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FINANCIAL ACCOUNTABILITY IN THE HEAD START EARLY CHILDHOOD PROGRAM

HEARING

BEFORE THE

COMMITTEE ON EDUCATION
AND THE WORKFORCE
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

FIRST SESSION

April 5, 2005

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C O N T E N T S

	Page
Hearing held on April 5, 2005	1
Statement of Members:	
Boehner, Hon. John A., Chairman, Committee on Education and the Workforce	2
Prepared statement of	4
Castle, Hon. Michael N., a Representative in Congress from the State of Delaware	7
Prepared statement of	8
Miller, Hon. George, Ranking Member, Committee on Education and the Workforce	6
Woolsey, Hon. Lynn C., a Representative in Congress from the State of California	9
Statement of Witnesses:	
Golden, Olivia, Ph.D., Senior Fellow, Urban Institute, Washington, DC	30
Prepared statement of	32
Henry, Pamela, Jr., Head Start Parent, Las Vegas, NV	27
Prepared statement of	29
Horn, Hon. Wade F., Assistant Secretary, Administration for Children and Families, U.S. Department of Health and Human Services, Washington, DC	21
Prepared statement of	22
Shaul, Marnie S., Ph.D., Director, Education Issues, Education, Workforce and Income Security, U.S. Government Accountability Office	11
Prepared statement of	13

FINANCIAL ACCOUNTABILITY IN THE HEAD START EARLY CHILDHOOD PROGRAM

Tuesday, April 5, 2005

U.S. House of Representatives

Committee on Education and the Workforce

Washington, DC

The Committee met, pursuant to call, at 2 p.m., in room 2175, Rayburn House Office Building, Hon. John A. Boehner (Chairman of the Committee) presiding.

Present: Representatives Boehner, McKeon, Castle, Osborne, Kline, McMorris, Price, Fortuno, Foxx, Drake, Miller, Kildee, Woolsey, Hinojosa, Tierney, Wu, Holt, McCollum, Grijalva, and Van Hollen.

Staff Present: Amanda Farris, Professional Staff Member; Kevin Frank, Professional Staff Member; Kate Houston, Professional Staff Member; Alexa Marrero, Press Secretary; Jennifer Daniels, Communications Staff Assistant; Jessica Gross, Legislative Assistant; Lucy House, Legislative Assistant; Deborah L. Samantar, Committee Clerk/Intern Coordinator; Mark Zuckerman, Minority General Counsel; Ruth Friedman, Minority Legislative Associate/Education; Lloyd Horwich, Minority Legislative Associate/Education; Ricardo Martinez, Minority Legislative Associate/Education; Alex Nock, Minority Legislative Associate/Education; Joe Novotny, Minority Legislative Associate/Education; and Tom Kiley, Press Secretary.

Chairman BOEHNER. A quorum being present, the Committee on Education and the Workforce will come to order. We are holding this hearing today to hear testimony on the financial accountability in the Head Start Early Childhood program. I am going to limit opening statements to the Chairman and Ranking Member. Therefore, if other Members have opening statements, they can be included in the hearing record.

And with that, I would ask unanimous consent for the hearing record to remain open for 14 days to allow Members' statements and other documents referenced during the hearing to be submitted for the official hearing record. Without objection, so ordered. Let me change my unanimous consent request to also include Mr. Castle and Ms. Woolsey's opening statements. Without objection, so ordered.

STATEMENT OF HON. JOHN A. BOEHNER, CHAIRMAN, COMMITTEE ON EDUCATION AND THE WORKFORCE

High quality early childhood education is essential to closing the achievement gap that exists in our country between disadvantaged children and their more affluent peers. President Bush urged Americans to unite to eliminate this gap when he took office in 2001. Congress has responded by enacting two major overhauls of education law, the No Child Left Behind Act and the special education bill signed by the President just last December. Today, our Committee embarks on another phase of this process, strengthening the Head Start early childhood program. Head Start's mission is to prepare disadvantaged children for kindergarten, and this Committee has strongly supported Head Start in this mission over the years and particularly during the last decade. Federal funding for Head Start has nearly doubled since 1995, increasing from 3.6 billion annually in 1996 to nearly 7 billion this year.

I support Head Start. It is an important program that is entrusted with a vitally important mission and I believe that a vast majority of those involved with the Head Start program are honest individuals who are dedicated to making sure the poorest of our Nation's children have a chance to succeed in life. I believe we need to listen to these people and support them and support the children that they serve. And I know Chairman Castle agrees, I believe the President agrees, and I don't think there is a single Member of this Committee who would disagree with that.

I also want to state that neither I nor the President nor Chairman Castle have called for turning Head Start into a so-called block grant to the States or dismantling Head Start as some have claimed. As I said 2 years ago, as a conservative Republican, I know a block grant when I see one. And trust me, what the President has proposed for Head Start is no block grant program. There are, however, two critical problems in Head Start that I believe Congress has to address. One problem is the school readiness gap that continues to exist between some Head Start children and their peers when they reach kindergarten. There is no question most Head Start children are better off in the program than they would have been without it. That is not in dispute.

But there is evidence that some Head Start centers could be doing an even better job of providing preschoolers with an academic foundation they need in order to succeed in school. A summary of research released in 2003 by the Department of Health and Human Services showed that while children in Head Start are learning, they are more than 25 percentile points behind the national average on many key learning indicators. And we need to listen to people who run the best programs in the Head Start system, get their input on what works and use that information to strengthen the weaker program. Last week our Committee launched a Web site to facilitate this project, and I would encourage parents, teachers, taxpayers and anyone else who has an interest in Head Start to check out this Web site and use it to share your own experiences.

The second problem is that an unacceptable share of Federal Head Start funding never reaches the disadvantaged children the money is meant to serve. Instead, it is being lost to financial abuse

and mismanagement, impropriety or outright theft within the Head Start system. And these abuses are happening at the expense of children served by the many law abiding grantees within the Head Start system, grantees that too often are put in a position of being forced to defend the actions of a few bad apples in the program.

Between January of 2003 and the first months of 2005, media accounts in numerous U.S. cities alleged serious financial abuses and irregularities by those entrusted with the responsibility of managing Head Start funds meant to serve poor children. These incidents identified in these reports collectively involve the use of tens of millions of Federal Head Start funds that were intended to serve more than 10,000 disadvantaged U.S. children. Such reports surfaced in Baltimore, Maryland; Baton Rouge, Louisiana; Charleston, South Carolina; Charleston, West Virginia; Cleveland, Ohio; Columbus, Ohio; Honolulu, Hawaii; Jamestown, North Dakota; Kansas City, Missouri; Las Vegas, Nevada, Little Rock, Arkansas; Lubbock, Texas; Madison, Wisconsin; Norwalk, Connecticut; Rapid City, South Dakota; San Antonio, Texas; and Stockton, California.

And some reports involving financial mismanagement suggest that many Head Start grantees have good intentions yet lack strong financial controls and the skills needed to effectively manage complex multi million dollar not-for-profit organizations.

As much as we all support Head Start, Congress cannot simply turn a blind eye to this problem. Financial abuse in the Head Start system cheats not only children and taxpayers, but also the many law abiding local Head Start grantees nationwide who find themselves in the position of being asked to defend indefensible practices by other grantees.

A new report by the independent Government Accountability Office warns, the financial control system in the Federal Head Start Early Childhood program is flawed and failing to prevent these abuses. GAO has independently determined that unresolved financial management weaknesses among Head Start grantees are having a negative effect on some eligible children. It has also determined that the procedures of the Federal Government uses to collect data on grantee financial management performance have significant flaws as well. The GAO report recommends that the Federal Government take steps to allow the recompetition of grants awarded to Head Start grantees.

And I am particularly interested in hearing from our witnesses today on this important issue. It is my view that by failing to promote competition for Head Start grants, the Federal Government has essentially granted monopoly power to some Head Start operators and, as often happens with monopolies, the power has been abused. Removing obstacles for competition of Head Start grants must be a top priority for Congress in reauthorizing Head Start, and if we fail to accomplish this goal, we will fail on our most basic responsibility to children and taxpayers.

Also, some States are operating their own early childhood programs, programs that sometimes rival Head Start in quality. And I do think we need to help such States better integrate and coordinate these programs with Head Start to better serve the needs of our most disadvantaged children. When Head Start was first established 40 years ago, it was the only program of its kind, Federal

or State. Now, there are many different programs across the country preparing children for kindergarten, and we need to make sure all of those children are getting the same quality education.

In the last Congress, this Committee passed a bill that sought to address this need. But we know many things today that we didn't know then, particularly with respect to the financial control problems that exist in the program. And with this in mind, I think we have a responsibility to start from square one and build this year's legislation from the ground up. There were many elements of the 2003 bill that had bipartisan support. Those things may provide a good foundation. And in those areas where there was disagreement, I am more than willing to look at alternative routes that can be taken to reach the same goal if we can show that they may be effective. That includes the issue of coordination with State programs which generated the most disagreement 2 years ago.

I am committed to passing the bill that promotes competition, strengthens academics, and restores fairness for children taxpayers and honest grantees. And I think we can produce a bill that does these things and does it in a bipartisan fashion. As the Head Start reauthorization process moves forward, this will be my goal.

[The prepared statement of Chairman Boehner follows:]

Statement of Hon. John A. Boehner, Chairman, Committee on Education and the Workforce

High quality early childhood education is essential to closing the achievement gap that exists in our country between disadvantaged children and their more affluent peers. President Bush urged Americans to unite to eliminate this gap when he took office in 2001. Congress has responded by enacting two major overhauls of education law–the No Child Left Behind Act, and the special education bill signed by the President last December. Today our Committee embarks on another phase of this process: strengthening the Head Start early childhood program.

Head Start's mission is to prepare disadvantaged children for kindergarten. This Committee has strongly supported Head Start in this mission over the years, particularly during the past decade. Federal funding for Head Start has nearly doubled since Republicans assumed control of the House in 1995, increasing from $3.6 billion annually in fiscal year 1996 to nearly $7 billion this year.

I support Head Start. It's an important program that is entrusted with a vitally important mission. I believe the vast majority of those involved with Head Start are honest individuals who are dedicated to making sure the poorest of our nation's children have a chance to succeed in life. I believe we need to listen to these people, and support them, and support the children they serve. I know Chairman Castle agrees. I think the President agrees. And I don't think there's a single member of this Committee who disagrees.

I also want to state that neither I, nor President Bush, nor Chairman Castle, have called for turning Head Start into a so-called "block grant" to the states or "dismantling" Head Start. As I said two years ago–as a conservative Republican, I know a block grant when I see one. And trust me–what President Bush has proposed for Head Start is no block grant.

There are, however, two critical problems in Head Start that I believe Congress has to address.

One problem is the school readiness gap that continues to exist between some Head Start children and their peers when they reach kindergarten. There's no question most Head Start children are better off in the program than they would have been without it; that is not in dispute. But there's evidence some Head Start centers could be doing an even better job of providing preschoolers with the academic foundation they need to succeed in school. A summary of research released in June 2003 by the Department of Health and Human Services showed that while children in Head Start are learning, they are still more than 25 percentile points behind the national average on key learning indicators. We need to listen to the people who run the best programs in the Head Start system, get their input on what works, and use that information to strengthen the weaker programs. Last week our Committee launched a website to facilitate this project. I encourage parents, teachers,

taxpayers and anyone else with an interest in Head Start to check out this website and use it to share your experiences.

