

Report in Brief

Date: May 2021

Report No. A-02-18-02011

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Audit

As part of its oversight activities, OIG is conducting a series of audits of recipients of multiple HHS grants. We selected Gateway Community Action Partnership (Gateway) for this audit because it received multiple HHS Administration for Children and Families (ACF) grants, including Hurricane Sandy Disaster Relief Act grants totaling \$19.7 million, and grants to operate childcare programs at more than 50 locations.

Our objective was to determine whether Gateway claimed and accounted for HHS grant funds in accordance with Federal requirements.

How OIG Did This Audit

Gateway officials provided accounting records that detailed the expenditures claimed for the ACF grants for our March 2015 through January 2018 audit period. From these records, we judgmentally selected and reviewed 100 transactions, totaling \$5.5 million. Based on the results of our analysis, we reviewed additional transactions related to indirect costs, certain credits, playground contract procurement, and company vehicles.

We also reviewed Gateway's construction of a new Head Start facility and major renovations to two facilities to determine whether Gateway complied with Federal requirements related to construction and major renovations.

Gateway Community Action Partnership Claimed Unallowable Costs, Did Not Comply with Federal Regulations on Construction and Major Renovations, and Did Not Accurately Account for Grant Funds

What OIG Found

Gateway did not account for HHS grant funds in accordance with Federal requirements. Specifically, Gateway claimed \$932,607 of unallowable costs and did not comply with Federal regulations on construction and renovations. These deficiencies occurred because Gateway did not have all necessary procedures in place and did not adhere to Federal procurement requirements, and ACF's monitoring did not ensure that Gateway complied with Federal requirements related to construction and renovations. Further, some expenditures were not properly allocated. Finally, ACF relied on Gateway's documentation and did not thoroughly review it for consistency and accuracy.

What OIG Recommends and Gateway and ACF Comments

We recommend that Gateway refund \$932,607 and ensure compliance with Federal requirements and the accuracy of information submitted to ACF. We also recommend that ACF ensure that Gateway complies with Federal requirements and verify information submitted by Gateway to support Gateway's grant award applications, including requesting Gateway to obtain independent analyses of cost comparisons for Head Start facility construction and major renovations.

Gateway partially concurred with our first recommendation and agreed to refund \$29,523. Gateway did not indicate concurrence or nonconcurrence with our remaining recommendations. Gateway contended that it updates and follows its procedures to ensure compliance with Federal requirements.

ACF did not concur with our recommendation that it should ensure Gateway complies with Federal regulations and verify submitted information. ACF stated that it took steps to ensure Gateway complied with Federal requirements and verified information submitted by Gateway supported its grant applications.

After reviewing Gateway and ACF's comments, we maintain that our findings and recommendations are valid because neither Gateway nor ACF provided sufficient evidence of compliance with Federal requirements related to the transactions we audited, including construction and renovation costs.