS TO ENSURE THAT ELIGIBLE CHILDREN ENTER THE PROGRAM AS VACANCIES OCCUR
  - MAINTAIN ACTIVE AND RANKED WAITING LIST AT ALL TIMES
- ENSURE AT LEAST 10% OF ACTUAL PROGRAM ENROLLMENT IS COMPOSED OF CHILDREN WITH DISABILITIES
- MAINTAIN DOCUMENTATION TO SUPPORT MONTHLY ENROLLMENT DATA SUBMITTED TO OHS

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## BUILDING A CULTURE OF COMPLIANCE

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HEAD START RISK MANAGEMENT

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10 ACTION STEPS TO COMPLIANCE AND ETHICAL STANDARDS

Exemplary Legal Practices and Policies Guidebook, Part I: Do the Right Thing: How to Cultivate a Culture of Compliance and High Ethical Standards  
<http://www.capl原因.org/resources/PublicationDocuments/ExemplaryPracticesGuidebook.html>

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# AUDIENCE QUESTIONS

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HEAD START RISK MANAGEMENT



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