The second problem is that an unacceptable share of federal Head Start funding never reaches the disadvantaged children the money is meant to serve. Instead it is being lost to financial abuse, mismanagement, impropriety, or outright theft within the Head Start system. These abuses are happening at the expense of children served by the many law-abiding grantees within the Head Start system–grantees that too often are put in the position of being forced to defend the actions of the "bad apples" in the program.

Between January 2003 and the first months of 2005, media accounts in numerous U.S. cities alleged serious financial abuses and irregularities by those entrusted with the responsibility of managing Head Start funds meant to serve poor children. The incidents identified in these reports collectively involve the use of tens of millions in federal Head Start funds that were intended to serve more than 10,000 disadvantaged U.S. children. Such reports surfaced in Baltimore, Maryland; Baton Rouge, Louisiana; Charleston, South Carolina; Charleston, West Virginia; Cleveland, Ohio; Columbus, Ohio; Honolulu, Hawaii; Jamestown, North Dakota; Kansas City, Missouri; Las Vegas, Nevada; Little Rock, Arkansas; Lubbock, Texas; Madison, Wisconsin; Norwalk, Connecticut; Rapid City, South Dakota; San Antonio, Texas; and Stockton, California. Some reports involving financial mismanagement suggest that many Head Start grantees have good intentions, yet lack strong fiscal controls and the skills needed to effectively manage complex, multi-million dollar non-profit organizations.

As much as we all support Head Start, Congress simply cannot turn a blind eye to this problem. Financial abuse in the Head Start system cheats not only children and taxpayers, but also the many law-abiding local Head Start grantees nationwide who find themselves in the position of being asked to defend indefensible practices by other grantees.

A new report by the independent Government Accountability Office (GAO) warns the financial control system in the federal Head Start early childhood program is flawed and failing to prevent these abuses. GAO has independently determined that unresolved financial management weaknesses among Head Start grantees are having a negative impact on some eligible children. It has also determined that the procedures the federal government uses to collect data on grantee financial management performance have significant flaws.

The GAO report recommends that the federal government take steps to allow the "recompetition" of grants awarded to Head Start grantees. I'm particularly interested in hearing from our witnesses today on this issue. It's my view that by failing to promote competition for Head Start grants, the federal government has essentially granted monopoly power to some Head Start operators–and as often happens with monopolies, that power has been abused.

Removing obstacles to competition for Head Start grants must be a top priority for Congress in reauthorizing Head Start. If we fail to accomplish this goal, we will fail in our most basic responsibility to children and taxpayers.

Also, some states are operating their own early childhood programs, programs that sometimes rival Head Start in quality. I do think we need to help such states better integrate and coordinate these programs with Head Start, to better serve the needs of our most disadvantaged children. When Head Start was first established 40 years ago, it was the only program of its kind—federal or state. Now there are many different programs across the country preparing children for kindergarten, and we need to make sure all of those children are getting the same quality education.

In the last Congress, this Committee passed a bill that sought to address this need. But we know many things today we didn't know then, particularly with respect to the financial control problems that exist in Head Start. With this in mind, I think we have a responsibility to start from square one, and build this year's legislation from the ground up. There were many elements in the 2003 bill that had bipartisan support. Those things may provide a good foundation. And in those areas where there was disagreement, I'm more than willing to look at alternative routes that can be taken to reach the same goal, if they might be effective. That includes the issue of coordination with state programs, which generated the most disagreement two years ago.

I'm committed to passing a bill that promotes competition, strengthens academics, and restores fairness for children, taxpayers, and honest grantees. I think we can produce a bill that does these things, and does it in a bipartisan fashion. As the Head Start reauthorization process moves forward, this will be my goal.

I would now yield to the senior Democratic member of our committee, Mr. Miller, for any opening statement he may have.

Chairman BOEHNER. I would like to yield to my friend and the Ranking Democrat on our Committee, Mr. Miller.

STATEMENT OF HON. GEORGE MILLER, RANKING MEMBER, COMMITTEE ON EDUCATION AND THE WORKFORCE

Mr. MILLER. Thank you Mr. Chairman. I want to thank the majority for holding this hearing and for GAO's work on fiscal accountability. Strengthening accountability and a shining bright star in any program is an important process. Head Start is this country's premiere early education program for low income children. It has helped millions achieve more in school and in life. We owe it to America's children and families living in some of this country's most difficult situations to provide them with the best programs possible. Making sure a program is working efficiently and effectively is one of Congress's most important jobs and it is particularly important in a program like Head Start, which research shows has strong effects on the cognitive and social development and almost closes the achievement gap by the time these kids finish kindergarten.

So I welcome this opportunity today and hope that we can proceed in a constructive manner to do what is best for the children. I have recently been disappointed at some of my colleagues sensationalistic approach to today's topic, whether it is Head Start or millions of dollars in fraud and waste in higher education or billions of dollars by Halliburton, fraudulent behavior cannot be tolerated. But sensationalism only serves to heighten the rhetoric and distract people from the real reforms that need to be undertaken.

Instead of resorting to gotcha attacks and rehashing risky ideas from 2 years ago I hope that we can use this hearing to start working together to strengthen Head Start. Head Start has some extremely rigorous standards and procedures that are the basis for its delivery of comprehensive services. It also has one of the most demanding monitoring programs. According to HHS, there are 1,797 program requirements covering areas of early childhood development, health services, family and community partnerships and program design and management. All 1,800 get assessed in some manner in the triennial prism review by HHS. In addition to the prism review, grantees also submit monthly financial records to their governing board to submit audits to the ACF annually, and to report on program performance to ACF annually and resubmit their budgets and renew their grants to ACF annually.

I want to thank GAO for their work and their recommendations. It is helpful to see that most programs are being effectively managed and how we need better to target our efforts on programs that are struggling. It seems clear that Head Start has the most of the proper tools for strong accountability, but they need to be better implemented. So I look forward to hearing from all of the witnesses today and listening to their recommendation. Head Start children and families deserve the very best we can give them, and I hope that we can work together today throughout the reauthorization to make sure that is exactly what is true.

I am encouraged, Mr. Chairman, by your remarks that you are prepared to discard some of those ideas from last year and work together on a bipartisan solution for Head Start. That is very en-

couraging. That is the manner in which we have made continuous improvement in this program over the many years of its existence. That is why it continues to be the premiere program for the comprehensive development and education of these children in these most difficult situations. And again, I want to thank you for holding this hearing and look forward to hearing from the witnesses.

Chairman BOEHNER. Thank you, Mr. Miller. The record will show I haven't discarded anything.

Mr. MILLER. I thought you said that there were some bad ideas you were getting rid of.

Chairman BOEHNER. The Chair recognizes the gentleman from Delaware, the Chairman of the Education Reform Subcommittee, Mr. Castle.

STATEMENT OF HON. MICHAEL N. CASTLE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF DELAWARE

Mr. CASTLE. Thank you, Chairman Boehner. And good afternoon ladies and gentlemen. I read the report a little bit differently, perhaps, than Mr. Miller did in terms of some of the problems here and I think they are fairly significant. But I am pleased we are having the hearing and I am pleased that we will learn more today. And I think we should approach this constructively to try to deal with the issues of Head Start. I happen to believe very strongly in Head Start, which is one of the reasons I am frustrated by the problems that I have learned about. I think it is a lifetime benefit. There is some discussion about that, but I think it is a lifetime benefit that it provides to the children who go through it and to their families. And I think this hearing is important to make sure that we are off on a solid footing as far as this year is concerned.

Approximately 2 years ago, I think it was a little bit less than 2 years really, we began to hear deeply concerning press reports of financial mismanagement in some Head Start programs across the country. Unfortunately we have heard of everything from embezzlement to the leasing of luxury vehicles with Head Start funds. I was particularly upset to hear of a director who chose to divert funds from Head Start children in order to operate a restaurant. As Chairman Boehner and I heard more and more stories like these, we decided to launch a study into these instances, specifically, why were they happening. We wanted to know if children were being shortchanged, if these were isolated incidents; if HHS has the tools necessary to catch them and how can we fix it? The impetus for asking the Department of Health and Human Services and the Government Accountability Office, GAO, to examine the procedures surrounding program management is simple, to ensure Federal dollars are going to the children participating in the Head Start program and not to fund lavish perks and blatant abuses.

I am not only shocked at the number of reports that have filtered out from across the country, but the mere fact that they are happening. While it is true that these incidences represent a limited number of Head Start programs, I truly believe that one is too many. I commend the thousands of Head Start programs who do not sway from their goals of providing necessary services to the children and families in their programs. The fact remains, however, that there is a problem and the children at faulty programs do de-

serve better. I don't believe that my job is to point fingers or blame, but I do believe strongly that we have a responsibility to prevent any future abuses. It is in the interest of the more than 900,000 low income children across the country that we identify areas where we can make sound change in order to strengthen the overall program.

The GAO report, however, is quite clear that there are deficiencies in the manner HHS has monitored the program throughout the years. You will hear testimony from the GAO today that despite the numerous processes in place to monitor financial management, HHS has not utilized this information to assess overall program risks. Moreover, of the grantees reviewed by HHS in 2000, 76 percent were out of compliance with financial management standards, and 53 percent of the same grantees remained out of compliance at their next review. Disturbing stories presented about Head Start grantees and knowledge of the flaws at HHS allow us to move forward in a productive manner. The GAO report identifies key areas of reform and Assistant Secretary Horn will testify as to changes made at HHS to address management abuses.

I am encouraged by the GAO's recommendations and do believe they will assist in this effort. I also look forward to learning what this Committee can do through the reauthorization process to complement what has and will be instituted. We have been deliberative up to this point making sure that we are identifying why this has happened. And I fully intend on continuing to monitor the program to ensure that there are not future abuses.

Head Start is a program that is supposed to help our disadvantaged students by giving them the edge they need to come to school ready to learn. It is not supposed to be a program that benefits the executive directors by loading their pockets and satisfying their whims. The reality is some bad actors are shedding a bad light on the good programs that exist nationwide. And for the benefit of the program and all who take part in it, it is important to institute reform to ensure Head Start can continue to serve all needy children the way it is supposed to. It is unfortunate that it has come to this point, but I am hopeful this will be a catalyst for all of us to work together on critical reforms to restore the public's faith in Head Start programs nationwide and to create a strong program for years to come. And I yield back.

[The prepared statement of Mr. Castle follows:]

Statement of Hon. Michael N. Castle, a Representative in Congress from the State of Delaware

Good Afternoon. I am pleased to welcome all of today's witnesses, and look forward to hearing your testimony. I would also like to thank the Chairman for his leadership. I believe strongly in the Head Start program, and the lifetime benefits it provides to children and their families. This hearing is an important step in making sure this program maintains solid footing.

Approximately two-years ago we began to hear deeply concerning press reports of financial mismanagement in some Head Start programs across the country. Unfortunately, we have heard of everything from embezzlement to the leasing of luxury vehicles with Head Start funds. I was particularly upset to hear of a director who chose to divert funds from Head Start children in order to operate a restaurant. As Chairman Boehner and myself heard more and more stories like these we decided to launch a study into these instances. Specifically, why they were happening. We wanted to know if children were being short changed, if these were isolated incidents, if HHS has the tools necessary to catch them, and how can we fix it. The

impetus for asking the Department of Health and Human Services (HHS) and the Government Accountability Office (GAO) to examine the procedures surrounding program management is simple—to ensure federal dollars are going to the children participating in the Head Start program, and not to fund lavish perks and blatant abuses.

