Why OIG Did This Audit
The Administration for Children and Families (ACF), within HHS, requested that we audit Cape Cod Child Development Program, Inc. (CCCDP) after ACF found significant governance, financial, and programmatic problems with CCCDP’s Head Start program.

Our audit objective was to determine whether CCCDP met its Head Start non-Federal share obligations in accordance with Federal Head Start requirements and the conditions of its Head Start awards.

How OIG Did This Audit
Our original audit objective was to determine whether CCCDP appropriately allocated and claimed approximately $17.3 million in costs to its HHS direct and State pass-through grants from July 1, 2016, through June 30, 2019, in accordance with Federal requirements. Because CCCDP ceased its childcare operations in August 2019 and filed for bankruptcy in October 2019, we adjusted our audit objective to cover only the $1.53 million in Head Start non-Federal share for which CCCDP provided documentation.

Cape Cod Child Development Program Did Not Meet Its Head Start Non-Federal Share Obligations

What OIG Found
CCCDP did not meet its Head Start non-Federal share obligations. CCCDP received almost $9.7 million in Federal Head Start funds from July 1, 2016, through June 30, 2019, and was obligated to contribute $2.4 million. However, CCCDP provided documentation for only $1.53 million in non-Federal share contributions. Of that amount, we determined that almost $1.47 million was unallowable.

The remaining $61,857 in supported contributions was allowable. In addition, we identified $859,527 in State Head Start funding that CCCDP could have included as NSF contributions and which we considered allowable contributions. Thus, total allowable contributions were $921,384 and CCCDP’s non-Federal share contribution shortfall was almost $1.50 million. CCCDP received and spent almost $1.2 million in Federal Head Start funding related to that shortfall to which it was not entitled.

CCCDP did not meet its Head Start non-Federal share because CCCDP (1) management did not understand the Head Start non-Federal share requirements for determining allowable non-Federal share and valuing donated program space and (2) did not have written policies and procedures for ensuring that it met its Head Start non-Federal share requirements and maintained complete and accurate documentation for non-Federal share contributions, including how non-Federal share contributions were valued and the source of non-Federal funds.

What OIG Recommends and Administration for Children and Families Comments
We recommend that ACF take steps through the bankruptcy process to recover almost $1.2 million in Federal Head Start funds based on CCCDP’s approximately $1.50 million non-Federal share shortfall. Because CCCDP filed for bankruptcy, we are addressing the recommendations of this audit to ACF.

In written comments to our draft report, ACF concurred with our recommendation and stated that it will take steps through the bankruptcy process to try to recover $1,196,293 in Federal Head Start funds.

The full report can be found at https://oig.hhs.gov/oas/reports/region1/11902500.asp.