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June 9, 2010

The Honorable Kathleen Sebelius  
 Secretary  
 U.S. Department of Health and Human Services  
 200 Independence Avenue, S.W.  
 Washington, D.C. 20201

Dear Secretary Sebelius:

As you know, the House Committee on Education and Labor recently held a hearing to examine a Government Accountability Office report uncovering multiple cases of fraud at Head Start centers throughout the United States.<sup>1</sup> I was pleased to learn that prior to the hearing you sent a letter to Chairman George Miller outlining your plan to address the types of fraud and abuse exposed by GAO's undercover investigation. I was therefore troubled to learn in a separate GAO report to Congress on Head Start's oversight of ARRA funds that federal Head Start officials are reluctant to implement reforms proposed by GAO that would improve program integrity and oversight.<sup>2</sup>

GAO's most recent report on Office of Head Start (OHS) stimulus spending identifies three problem areas. First, GAO notes that OHS awarded multiple stimulus act grants "without an accompanying budget to guide oversight of grantees' spending."<sup>3</sup> Although Head Start grant funds are usually allocated to explicit budget categories such as staffing, equipment, and facilities, GAO reports, "regional offices sometimes allocated all funds to the 'other' category instead of taking the time to analyze each grantee's budget needs" in an effort to spend taxpayer dollars as quickly as possible.<sup>4</sup> Consequently, GAO discovered, "As of March 16, 2010, 77 grantees' entire awards were allocated to the 'other' category, totaling \$73.5 million out of \$713 million in Recovery Act funds for the first program year."<sup>5</sup> As GAO points out, "allocating all awarded funds to the 'other' category for some grantees limits appropriate record-keeping, reporting, and oversight in the

<sup>1</sup> See GAO, *Head Start: Undercover Testing Finds Fraud and Abuse at Selected Head Start Grantees*, GAO-10-733T (Washington, D.C.: May 18, 2010).

<sup>2</sup> See GAO, *Recovery Act: States' and Localities' Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability*, GAO-10-604 (Washington, D.C.: May 26, 2010).

<sup>3</sup> *Id.* at 179.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

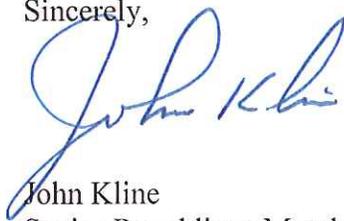
future.”<sup>6</sup> Unfortunately GAO concludes OHS’s proposed remedies to this problem “do not ensure spending corresponds to program objectives and are not designed to replace ongoing monitoring.”<sup>7</sup>

Second, GAO discovered widely disparate use of authority among Head Start regional offices to waive the requirement that grantees match federal resources with nonfederal resources. For example, one regional office issued waivers for 33 percent of grants whereas three regions issued no waivers during the period reviewed by GAO. Furthermore, the OHS central office does not review regional waiver data in a timely manner, leading GAO to conclude, “OHS cannot readily determine how pervasive grantees’ total dependence on federal funds may be to take timely action to address any grantees or regional areas in which community support for Head Start or Early Head Start programs is lacking.”<sup>8</sup> Thus far OHS has declined to adopt GAO’s recommendation to put procedures in place to ensure timely review of regional waiver usage.

Finally, GAO’s report expands on its testimony before the Committee regarding the Head Start program’s vulnerability to enrollment fraud. GAO points out, “OHS lacks assurance that grantees actually serve the numbers of children in each program they report having enrolled, and for which they are receiving funds.”<sup>9</sup> It is therefore disconcerting to learn HHS officials “expressed confidence that enrollment is a valid indicator of service delivery”<sup>10</sup> notwithstanding GAO’s findings to the contrary and recommendation that “OHS should collect data on the extent to which children and pregnant women actually receive services from Head Start and Early Head Start grantees.”<sup>11</sup>

In light of the serious cases of Head Start fraud and abuse detailed by GAO at its testimony before the Committee on Education and Labor last month, I was surprised to learn OHS officials have rejected GAO’s most recent guidance. I therefore respectfully request an update by June 30, 2010 on your plans to address the specific problems raised by the GAO report and your reasons for diverging from GAO’s recommendations for enhanced program oversight. If you or your staff have any questions regarding this request, please contact Allison Dembeck or Kirk Boyle of the Committee staff at 202-225-4527. Thank you for your assistance.

Sincerely,



John Kline  
Senior Republican Member

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<sup>6</sup> *Id.* at 183.

<sup>7</sup> *Id.* at 185.

<sup>8</sup> *Id.* at 180.

<sup>9</sup> *Id.* at 184.

<sup>10</sup> *Id.*

<sup>11</sup> *Id.* at 185.