I am not only shocked at the number of reports that have filtered out from across the country, but the mere fact that they are happening. While it is true that these incidences represent a small number of Head Start programs, I truly believe that one is too many. I commend the thousands of Head Start programs who do not sway from their goals of providing necessary services to the children and families in their programs. The fact remains, however, that there is a problem and the children at faulty programs deserve better.

I don't believe that my job is to point fingers or blame, but do believe strongly that we have a responsibility to prevent any future abuses. It is in the interest of the more than 900,000 low-income children across the country that we identify areas where we can make sound change in order to strengthen the overall program. The GAO report, however, is quite clear that there are deficiencies in the manner HHS has monitored the program throughout the years. You will hear testimony from the GAO today that despite the numerous processes in place to monitor financial management, HHS has not utilized this information to assess overall program risk. Moreover, of the grantees reviewed by HHS in 2000, 76 percent were out of compliance with financial management standards and 53 percent of the same grantees remained out of compliance at their next review.

The disturbing stories presented about Head Start grantees, and knowledge of the flaws at HHS allow us to move forward in a productive manner. The GAO report identifies key areas of reform, and Assistant Secretary Horn will testify as to changes made at HHS to address management abuses. I am encouraged by the GAO's recommendations, and do believe they will assist in this effort. I also look forward to learning what this Committee can do through the reauthorization process to compliment what has, and will, be instituted. We have been deliberative up to this point in making sure that we are identifying why this has happened, and I fully intend on continuing to monitor the program to ensure there are not future abuses.

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Chairman BOEHNER. The Chair recognizes the gentlelady from California, Ms. Woolsey.

STATEMENT OF HON. LYNN C. WOOLSEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Ms. WOOLSEY. Thank you Mr. Chairman. I hope that today is the beginning of a process that will end up with a Head Start law with high standards, strong accountability, and more resources, so that the children who most need help to succeed in life get that help when they most need it. There is no more critical program for our Nation's children than Head Start, because there are no years more critical to their development than their early years. I am sure we all agree that the vast majority of Head Start programs provide comprehensive high quality services that help children make academic and social gains to close the achievement gap before they enter kindergarten.

We were able to work last Congress on Title I to improve Head Start's accountability provisions to ensure high performance by Head Start programs. Of course, accountability in the law must be

implemented in practice. And so I am pleased that we are considering this GAO report that calls for improved accountability through changes to the law and efforts by the Department of Health and Human Services to identify poorly performing programs so that we can help them improve, and for those that cannot or will not improve, force them out, as a last resort. Because any waste or fraud in Head Start is unacceptable, I believe that the GAO report will provide with us an opportunity to work together to make the Head Start improvements that we need.

But it is important that we understand that this report does not say—and I have to say this louder than loud—that fraud and abuse are widespread in Head Start programs, because it just is not true. There are incidents, yes. But often a Head Start program simply needs more oversight and technical assistance to help it do what it is trying do in the first place, comply with detailed financial management requirements. Most importantly, Mr. Chairman, we must not allow the report to distract us from the fact that if we truly are concerned about getting Head Start dollars to children, we also must look at this President's and this Congress's minimal increases in support for the Head Start program.

Those increases have barely kept pace with inflation, if that, which means that for Head Start programs, programs that should be getting more resources so that they can serve more children in the first place, the only way not to cut children from the roles is to decrease the quality of services. But again, Mr. Chairman, I hope we will be able to work in a very bipartisan way to reauthorize Head Start and to learn from the challenges that we met in the 108th Congress, and I look forward to the panel's discussion today. Thank you, Mr. Chairman.

Chairman BOEHNER. We have a distinguished panel with us today. It is my pleasure to introduce them. Our first witness today will be Dr. Marnie S. Shaul. Dr. Shaul is the director on the Education, Workforce and Income Security Team at the Government Accountability Office. She is responsible for the studies that GAO undertakes for the Congress on early childhood programs and elementary and secondary education programs. Dr. Shaul has had a varied career that includes research, teaching project management and policy development. And prior to the Federal Government, she worked for the State of Ohio on community and business development issues at the Kettering Foundation. She holds a Ph.D. in economics from the Ohio State University.

Then we will hear from the Honorable Wade F. Horn. Dr. Horn is the Assistant Secretary for the Administration For Children and Families At the Department of Health and Human Services. Prior to being appointed to the Assistant Secretary, Dr. Horn was president of the National Fatherhood Initiative, whose mission is to increase the number of children growing up with involved committed and responsible fathers. During the first Bush administration, Mr. Horn served as the Commissioner For Children, Youth and Families and chief of the Children's Bureau At the Department of Health and Human Services and as a Presidential appointee to the National Commission on Children from 1990 to 1993. From 1993 to 2001 Dr. Horn served as an adjunct faculty member at George-

town University's public policy institute and an affiliate scholar with the Hudson institute.

Then we will hear from Ms. Pamela Henry. Ms. Henry is a proud parent of 4 adopted children, all with special needs, all of whom participate in the Head Start program. She is a licensed nail technician and an active member of her community in Las Vegas, Nevada. She is the president of Foster Parents of Southern Nevada, a local affiliate for the National Foster Parents Association, and president of the West Neighborhood Care Centers.

As a Head Start parent, Ms. Henry served as a center representative for the Head Start Policy Council of the Economic Opportunity Board during the 2001/02 school year and as vice chair and community representative for Foster Parents from 2002 to 2004. Over the last several years, Ms. Henry served as policy council chair. She credits Head Start with the parenting and leadership skills she has developed during her tenure on the policy council.

And last we will hear from Olivia Golden. Dr. Golden is a senior fellow at the urban institute and from 2001 to 2004 she served as the director of the Child and Family Services Agency of the District of Columbia. During the Clinton administration, she served in two positions within the U.S. Department of Health and Human Services, first as Commissioner for Children, Youth and Families, and then as Assistant Secretary for children and families.

In these roles she was responsible for over 60 Federal programs, including Head Start and early Head Start. Dr. Golden also held previous positions at the Childrens Defense Fund, the Kennedy School of Government at Harvard University and the Office of Human Services in the Commonwealth of Massachusetts.

I am sure someone has explained to you how the lights work many times. We would like to keep all of your comments to 5 minutes and then Members will ask questions. And with that, Dr. Shaul we are glad you are here. You may begin.

STATEMENT OF MARNIE S. SHAUL, DIRECTOR, EDUCATION ISSUES, EDUCATION, WORKFORCE AND INCOME SECURITY, U.S. GOVERNMENT ACCOUNTABILITY OFFICE, WASHINGTON, DC

Ms. SHAUL. Thank you very much. Mr. Chairman and Members of the Committee, I appreciate the opportunity to present the findings of the report we did for this Committee on financial oversight of the Head Start program by the Department of Health and Human Services. As you pointed out, Head Start has provided services to low income children for 40 years and at about $6.8 billion is the largest Federal investment in early childhood education and care. So it is important that program management insures that children receive the services they deserve. My remarks today focus on three issues: First, risk assessment, the extent to which the administration for children and families, the part of the department responsible for Head Start, connects information to make an assessment of financial risks. Second, information quality, the quality of the information in ACF's processes. And third, correcting financial problems, the effectiveness of ACF's approaches in insuring that grantees with financial weaknesses correct their problems. Let me turn first to risk assessment. ACF does not bring the informa-

tion it collects together to comprehensively assess the financial risks the program faces. Now, we have a chart over here and all those different bubbles represent different processes that are already in existence at the Agency.

Ms. MCCOLLUM. Dr. Shaul, do you have a copy of that chart?

Ms. SHAUL. It is in your testimony statements. Both charts are in the statement. So although there are all these individual processes and they are collected by the different offices, that chart is in your statement over there. Those are the offices. The information is not integrated. And instead, Head Start sometimes relies on more of an ad hoc approach, ad hoc responses. For example, it responds to calls made to regional offices about grantee problems or to questions from the Congress. This type of response is useful but it cannot substitute for a comprehensive approach to determining where Head Start faces the highest risk. Second, regarding information quality, we found problems with ACF's process, and again, I am talking about the ones that are in that chart. For example, different onsite review times have had inconsistent findings about the status of the same grantee.

Another example. The information provided in ACF's annual surveys is not verified, and some critical information such as enrollment has been inaccurately reported by grantees. Third, with respect to correcting financial problems, we found that ACF is not fully effective in insuring that grantees correct their financial problems. As was mentioned, in 2000, 76 percent of the grantees ACF reviewed onsite were out of compliance with one or more financial management standards. And since then, when ACF did a follow-up visit, more than half of these grantees still were not compliant with financial management standards. A small percent of Head Start grantees have a level of noncompliance that ACF determines deficient, a status that brings corrective action beyond self-certification. However, we found that ACF regional offices did not use common criteria to determine deficiency. In our review of 20 grantee files that contained similar financial problems and where we would have expected similar results, half were deemed deficient and half were not.

Finally, when ACF finds that a grantee has very serious and continuing problems that may impair services to children, its corrective action may be limited. Over the past decade, a relatively small percentage of grantees relinquished their grants or were terminated. ACF generally agreed with GAO's recommendations to strengthen the tools it uses for financial management. However ACF disagreed with GAO's interpretation of its authority to recompete grants. ACF said that it must give current grantees priority at renewal time which effectively eliminates its opportunity to replace grantees. We believe that when grantees reapply for their grant, ACF has an opportunity to change grantees, if a grantee fails to fulfill program and financial requirements. For that reason, we suggested that the Congress might want to consider clarifying the circumstances under which ACF can recompete a Head Start grant.

Mr. Chairman, that concludes my remarks. I would ask my full statement be placed in the record and I would be pleased to answer questions. Thank you.

[The prepared statement of Dr. Shaul follows:]

Statement of Marnie S. Shaul, Ph.D., Director, Education Issues, Education, Workforce and Income Security, U.S. Government Accountability Office, Washington, DC

Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss our recent report on oversight of the Head Start program by the Department of Health and Human Services (HHS) to ensure that federal funds are used to achieve Head Start's goals. Head Start is the federal government's single largest investment in early childhood education and care for low-income children. HHS's Administration for Children and Families (ACF) manages Head Start and relies on hundreds of different grantees throughout the country to provide services to more than 900,000 children and their families. Head Start funding increased three-fold in real terms during the 1990s. Currently, ACF disburses about $6.8 billion annually to Head Start grantees. As you can imagine, managing a program of this size, with this many grantees and beneficiaries, can present many challenges.

The reauthorization of Head Start presents an opportunity to discuss some of these management challenges. Although Head Start is a popular program and millions of low income children have benefited from the program over the past 40 years, it is important to ensure that all grantees are held accountable for achieving program results and properly managing their federal funds.

My testimony today will focus on how well ACF manages the financial risks associated with the Head Start program. Specifically, I will discuss (1) ACF's processes to assess financial risks, (2) how those processes can be improved to ensure the accuracy and reliability of the information ACF collects on its Head Start grantees, and (3) the effectiveness of the approaches ACF uses to make sure Head Start grantees address any financial management weaknesses in a timely manner.

