



Highlights of [GAO-10-1049](#), a report to congressional addressees

HEAD START

Undercover Testing Finds Fraud and Abuse at Selected Head Start Centers

Why GAO Did This Study

The Head Start program provides child development services primarily to low-income families and their children. Federal law allows up to 10 percent of families to have incomes above 130 percent of the poverty line—GAO refers to them as over-income families. Families with incomes below 130 percent of the poverty line, or that meet certain other criteria, are referred to as under-income families. Nearly 1 million children a year participate in Head Start, and the American Recovery and Reinvestment Act provided an additional \$2.1 billion.

GAO received hotline tips alleging fraud by grantees. In response, GAO investigated the allegations, conducted undercover tests to determine if other centers were committing fraud, and documented instances where potentially eligible children were put on Head Start wait lists. On May 18, 2010 GAO testified on the preliminary results of the ongoing investigation. This report reiterates the findings disclosed in GAO's May testimony, and discusses new findings related to specific fraud allegations at two Head Start grantees.

Since GAO's May testimony, HHS has taken a number of actions to address identified weaknesses, such as implementing a fraud hotline. HHS also indicated that it has moved expeditiously to begin a rule making process to strengthen the regulations on the eligibility verification process.

View [GAO-10-1049](#) or [key components](#).

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What GAO Found

GAO received allegations of fraud and abuse involving two Head Start nonprofit grantees in the Midwest and Texas. Two of the many allegations were substantiated. For example, one grantee inappropriately counted time parents spent helping children with homework as contributions to meet program funding requirements. While not fraudulent, we found that at both grantees, the average number of students who attended class was significantly lower than the number of students the grantees reported as enrolled in class.

Realizing that the alleged fraud schemes could be perpetrated at other Head Start programs, GAO attempted to register fictitious children as part of 15 undercover test scenarios at centers in six states and the District of Columbia. In 8 instances staff at these centers fraudulently misrepresented information, including disregarding part of a family's income to register over-income children into under-income slots. The undercover tests revealed that seven Head Start employees lied about applicants' employment status or misrepresented their earnings. This leaves Head Start at risk that over-income children may be enrolled while legitimate under-income children are put on wait lists. At no point during our registrations was information submitted by GAO's fictitious parents verified, leaving the program at risk that dishonest persons could falsify earnings statements and other documents in order to qualify. In seven instances centers did not manipulate information. The table provides details on two of GAO's successful enrollments. To hear selected video clips of GAO enrollments, see <http://www.gao.gov/media/video/gao-10-1049/>.

Fictitious Over-Income Children Successfully Enrolled in Head Start Centers by GAO

State	Test	Case details
NJ	Income exceeds poverty guidelines	<ul style="list-style-type: none"> A Head Start associate disregarded over \$23,000 worth of income in order to qualify the family as under-income. The Head Start associate said with regard to the father's income documentation, "Now you see it, now you don't."
TX	Income exceeds poverty guidelines	<ul style="list-style-type: none"> A Head Start associate disregarded over \$20,000 worth of income in order to qualify the family as under-income. With respect to the income documentation, the associate stated "we see this, but we don't see this," explaining that if both parents' incomes were counted the family would be over-income and on a wait list.

Source: GAO.

In addition, GAO found that most of the 550 Head Start centers contacted had wait lists. GAO also found that two centers where GAO enrolled fictitious children later became full and developed wait lists after the fictitious children had been withdrawn. Only 44 centers reported that they had openings. GAO interviewed families on wait lists from other centers and found that many stated that their incomes were at or below the federal poverty level. In some cases, families stated they had experienced some type of domestic violence, or were receiving some type of public assistance, which made them automatically eligible for Head Start. GAO did not attempt to verify family statements.