My written statement is drawn from our recent report on Head Start risk management, which was completed for the Committee in accordance with generally accepted government auditing standards.[1]

In summary:

- ACF does not have a comprehensive risk assessment process it can use to collect information on how well grantees are performing and managing their federal grant funds. Such an assessment should be able to provide ACF with the information it needs to target its oversight activities, reduce the risks inherent in managing a large federal grant program, and help prevent grantees from failing financially, through earlier intervention. While ACF has many processes it uses to collect information on its grantees, these efforts are conducted by different organizations within ACF, and ACF does not have a process in place to systematically bring the information together in one place to do an assessment of how well the program is operating.
- When we looked more closely at ACF's oversight processes, we identified flaws that limit the quality, accuracy, and reliability of the information ACF collects on its grantees. For example, ACF does not have a quality assurance process that could validate the findings of the reviews it conducts of its grantees at least every 3 years; it does not verify the accuracy of the data it asks its grantees to submit on key performance indicators each year; and it does not reconcile a grantee's actual withdrawals with its reported expenditures until all of the funds have been spent. These flaws limit the information ACF has on Head Start grantee's financial status and operations and, as a result, many program specialists in ACF regional offices that we visited told us they most frequently learn that a grantee is having trouble through a call from a parent or teacher reporting a problem. Program specialists said that such calls were a routine part of their day-to-day monitoring activities. Over-reliance on this approach to identifying problems can result in missed opportunities to help grantees address management challenges before they become problems. As a result, unchecked problems may worsen. Although infrequent, there have been cases in which grantees have furloughed employees or temporarily closed centers—thereby disrupting services to children and their families—because they spent their grant funds too quickly and did not adequately manage their grants to ensure that there would be funds available throughout the school year.

[1] GAO, Head Start, Comprehensive Approach to Identifying and Addressing Risks Could Help Prevent Grantee Financial Management Weaknesses, GAO–05–176 (Washington, D.C.: Feb. 28, 2005).

- When ACF identified grantees with financial management problems, we found that it took limited actions to ensure that grantees quickly corrected their problems and made lasting changes to their programs so the problems would not surface again. This is a concern because ACF's data show that more than 76 percent of Head Start programs that were reviewed in 2000 were out of compliance with financial management standards, and more than half of these grantees were still out of compliance during their next review. When we looked at the approach ACF takes to ensure that grantees correct their problems, we found that ACF most frequently relies on grantees to self-certify that they have corrected their problems without ever visiting the grantees for verification. One of the more aggressive approaches ACF can take to address long-standing problems is to require the grantee to develop and implement a quality improvement plan, but first ACF must declare the grantee "deficient"—a term it uses to identify grantees with severe problems. Yet, we noted inconsistencies in the process used by the ACF regional offices to determine the severity of the problem. As a result, one grantee could be deemed deficient while another, with similar problems, would not. We also found that ACF makes limited use of its authority to terminate its relationship with poorly performing grantees. ACF does not seek competition for a grant until after the current grantee has exhausted all its appeals or it has convinced a poorly performing grantee to voluntarily relinquish its grant. The process to remove a grantee that fails to perform up to standards is protracted, and that grantee can continue to receive funds long after financial management weaknesses have been identified. In the meantime, the community has no other option for Head Start services and low-income children may not receive the quality or intensity of services that they need.

We made a number of recommendations in our report and ACF agreed to implement many of them. Implementing these recommendations will go a long way towards ensuring that those responsible for overseeing the Head Start program and its 1,680 grantees have the information they need to target oversight resources effectively and reduce the program's risks. More importantly, however, these improvements should help ACF prevent grantee financial management weaknesses before the problems become too severe. We also recommended that ACF make greater use of its authority to seek competition by taking steps to seek qualified applicants where the current grantee fails to meet program requirements. While such a step should be taken after carefully considering all available options, competition would help to ensure that children are no longer served by poorly performing grantees. Ultimately, enforcing all the program's requirements—especially financial management requirements—strengthens the federal commitment to poor children and their families by effectively managing scarce federal resources and making sure as many eligible families as possible can participate in the program.

Background

Begun in 1965 as part of the Johnson Administration's War on Poverty, Head Start offers poor children and their families a range of services, including preschool education, family support, health screenings, dental care, and assistance in accessing medical services. The program may either provide the services directly or facilitate access to existing services. Eligibility for Head Start is generally limited to children who are below the age of school entry and from families with incomes below the federal poverty level or receiving cash assistance from the Temporary Assistance for Needy Families program. To accomplish Head Start's goals for these poor children and families, the Congress last year provided $6.8 billion in federal funds, which HHS awards directly to nearly 1,700 grantees nationwide. As funding for this longstanding program has grown, so has the risk associated with any mismanagement of program funds.

While effective oversight of federal funds is always a guiding principle in managing the various federal government programs, accounting scandals in the private sector in 2001–2002 reinforced the need for organizations to have stronger financial oversight. Since that time, both public sector and private sector organizations—including many not-for-profit organizations—are paying closer attention to managing the risks in their operations. Indeed, the Office of Management and Budget (OMB) recently revised its guidance for federal agencies' financial managers to better integrate and coordinate their risk assessments and other management activities.

The primary goal in managing any federal program is to provide reasonable assurance that the program is operating as intended and is achieving expected outcomes. A key step in the process of providing this assurance is conducting a risk assessment. A risk assessment is a comprehensive review and analysis of program operations, especially the management of federal funds, to identify risks and to measure the potential or actual impact of those risks on program operations. The

potential for such risks exist in all federal grant programs; for example, the diversion of funds to other purposes, inefficient use of funds, failure to contribute the grantee's share of funds, or other problems that reduce the effectiveness with which financial resources are brought to bear on achieving program goals. When a federal program relies heavily on grantees to provide services, as the Head Start program does, the risk assessment process can become more complex. Processes must be developed to assess the operations of every grantee to ensure that each complies with program rules and to measure whether each achieves expected results.

The federal government makes Head Start grants directly to nearly 1,700 local organizations, including community action agencies, school systems, for-profit and nonprofit organizations, other government agencies, and tribal governments or associations. Many of these grantees operate other federal, state, or local programs in addition to the Head Start program. Many of these Head Start grantees also provide services by subcontracting with other organizations, known as delegate agencies. In 2003, there were about 800 delegates providing services in the Head Start program. Some grantees had multiple delegate agencies while others had none. The various layers of grantees, the administrative complexity of the program, and the interrelationship between programs operated by the same grantee add to the challenges of overseeing the Head Start program.

ACF uses a number of processes to collect information on grantee performance and financial management. Table 1 summarizes ACF key processes for monitoring Head Start grantees.

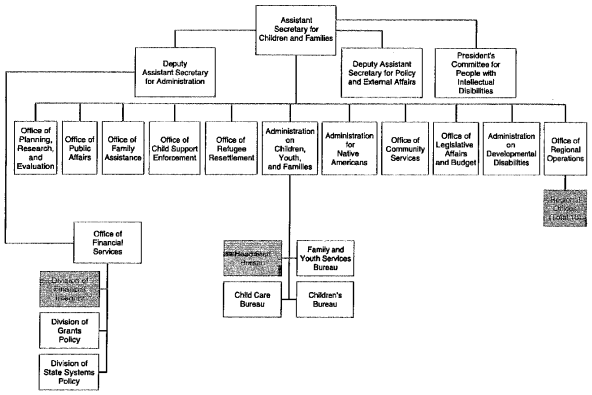
Table 1: ACF's Oversight Processes for Monitoring Grantees' Financial Management

Monitoring process	Required frequency	Purpose and description
On-site review (PRISM)	Triennial	To determine whether a grantee meets standards established in the Head Start Act, including those related to financial management, teams of federal staff and contracted consultants conduct a weeklong, on-site review using a structured guide known as the Program Review Instrument for Systems Monitoring (PRISM).
Survey of grantees (PIR)	Annual	To provide management information to the Bureau and policymakers, all programs (grantees and delegates) are mandated by federal regulations to submit performance data, including key financial measures such as enrollment and teacher salary ranges. Grantees report these data through a survey known as the Program Information Report (PIR).
Review of financial reports	Semiannual	To account for use of grant funds, all grantees must submit semiannual reports on the status and use of their federal funds.
Review of audits	Annual	To ensure that federal grantees' financial statements are accurate, that they have adequate controls in place to protect federal funds, and that they are in compliance with key regulations, under the Single Audit Act all grantees must obtain an annual audit of their financial statements and compliance with selected federal laws and regulations.
Day-to-day contacts with grantees	Variable	To assist Head Start programs, program specialists in ACF regional offices respond to grantee queries and other calls from grantee staff, parents, and others with an interest in their local Head Start programs.
Renewal application	Annual	To provide information to support determination of the grantee's future funding level, grantees are required to submit renewal applications each year to the ACF regional office.

Source: GAO analysis.

Various offices within ACF have roles in developing and implementing processes to monitor grantee performance and financial management. (See fig. 1). The Head Start Bureau develops program policies and designs the program-specific oversight processes to collect information on grantee performance. Staff from the ten regional offices implement the policies developed by the other offices within ACF, ensure that all grantees are in compliance with program rules, and frequently develop additional policies to aid in their oversight responsibilities.

Figure 1: ACF Organizational Chart

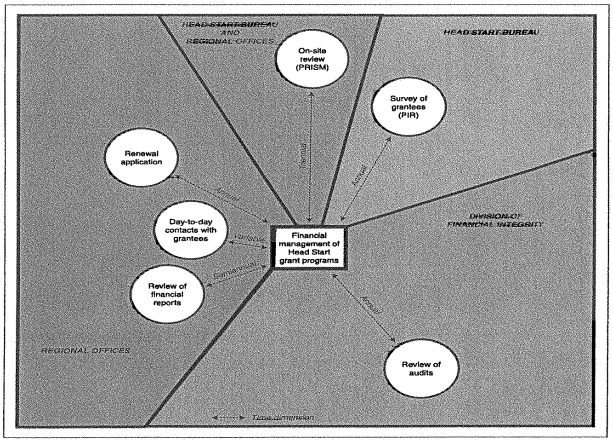


Source: GAO analysis of ACF information.

ACF Lacks a Comprehensive Strategy to Assess Head Start Risks

ACF uses many processes to collect information on grantee performance and financial management but does not bring together this information to comprehensively assess the program's risks or identify areas where it might need new or improved processes to collect information. Staff in ACF regional offices maintain day-to-day contact with the Head Start grantees and monitor the operations of those grantees throughout the country. Many of those regional office staff told us that they most frequently learn if a grantee is having a problem through a call from a parent or a teacher. The staff in the regional offices said these calls are a routine part of their day-to-day monitoring activities. Over-reliance on this approach can result in missed opportunities to help grantees address management challenges before they become problems. Greater linkages among the various programs offices and oversight activities could produce a more comprehensive approach to assessing program risks and help prevent financial management weaknesses in Head Start grantees. (See fig. 2).

Figure 2: Head Start Oversight Activities Undertaken by Several Offices



Source : GAO analysis.

In our review of ACF's management of the Head Start program, we noted a number of on-going activities that were not well-integrated and did not present a comprehensive view of the program's risks. For example, Head Start's 2004 Management Initiative targeted risks that were identified in recent GAO reports, news articles, and congressional inquiries. The Initiative targeted well-known problems such

as underenrollment, overenrollment of children from families that did not meet income eligibility requirements, and excessive executive compensation at some Head Start programs. However, efforts to address broader concerns about program governance—the skills and knowledge of local Head Start governing boards to effectively manage their programs—were notably absent from the Initiative.

In another example of an ACF oversight process that is too limited in scope, we reported that before 2004 ACF had not collected information it could use to estimate the extent of improper payments made by grantees or the Head Start Bureau. But when ACF began to collect this information, the agency focused on just one type of improper payments to grantees—payments made to grantees that enrolled too many children from families that did not meet the program's income eligibility requirements. These improper payments pose a program risk because eligible children may not have access to services. While this effort is an important step in systematically assessing risks, the study overlooked many other possible forms of improper payments, such as those made to contractors, to grantees that are significantly underenrolled, or for unallowable program activities.

Finally, we noted in our report that ACF relies on its regional offices to assess their own operations for gaps that might pose risks to all ACF programs, including Head Start. Such gaps might include failure to follow ACF grant management policies or to maintain files on property acquired or renovated with Head Start funds. Self-assessments can be an important tool, but ACF had not recently conducted an independent compliance review to ensure that its own grant policies are enforced and that the federal government's financial interests are protected.

Processes ACF Uses to Collect and Analyze Information on Grantees are Flawed

We found that the main processes ACF uses to collect information on its grantees' financial management—on-site reviews, annual grantee surveys, and analyses of financial reports and audits—have flaws that limit the value of the information collected. The on-site review process, mandated by the Head Start Act and often known as PRISM—the name of the review protocol—is ACF's main tool to assess whether grantees are in compliance with statutory and regulatory requirements. While the Head Start Bureau has made progress in improving its on-site reviews, we found that problems remain. We found that the Bureau has no process to ensure that the teams of reviewers follow the Bureau's guidance. This is a concern because there is evidence that some PRISM reviewers might not follow the guidance for the on-site reviews. For example, comparisons of simultaneous on-site reviews of the same grantees by two different teams—a PRISM review team and an improper payments study team—revealed significant discrepancies. Notably, 21 of the 50 grantees in the improper payments study were cited for enrolling too many children that did not meet the income eligibility guidelines, but the PRISM review teams cited only 3 of those same grantees for failing to comply with income eligibility criteria.

The effectiveness of on-site reviews to systematically identify grantees with financial management weaknesses depends on some assurance that the on-site review is implemented as designed and that the reviewers have the necessary skills to assess grantees' compliance with Head Start performance standards. The review teams are lead by staff from ACF's regional offices and include a number of reviewers under contract with Head Start. Many of these contractors are employees of Head Start programs throughout the country. While this level of experience should indicate a familiarity with Head Start program requirements, ACF does not check reviewer credentials or test their knowledge of the rules before they are sent to conduct reviews. ACF seeks feedback, on a voluntary basis, on the contractors' performance but ACF's Director of Regional Operations expressed reluctance to solicit feedback on the team leaders' performance.

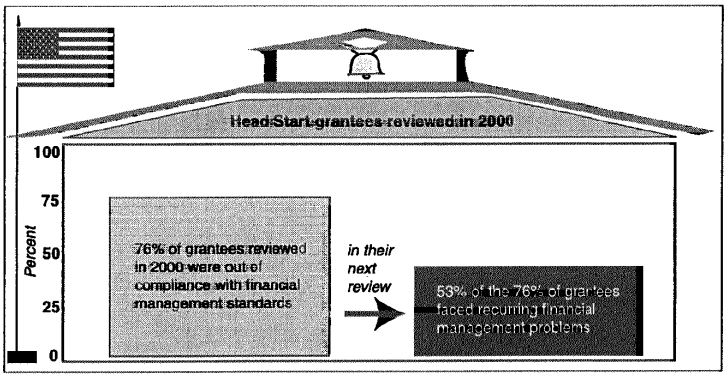
ACF also uses an annual survey of its grantees to collect information on the status of their programs to measure results, but ACF does not verify the information collected. We reported last year that important information, such as enrollment in many Head Start programs, is often reported inaccurately. Also, our analysis raises concerns about the reliability of the survey data. ACF relies on 700 checks of internal consistency to ensure that data are reported accurately. Many ACF officials said that the checks make it difficult for grantees to provide inaccurate information. However, our own review of the internal consistency of the data found problems; as long as grantees complete the survey consistently, the data—whether accurate or not—would pass the tests. While ACF officials said they would be able to address the problems we identified in our analysis, because the data are used widely by policymakers and the public to assess the program's results, until ACF takes steps to ensure the accuracy of the database we urge caution in using data from the survey to monitor Head Start grantees.

All Head Start grantees report on the status of their funds through periodic financial reporting and annual audits of their financial statements. We found that ACF made limited use of the information collected through these two processes to analyze Head Start grantees' financial status. For example, ACF does not routinely reconcile a grantee's withdrawals with its reported expenditures until after the funds have all been spent. It is therefore difficult for ACF to identify grantees that might be drawing down excess funds at the beginning of the grant period and risking shortfalls at the end of the period. Regarding audits, all grantees must obtain an annual audit of their financial statements and compliance with selected federal laws and regulations. These audits are conducted under a framework mandated by the Single Audit Act. While these audits may not be as comprehensive as an on-site program review, they are designed to ensure that federal grantees' financial statements are accurate, that they have adequate checks and balances in place to protect federal funds, and that they are in compliance with key regulations. However, ACF officials cited limitations in the scope and timing of the audits for failing to use them more systematically in their day-to-day oversight activities. In focusing on the limitations of these audits, ACF officials may overlook some valuable information on grantees' financial management practices.

ACF Does Not Ensure that Grantees Effectively Resolve Financial Management Problems

One way to assess the effectiveness of the approaches ACF uses to address grantees' financial management weaknesses is to examine whether grantees resolve their problems and then stay in compliance. ACF's data from its on-site reviews from 2000–2003 show that many grantees that were cited for failing to comply with financial management requirements in one review still had problems in their next review.[2] Our analysis of the data shows that more than half of the grantees cited for failure to comply with financial management-related rules were out of compliance again with one or more financial management standards during their next review. (See fig. 3).

Figure 3: High Incidence of Continued Noncompliance with Head Start Standards among Grantees Reviewed by ACF in 2000



Source: GAO analysis of PRISM data. Graphics in part by Art Explosion.

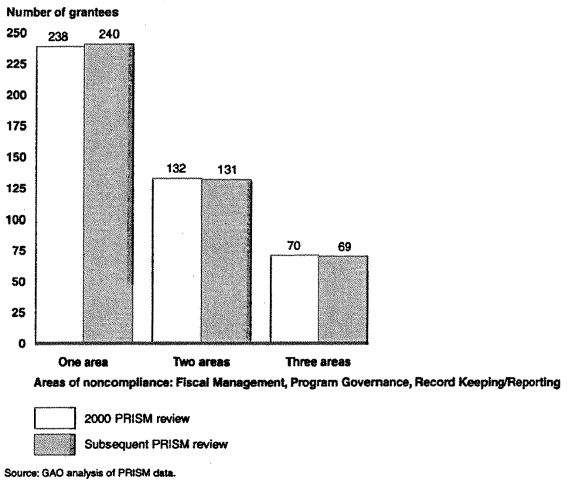
Moreover, the number of areas of financial management in which grantees were noncompliant did not decrease with subsequent reviews. As figure 4 shows, of the 70 grantees cited in 2000 for problems in all three major areas of financial management—fiscal management, program governance, and record keeping/reporting—69 still had one or more problems in each area at the next review.

The repeat problems could be a result of failure to correct the problems in the first place—something that might have been identified with a follow up review—or an initial correction that did not take hold. One senior official in a regional office said that many Head Start grantees will fix a problem identified in the PRISM report in the short term but fail to make lasting changes to their financial management systems. For example, a grantee might try to meet financial reporting dead-

[2] The data base for on-site reviews, PRISM, contains both grantees and grantees with any delegate agencies reviewed. The data presented in this section contains both types of entities. When we analyzed the grantees separately, we obtained the same results about percentages of grantees that were non-compliant and had recurrent problems in their next review.

lines for a few months after being cited by a PRISM review team for missing deadlines, but if the grantee did not implement a system to ensure that these reports are consistently on time, the improved performance may not be sustained

Figure 4: Grantees with Recurring Financial Management Problems (2000-2003)



Source: GAO analysis of PRISM data.

When grantee problems are identified through on-site reviews or audits, ACF often relies largely on grantees' self-certification that they have corrected problems rather than imposing special conditions or conducting a site visit. While self-certification may be appropriate in cases when minor problems can be corrected quickly, the analysis in figure 4 suggests that many grantees with problems are not getting the help they need to correct their problems and make lasting improvements in their financial management capabilities. We reviewed the files of 34 grantees with financial management problems identified by ACF during its on-site reviews. In 18 cases, ACF determined that the grantees' problems were not severe enough to be deemed deficient—a term ACF uses to identify grantees with severe problems. Of those 18 grantees ACF required 16 to submit letters certifying that they had corrected the problems and no further action was pursued. In the other 2 cases, ACF returned to the review the grantees and found that they had not corrected their problems. It was not clear from our file review how ACF prioritized these 2 grantees for follow-up, but in revisiting these grantees ACF took an aggressive step to ensure compliance. Because the two grantees had not corrected their problems, as required by law, ACF deemed them deficient and required them to develop a quality improvement plan.

ACF also relies primarily on self-certification to resolve problems identified in grantees annual audits. In each of the 30 audits we tracked from the date the auditor completed a report identifying financial weaknesses until the regional office judged the audit findings resolved, that judgment was based on a letter from the grantee rather than a site visit or other follow-up. Regional staff said they relied on subsequent audits to ensure that such findings are resolved, but we found it frequently takes up to 2 years from the point an audit identifies a problem until the regional office receives the next audit, during which the grantee continues to receive federal funds. While the results of our review in four regional offices may not represent the range of actions taken by all ACF regional offices nationwide, we interviewed managers in other regional offices who generally described similar procedures.

To the extent that grantees have recurring financial management problems, more aggressive approaches might be appropriate. ACF has the authority to impose special award conditions—such as requiring grantees to seek approval for every withdrawal of grant funds—but ACF rarely imposes these conditions. ACF can also make a follow-on visit to ensure that the grantee has implemented corrective actions and is in compliance with the program's rules. The Head Start Act requires ACF to conduct follow-on visits when it determines that a grantee has such severe problems that it deems the grantee deficient; ACF can also return to grantees with less severe problems, but we found ACF rarely does so. We could not discern an objective rationale for when ACF regional offices decide that a grantee is deficient and when

they do not. For example, reports based on the on-site reviews for 20 of the grantees we reviewed showed similar problems in the quantity of violations and the severity of the problems cited, but the regional offices deemed only 10 of the grantees deficient. Regional office staff and their managers in the offices we visited said they meet to discuss any problems identified during the on-site review to determine whether to deem the grantee deficient, but they said they treat each case differently and largely base their determinations on their previous experiences with the grantee.

The most aggressive approach ACF can take to ensure that a community is served by a Head Start grantee with sound financial management is to seek a new grantee if the current grantee cannot perform as expected. However, we found that ACF rarely terminates its relationships with poorly-performing grantees. Instead, ACF said that, in lieu of terminating a poorly performing grantee, it will try to convince such a grantee to voluntarily relinquish its right to its grant. When ACF does undertake the protracted process of terminating its relationship with a grantee, the grantee will continue to receive funding even if it appeals ACF's decision—regardless of the appeal's merits. Under ACF's current regulations, it must also fund a grantee's legal costs until the grantee has exhausted its appeals before HHS' Departmental Appeals Board. According to an Administrative Judge on the Appeals Board, no other HHS grant program except Head Start allows grantees to continue receiving funding throughout the appeals process.

When ACF decides to award a grant, the Head Start Act requires that ACF give priority to grantees already operating a Head Start program in the community. This aspect of the law provides important continuity for Head Start services in a community. It also provides important stability for grantees. However, the act allows the Secretary to deny priority to any grantee the Secretary finds fails to meet the program's performance or financial management requirements. Denial of priority status to current Head Start grantees would open up the possibility of competition for the grant among other qualified applicants. ACF could seek a new grantee that can demonstrate the ability to manage federal funds responsibly, in accordance with program rules, and that can provide high-quality Head Start services to eligible children in the community. Obviously, denying priority status to a grantee that has been a part of a community for years, has educated multiple generations of children from that community, and has employed a number of staff from the community is a major step that should be taken after carefully considering all available options. But, denial of priority status is a step that ACF should take if a grantee fails to make the necessary changes to effectively manage its program. Ultimately, enforcing all the program's requirements—especially financial management requirements—is really about strengthening our commitment to future generations of children, seeking better ways of managing scarce federal resources, and making sure that we reach as many eligible families as possible.

We made 8 recommendations in our report to improve the overall management of the Head Start program, strengthen the tools ACF uses to collect useful information on its grantees, and improve ACF's analysis of the information it collects. Specifically we recommended that the Assistant Secretary for Children and Families:

- Produce a comprehensive risk assessment of the Head Start program and update it periodically. Such an assessment should:
- Consider plans to collect data on and estimate the extent of improper payments made for unallowable activities, payments to grantees that are significantly underenrolled, or other unauthorized activities,
- Aim to improve the processes ACF currently uses to collect and analyze information on program risks; for example, ACF should:
  - Train and/or certify its on-site reviewers to ensure they have the skills and knowledge necessary to perform their responsibilities,
  - Develop an objective approach for regional office management to use in assessing the severity of the problems identified during on-site reviews and for finding grantees deficient or not, and
  - Implement a quality assurance process to ensure that the framework for conducting on-site reviews is implemented as designed, including holding ACF's regional management accountable for following this framework and for the quality of the reviews.
- Verify key data from the annual survey of grantees to enhance the usefulness of this data in overseeing its grantees and managing the program, and
- Seek ways to make greater use of the data it collects on the status and use of federal funds through a periodic reconciliation of grantees' reported expenditures with their withdrawals.
- Take steps to obtain competition for a grant if ACF has determined that the current grantee fails to meet program, financial management, or other require-

ments. Such a competition could be held without giving priority to the current grantee.

ACF agreed to implement most of our recommendations. However, ACF expressed concerns about our last recommendation, suggesting that it did not have the authority to seek competition from other qualified applicants for grant funds in communities that are currently served by poorly performing grantees without first terminating its relationship with such grantees. Seeking other qualified applicants under these circumstances would strengthen the linkages between a program's performance—including financial management—and its funding. Congress may wish to seek other qualified applicants and clarify the extent of ACF's authority to deny priority status to grantees it determines fail to meet program, financial management, and other requirements.

Mr. Chairman, that concludes my prepared statement. At this time, I would be happy to take any questions you or other Committee Members may have.

Chairman BOEHNER. Mr. Horn.

STATEMENT OF HON. WADE F. HORN, PH.D., ASSISTANT SECRETARY, ADMINISTRATION FOR CHILDREN AND FAMILIES, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, WASHINGTON, DC

Mr. HORN. Thank you, Mr. Chairman and Members of the Committee. I am very pleased to have this opportunity to appear before you today to discuss the recent report of the Government Accountability Office Head Start. The President is committed to strengthening Head Start and has made accountability a guiding principle of our work. And I can assure you that we have—we take GAO's findings very seriously. For nearly 2 years, we have been actively and aggressively engaged in addressing many of the weaknesses cited in this report. Other suggestions in the report will help us plan and implement additional strategies for enhancing the quality and credibility of our oversight of the Head Start program in order to ensure that all Head Start children receive the Head Start they deserve. The Head Start program is now in its 40th year and is a nearly $7 billion a year program serving more than 900,000 low income children and families, through a network of 1,600 local grantees.

Head Start children are served in nearly 50,000 classrooms located within more than 20,000 centers, which are located in more than 3,000 counties nationwide. Head Start is, in short, the program that has wide ranging presence and influence. It ought to be absolutely the best early childhood education program we can design. As stewards of this program, we are committed to making that goal a reality. I will focus my testimony today on our ongoing efforts as well as some of our planned initiatives to improve program oversight and stewardship.

As discussed in the GAO report, we have several ongoing procedures to examine program compliance and to measure results. Key among these is the mandated triennial onsite monitoring of local programs. Monitoring is one of our best opportunities ensure that every Head Start program is accountable to all applicable statutes and regulations. In the last several months, inconsistent with many of the GAO's observations and recommendations, we have implemented several efforts to improve our oversight of local Head Start programs. First, we have established for the first time minimum qualifications for all reviewers in the area they are review-

ing. Establishing these minimum qualifications helps insure that all individuals on a monitoring review team have the knowledge, skills and experience necessary to be part of a quality review.

Second, December of last year and February of this year, we provided intensive multi-day training for more than 1,000 reviewers in the areas of fiscal program management and early childhood development. Additional training will be conducted later this year for reviewers in the fields of health and nutrition services, mental health services and family and community partnerships.

Third, we will soon be implementing a quality assurance initiative in which specially trained reviewers will lead teams to conduct reviews of a sample of recently monitored grantees. We believe this effort will substantially address GAO's concern about consistency among reviewers and across ACF regional offices.

Fourth, we have been conducting in-depth analysis of all triennial and first year monitoring reports to improve report quality, comprehensiveness, accuracy and uniformity within and across the regional offices.

Fifth, ACF substantially revised the fiscal checklists used during all fiscal reviews to incorporate a risk-based assessment approach. This will allow us to identify fiscal issues which may suggest underlying fiscal problems.

Sixth, ACF is requiring the program review instrument for systems monitoring, or PRISM review teams to closely examine several special areas that were not as carefully or consistently considered in the past, including transportation services, condition in Federal interest and facilities, salaries and staff compensation, maintenance of full enrollment and income eligibility.

And finally, this year, ACF began emphasizing to grantees that conducting quality comprehensive program self assessments are critical to insuring the delivery of high quality services to children and families. I hope this information has provided a clear picture of our continued and more aggressive commitment to improving program oversight and monitoring. We also look forward to working with the Congress in the upcoming discussion of Head Start reauthorization to explore statutory changes that can enhance the secretary's flexibility to replace poorly performing grantees.

In conclusion, I want to assure this Committee that the President, the Department, and the Administration on Children and Families are committed to strengthening the quality of Head Start. We acknowledge that we can and must do better. I feel confident that working together we will achieve that goal. Thank you, and I would be pleased to answer any questions.

[The prepared statement of Mr. Horn follows:]

Statement of Hon. Wade F. Horn, Assistant Secretary, Administration for Children and Families, U. S. Department of Health and Human Services, Washington, DC

Chairman Boehner and members of the Committee, I am pleased to have this opportunity to appear before you today to discuss the recent report of the Government Accountability Office (GAO) on "Head Start: Comprehensive Approach to Identifying and Addressing Risks Could Help Prevent Grantee Financial Management Weaknesses". The President is committed to strengthening the quality of Head Start to improve the school readiness of low-income preschool children and has made accountability a guiding principle of our work. Within this context, I can assure you

that we take GAO's findings very seriously and for nearly two years we have been actively and aggressively engaged in addressing the weaknesses cited in the report.

The Head Start program is now in its 40th year. It is a nearly $7 billion program, serving more than 900,000 low-income children and families through a network of 1,600 local grantees. There are 212,000 staff employed in Head Start programs and more than 1.3 million persons volunteer in local programs. Head Start children are served in nearly 50,000 classrooms located within more than 20,000 centers, which are located in more than 3,000 counties nation-wide. Head Start is, in short, a program that has wide ranging presence and influence. It ought to be absolutely the best early childhood education program we can design. As stewards of this program, we are committed to making that goal a reality.

I will focus my testimony today on our ongoing efforts, as well as some of our planned efforts, to improve program oversight and stewardship. Several of GAO's findings mirror weaknesses we previously identified and are actively working to resolve. Other suggestions in the report will help us plan and implement additional strategies for enhancing the quality and the credibility of the Head Start monitoring system in order to ensure that all Head Start children receive the head start they deserve.

Head Start Monitoring

As discussed in the GAO report, we have several ongoing procedures to examine program compliance and to measure results. Key among these is the mandated, triennial, on-site monitoring of local programs. Under the Head Start Act, each grantee must be monitored at the end of the first year of operation and intensely at least once every three years thereafter. These reviews are conducted by consultants with professional expertise in their assigned area, under the direction of a federal team leader. Most teams are composed of approximately six to eight reviewers; additional reviewers may be assigned to review larger or more complex programs.

Written reports containing findings from these reviews are provided to each grantee and corrective action must be implemented by the grantee. Programs identified as deficient must correct all deficiencies within a prescribed period of time or we must seek to terminate the grantee's authority to operate that Head Start program.

In fiscal year 2004, the Administration for Children and Families (ACF) conducted triennial reviews of 570 programs. Eighty-nine of these programs were identified as deficient. Each was issued a report by ACF mandating correction of their deficiencies within a specified time period, not to exceed one year. Any of these 89 grantees that do not correct their deficiencies must have their grant terminated. In fiscal year 2004, ACF replaced 20 grantees with unresolved fiscal and quality issues.

Monitoring is one of our best opportunities to measure the quality of Head Start programs. As federal stewards, we must use our monitoring procedures to assure we are holding every Head Start program accountable to all applicable statutes and regulations.

In the last several months, and consistent with many of the GAO's observations and recommendations, ACF has implemented several efforts to improve our monitoring.

First, we have established for the first time minimum qualifications for all reviewers in the area they are reviewing. For example, a reviewer wanting to do fiscal reviews must have a minimum of a bachelor's degree with at least 12 credits in accounting, with a preference for a degree in accounting. Establishing these minimum qualifications helps assure that all individuals on a monitoring review team have the knowledge, skills and experience necessary to be part of a quality review. Reviewers not meeting these qualifications can no longer participate in Head Start reviews. Qualified individuals must be annually certified and meet our minimum requirements. Additional individuals will be recruited, trained, mentored, and added to the reviewer pool.

Second, we have implemented a formal assessment process in which the federal team leaders and reviewers assess the performance of their team members. These assessments are conducted after every review. Assessment scores and comments are tracked for individuals over multiple reviews. Reviewers with identified patterns of "poor performance" are removed from the Head Start reviewer pool.

Third, in February and December 2004 we provided intensive, multi-day training for more than one thousand reviewers in the areas of fiscal, program management, and early childhood development. We also have provided and are continuing to provide professional development for federal team leaders and federal grants staff. Training for team members provides a very clear understanding of the nature of their responsibilities as part of a monitoring team, and the important roles they play in helping to assure a quality Head Start experience for every child and family.

Additional training will be conducted later this year for reviewers in the fields of health and nutrition services, disabilities services, mental health services, and family and community partnerships. We feel confident that these three changes will go a long way in helping us assure that only qualified, skilled reviewers perform the vital role of evaluating the comprehensiveness, local management, and quality of our Head Start programs.

Soon we will implement a quality assurance initiative in which specially trained reviewers will lead teams to conduct re-reviews of a sample of recently monitored grantees. We believe this effort will substantially address GAO's concern about consistency among reviewers and across ACF regional offices. The re-review teams will go on-site to grantees that have been monitored within the previous few months. A second, complete monitoring review will take place and the results will be evaluated by the Head Start Bureau. This will allow us to make better-informed professional judgments about the reliability of our current monitoring teams, including individual reviewers and federal team leaders. We believe this approach also will allow us to achieve more complete, more accurate, and more consistent monitoring outcomes.

In addition, we are conducting in-depth analyses of all triennial and first year monitoring reports. The results of these analyses are provided to regional administrators for regional quality assurance and staff training. The Head Start Bureau has created a two-part strategy to improve report quality, comprehensiveness, accuracy and uniformity within and across regions. First, draft deficiency reports are analyzed and reviewed for accuracy by the Head Start Bureau prior to release to grantees, with the results and recommendations of these analyses sent to the regional administrators. In the second part of this strategy the Head Start Bureau has established standards for all other letters and reports related to grantee monitoring.

Additionally, ACF is continuing our emphasis on improving each grantee's fiscal viability. For example, the Fiscal Checklist, now used by all fiscal reviewers, was substantially revised in fiscal year 2005 to use a "risk-based" assessment approach in alignment with GAO's recommendation. The Fiscal Checklist includes a set of very specific, prioritized indicators, or "red flags", designed to identify fiscal issues which may suggest underlying fiscal problems. These indicators focus on those areas or irregularities which are most likely to have the greatest adverse impact on the fiscal accountability of the grantee. Grantees whose indicators suggest current or possible future problems will be subject to a more detailed review of their fiscal systems and records to determine if there are indeed problems that impact the grantee's fiscal operations and management.

Further, ACF is requiring the Program Review Instrument for Systems Monitoring (PRISM) review teams to closely examine several specific areas that were not as carefully or consistently considered in the past. These include transportation services, condition and federal interest in facilities, salaries and staff compensation, maintenance of full enrollment, and income eligibility.

Also, in fiscal year 2005, ACF is emphasizing the conduct of required grantee self-assessments. Grantees have been reminded that conducting quality, comprehensive program self-assessments are critical to ensuring the delivery of high-quality services to children and families. Grantees must conduct accurate, comprehensive self-assessments building on information from the triennial federal monitoring review to further program improvement, regularly identify issues, correct problems, and improve services.

GAO Recommendations

I hope this information has provided a clear picture of our continued and more aggressive commitment to improving program monitoring. This is a goal we have undertaken in earnest over the past year. The GAO report synthesized many of the concerns we have had regarding program weaknesses. This report affirms that we are on the right track in strengthening our oversight and accountability efforts.

While my initial remarks today have provided some insight into our responses to the GAO recommendations, I would like to take this opportunity to briefly and specifically walk through each of the recommendations in their report and our response.

I. (a) ACF should develop a strategy to produce a comprehensive risk assessment of the Head Start program which would provide reasonable assurance that a Head Start grantee's finances are reasonably sound and that program objectives are being met.

We fully support the recommendation to develop a "comprehensive risk assessment" of the Head Start program. We are looking to both the HHS Office of Inspector General's Risk Assessment Protocol as well as tools used by GAO that have been

adopted by other agencies in ACF in our efforts to develop this comprehensive risk assessment.

Over the next few months, we will continue developing an approach that will allow us to identify, early on, grantees that have issues that could suggest potential fiscal or programmatic problems. Beginning with the indicators in the fiscal checklist, we will identify the factors we should use in determining a grantee's fiscal and programmatic accountability. We then will identify the data source or sources we will use to consistently collect information about each of the factors. Finally, we will determine the relative risks associated with each of these factors and develop a rating system that tells us when a grantee is at risk of heading down a path to larger fiscal or programmatic problems. We believe that such a system will enable us to identify at risk grantees while there is still time to work with them and implement appropriate change.

1. (b) ACF should collect data on improper payments made by Head Start grantees.

ACF will assure that grantees are held accountable for improper payments made with Head Start grant funds. For example, this year monitoring teams will be looking more carefully and more systematically at the way grantees expend all of their Head Start funds. Also, we are continuing our strong focus on improper payments begun last year by visiting 50 randomly chosen grantees to review grantees' enrollment files and determine whether they are serving only children who are eligible for Head Start.

As an additional strategy for examining improper payments, we have begun rigorously enforcing the new requirement enacted by Congress to cap the compensation of Head Start staff. We will move to disallow costs expended by a Head Start grantee when they are in violation of this cap. Further, we will continue our efforts to assure all grantees are serving the full number of children for which they have been funded by holding grantees accountable for upholding all terms and conditions of their grant award. Grantees failing to do so will see their funding levels reduced.

II. ACF should train and certify all PRISM reviewers.

As I discussed earlier, over the last several months, we provided PRISM training to federal team leaders and to fiscal, program design and management, and early childhood consultants. ACF has and will continue to schedule additional training events for consultants in other areas of expertise to ensure that all reviewers have appropriate training. ACF agrees with GAO that reviewer training needs to be provided regularly and designed to assure reviewers have the knowledge and appropriate understanding of their roles in assisting ACF in determining the management and quality of our Head Start programs.

III. ACF should develop an approach to assess the results of PRISM reviews and ensure consistency among Regional Offices.

ACF's Head Start Bureau is continuing an effort begun last year in which all monitoring reports to be issued by the regional offices are reviewed and critiqued, providing feedback to the regions about the quality, comprehensiveness and accuracy of these reports and related letters to grantees. We also are analysing data from monitoring findings and discussing areas of inconsistency within and across our regional offices. When regional data indicate inconsistencies in the number and types of problems found in Head Start grantees, we are working more closely with those regional offices to uncover the reasons for the inconsistencies and be certain they do not reoccur.

As mentioned earlier, in fiscal year 2005, ACF will be implementing a quality assurance system in which a selected number of programs will be "re-reviewed" a few months after their regularly scheduled PRISM review. This is another method that will help us achieve greater consistency across regions and among reviewers. Further, ACF is supportive of legislative change that can provide the Administration increased flexibility to use the best team leaders available for a particular review by not requiring every team leader to be a federal employee.

We want to acknowledge our agreement with the GAO, that for too many years we have relied too heavily on a grantee's self-certification that serious non-compliances have been corrected. There may be some situations in which such certifications are sufficient; however, reliance on this practice for ensuring grantee corrective action must be dramatically reduced. Therefore, ACF is significantly increasing the use of on-site visits to verify corrective actions. These site visits will focus on whether the grantee has made systemic, sustainable changes to reduce the possibility of repeating problems in the future. This approach also will help regional offices more consistently assess a grantee's success in correcting identified problems in both the short and the long term.

IV. (a) ACF should implement a quality assurance system to assure on-site reviews are being conducted as intended to provide ACF with objective and accurate data about grantees.

As noted above, in fiscal year 2005, ACF will be implementing a quality assurance system designed to enhance consistency and quality among both regional offices and reviewers. Specially trained review teams made up of some of the best reviewers in the country will visit grantees that have been monitored within the last few months. A complete monitoring review will take place; the results of which will be shared with the responsible ACF regional office. This process will allow us to make more informed, professional judgments about the reliability of our current monitoring teams; including individual reviewers and federal team leaders. We believe this approach will help enhance the process of achieving more complete, more accurate, and more consistent monitoring outcomes.

4. (b) ACF should assure the accuracy of its data collection forms.

ACF and others rely upon the annual Program Information Report (PIR) and other data. We will, therefore, continue to explore ways to increase the accuracy of the PIR and other data sources. We will, for example, initiate an effort this year in which we will visit randomly selected Head Start programs to conduct a validation study of the data reported on the PIR. We also initiated procedures to assure that the information grantees report on their required salary comparability studies is accurate and current. In addition, Head Start staff currently is working with ACF information technology staff to develop a single, integrated database that will contain all the current Head Start data sources. This integrated database will allow us to take a comprehensive approach to examining the management, fiscal and programmatic status of Head Start grantees.

V. ACF should make greater use of information currently available to regional offices to more quickly identify potential risks.

ACF will make more complete use of all data sources available to us to assure we are able to identify risks as quickly as possible. Central and regional offices will jointly develop specific protocols to assure that we are making full and timely use of the fiscal and other data available.

VI. ACF should recompete Head Start grants when the current recipient has not met its obligations in the areas of program or financial management.

ACF is looking forward to working with the Congress in the upcoming discussions on Head Start reauthorization to explore changes to the Act that can enhance the Secretary's flexibility to replace poorly performing grantees. Without such statutory changes, we do not believe we can implement GAO's proposed recommendation in this area. It is our position that, because of current statutory language there can be lengthy delays before we can replace the grantee in charge of Head Start operations in that community.

More specifically, we would like to work with this Committee to amend language in the current Head Start Act which provides current grantees with priority consideration for funding and which requires grantees to be given a hearing before being replaced, no matter how poor their operations and performance may be. We believe the current system makes it unnecessarily time consuming and difficult to remove grantees which are not responsibly delivering comprehensive, quality services. Like GAO, we are particularly dismayed by the increasing number of grantees with recurring problems that fail to correct or only temporarily correct areas of non-compliance and deficiencies. We look forward to working with Congress to give HHS the ability to quickly remove poor performing grantees so that we are providing the best quality services possible to Head Start children.

Additional Program Improvement Efforts

I would like to close my remarks by sharing with this Committee several other efforts the Administration is engaged in designed to improve grantee quality and accountability. Foremost among these is working with this Committee and this Congress to pass a Head Start reauthorization bill which will send a clear message that all Head Start grantees are expected, at all times, to deliver high quality services to every enrolled child and family.

First, we would like the Congress to help us increase the involvement of selected states in Head Start as we move to increase coordination between Head Start, state pre–K programs, and child care services. Second, we would like the Congress to provide the Secretary with greater discretion to use funds appropriated for Head Start in the most effective manner possible by enacting changes to the current statutory set-aside for training and technical assistance. Third, we would like the statute to more clearly state the expectation that all children should leave Head Start prepared for school and that the standards for school readiness are being met. Fourth, we would like increased flexibility in the make-up of our monitoring teams so that

we always can send out the most qualified individuals for the job. And fifth, we would like to work with Congress to ensure that the statute allows us to deal with poorly performing grantees fairly but expeditiously.

In addition to these proposed statutory changes, I would like to close by sharing information about one other training and technical assistance project which, although not directly related to monitoring, plays an important role in assuring grantees are providing high quality services to the communities they serve. We are in the second year of a new training and technical assistance (T/TA) system that we believe will help improve grantee quality and, by so doing, address some of the underlying issues raised by GAO. We have, for the first time, hired T/TA specialists who are assigned to work on a regular basis with individual grantees. These specialists will help grantees identify T/TA needs and appropriate ways of meeting these needs. They will visit their assigned grantees several times a year to focus on improving grantees. The local specialists are supported by a team of content experts in each regional office to provide guidance to grantees and to support the local specialists in their technical assistance work within programs.

Conclusion

In conclusion, I can assure this Committee that the President, the Department and ACF are committed to strengthening the quality of Head Start. In keeping with the findings of this GAO report–we can do better. The Administration for Children and Families will continue to improve program oversight to ensure program quality and effectiveness. At the same time, we look forward to working with you to make appropriate changes to Head Start's legislation that will hold all grantees accountable for all requirements and for providing quality service. I feel confident that together we will achieve these goals.

Thank you. I would be happy to answer any questions.

Chairman BOEHNER. Ms. Henry. Welcome. You may begin.

STATEMENT OF PAMELA HENRY, JR., HEAD START PARENT, LAS VEGAS, NV

Ms. HENRY. Thank you. Good afternoon, Chairman Boehner, Representative Miller, and Members of the Committee. My name is Pamela Ann Henry Jr., and I am honored for this opportunity to share my experience as a parent and former chair of the Head Start and early Head Start policy Council for the Economic Opportunity Board, Clark County. EOB is the Head Start grantee in Las Vegas, Nevada.

I may not have a Ph.D. or be a high ranking government official, but I can tell you firsthand the importance of Head Start to a parent and what is happening, and in some cases, not happening in my Head Start program. I am a foster/adoptive parent that cares for children with special needs between the ages of birth and 5 years of age. Since 2001, my husband and I have been affiliated with the Head Start and Early Head Start program as active parents, and I, with the policy council as a center representative and later chair for the EOB in Clark County.

Policy counsels are required by Head Start regulations to assist with program governance that include parents, community representatives and liaisons from the executive board. The topic of today's hearing is a recent report by the Government Accountability Office, or the GAO, which found Federal oversights to be inadequate to swiftly identify and correct financial mismanagement of Head Start grantees. I have just three messages for the Committee today. No. 1, too much time can go by from the time problems start to the time they are fixed. Many times they go unrecognized. But

even worse, there is no incentive to fix problems quickly because grantees are not held accountable for correcting these problems.

Number 2, the Federal Government shouldn't let bad grantees continue to operate bad programs. Like the three-strikes-you-are-out policy, at a certain point enough should be enough.

No. 3, policy counsels and other governing boards at the local levels should matter. Often times these boards are not given a real opportunity to be involved, but they should be. I will elaborate briefly on each of these points. The GAO report was requested by Congress after reports of misuse of Head Start funds were printed in newspapers around the country. Unfortunately the grantee over the center where my children attend Head Start is one such case. I know most Head Start programs are good, so why focus on a few bad ones? There may be many others who don't have these problems, but even if just one program has problems, they should be fixed.

The EOB Community Action Partnership is the largest private non-profit social service organization in Nevada. EOB has nine service divisions that administer 40 programs intended to assist 55,000 area residents each year. EOB receives over $12 million annually to prepare 1,700 children, including mine for kindergarten. In 2003 and 2004, EOB was cited as a high risk grantee by the Head Start Bureau. Yet, as I learned later, the board had been deemed a deficient grantee in several important areas for many years.

For example, EOB had been cited repeatedly for inaccurate accounting practices, yet no corrective action seemed to be initiated by the Federal Government or the Agency itself.

In 2003 I was involved with the annual review process conducted by the Region IX staff. I accompanied the EOB executive director and other agency administrators. EOB was instructed to develop a corrective action plan after its review identified multiple deficiencies. The policy council was initially involved in the drafting of the corrective action plan, but in the end, the senior managers and other agencies approved a different plan without our input. The policy council expressed concern both to the executive active team and the HHS Region IX staff, but our concerns were dismissed. This was very discouraging. As policy council chair, I emerged a stronger leader and advocate for the Head Start and gained the confidence to stand my ground and fight a fight for what I felt was right for the eligible children enrolled and their families.

And then at the local level, many Head Start boards are agreeing to actions taken by administrators. There is no independent review or checks and balances—no accountability for the administrators because in most cases, there is no responsibility assumed by the executive board.

A dysfunctional senior management and grantee board at EOB triggered multiple concerns that I shared with the Region IX representative. While in the position as PC chair, the program had been deemed high risk due to several noncompliance matters. But one of the most important factors is what the GAO has stated in their recent report, mismanagement of program funds, along with continuous deficiencies.

By the end of my third year, there had been several reviews and audits. With the right accountability in place, mismanagement of funds could have been avoided. However, those involved were never held responsible for their misconduct for such funds. The EOB never felt as though the grant was threatened, or that they could do anything that would lead to the termination of their funding. In such cases, an organization other than EOB should have been given millions of dollars taken for granted by this grantee.

The GAO report recommends that poorly performing grantees should come compete against other entities for their grant. In the case of EOB, another organization might have been more qualified to manage the Head Start program. I am done. Thank you. I am sorry.

[The prepared statement of Ms. Henry follows:]

Statement of Pamela Henry, Jr., Head Start Parent, Las Vegas, NV

Good Afternoon Chairman Boehner, Representative Miller, and Members of the Committee. My name is Pamela Henry, and I am honored for this opportunity to share my experience as a parent and former Chair of the Head Start Policy Council of the Economic Opportunity Board (EOB). EOB is the Head Start grantee in Las Vegas, Nevada.

I may not have a Ph.D., or be a high-ranking government official, but I can tell you first hand the importance of Head Start to a parent and what is happening—and in some cases not happening—in my Head Start program.

I am a foster/adoptive parent that cares for children with special needs between the ages of birth and 5 years. Since 2001, my husband and I have been affiliated with the Head Start & Early Head Start Program as active parents and I, with the Policy Council as a Center Representative and later Chair, for EOB in Clark County. Policy Councils are required by Head Start regulations to assist with program governance and include parents, community representatives, and a liaison from the Executive Board.

The topic of today's hearing is a recent report by the Government Accountability Office—or GAO—which found federal oversight to be inadequate to swiftly identify and correct financial mismanagement by Head Start grantees.

I have just three messages for the Committee today:

I. Too much time can go by from the time problems start to the time they are fixed. Many times, they go unrecognized. But even worse, there's no incentive to fix problems quickly because grantees are not held accountable for correcting these problems.

II. The federal government shouldn't let bad grantees continue to operate bad programs. Like the three strikes you're out policy, at a certain point, enough should be enough.

III. Policy Councils and other governing boards at the local level should matter. Often times these boards are NOT given a real opportunity to be involved, but they should be.

I will elaborate briefly on each of these points.

The GAO report was requested by Congress after reports of misuse of Head Start funds were printed in newspapers around the country. Unfortunately, the grantee over the center where my children attend Head Start, is one such case.

I know most Head Start programs are good. So why focus on a few bad ones? There may be many, many others who don't have these problems, but even if just one program has problems, they should be fixed!

The EOB Community Action Partnership is the largest private, non-profit social service organization in Nevada. EOB has nine (9) service divisions and administers forty (40) programs intended to assist 55,000 area residents each year. EOB receives over $12 million dollars annually to prepare 1,700 children, including mine, for kindergarten. In 2003–4, the EOB was cited as a high-risk grantee by the Head Start Bureau. Yet, as I later learned, the Board had been deemed a deficient grantee in several important areas for many years. For example, the EOB had been cited repeatedly for inadequate accounting practices yet no corrective action seemed to be initiated by the federal government or the agency itself.

In August 2003, I was involved in the triennial review process conducted by the Regional IX staff. I accompanied the EOB executive director and other agency administrators. EOB was instructed to develop a corrective action plan after its review

identified multiple deficiencies. The Policy Council was initially involved in drafting the corrective action plan but in the end, the senior managers of the agency approved a different plan without our input. The Policy Council expressed concern to both the Executive Team and HHS Region IX staff but our concerns were dismissed. This was very discouraging.

As Policy Council Chair, I emerged a stronger leader and advocate for Head Start and gained the confidence to stand my ground and fight a fight for what I felt was right for the eligible children enrolled and their families. At the local level, many Head Start boards are agreeing to all actions taken by the administrators—there is not independent review or checks and balances. No accountability for the administrators because in most cases there's no responsibility assumed by the Executive Board.

A dysfunctional Senior Management and the Grantee Board at EOB triggered multiple concerns that I shared with the Region IX Representative. While in the position as PC Chair the program had been deemed as high-risk due several non-compliance matters, but one of the most important factors is what the GAO has stated in their recent report, mismanagement of program funds, along with continuous deficiencies.

By the end of my third year there had been several reviews and audits. With the right accountability in place, the mismanagement of the funds could have been avoided. However, those involved were never held responsible for the misconduct of such funds. Unfortunately, the EOB never felt as though their grant was threatened or that they could do anything that would lead to the termination of their funding. In such cases, an organization other than EOB should have been given the millions of dollars taken for granted by this grantee.

The GAO report recommends that poorly performing grantees should compete against other entities for their grants. In the case of EOB another organization might have been more qualified to manage the Head Start program.

Members of the Policy Council had little confidence that an adequate corrective action plan was put into place or that Region IX administrators would return to EOB to ensure that changes we successfully implemented. Under the current system, grantees must self-certify that deficiencies have been corrected and the federal government takes the grantee at their word. Yet, according to the GAO report, and consistent with the experience at EOB, problems cited continued to be problems for multiple review cycles.

If Regional manager's performance was tied to the improvement and performance of the programs for which they were responsible, many Head Start programs would improve. The Regional IX manager's job apparently was not judged by the success or failure of the grantees under his or her control and so there was no incentive to improve the situation. Furthermore, it seems many Regional managers believe it is more trouble to go through the grantee termination process than to just recommend a grant be re-funded, even when the manager knows it's not in the best interest of Head Start.

Regional managers should be held accountable for bringing a program back into compliance and help support grantees in that process or be liable for letting a program be deemed deficient over and over again. We must remember that this is for the children and low-income families, and as our current President says, "no child shall be left behind!"

Chairman BOEHNER. That is all right. Thank you, Ms. Henry. I know it is rather daunting to have to show up and speak before all of us and those people behind you, but you did a very nice job.

Dr. Golden.

STATEMENT OF OLIVIA GOLDEN, Ph.D., SENIOR FELLOW, URBAN INSTITUTE, WASHINGTON, DC

Dr. GOLDEN. Thank you very much, Mr. Chairman, Congressman Miller and Members of the Committee. I am honored to appear before you today. My perspective on Head Start and on tough and effective management has been shaped by experiences as a researcher and a practitioner at the Federal, State and local levels, as you heard in the Chairman's introduction. I spent 8 years at

HHS, including 3 as Assistant Secretary for Children and Families. And in 1993, I was a member of the Bipartisan Advisory Committee on Head Start quality and expansion, including members from both parties, staff to this Committee.

The advisory committee's unanimous final report provided a rigorous blueprint for quality, including strengthening Federal oversight. As a result of reforms put in place by HHS and the Congress, beginning with the advisory committee, the 1994 Head Start Reauthorization and the 1996 publication of tough and research-based performance standards, Head Start has the most rigorous standards and the most intensive monitoring of any human services program that I am aware of. This emphasis on the accountability paid off in clear results during the late 1990's. As the GAO report indicates, a historically unprecedented 144 grantees were terminated or relinquished their grants between 1993 and 2001. GAOs report provides useful next steps for Federal oversight that build on these earlier reforms. But before turning to my suggestions for implementing GAO's recommendations, I would like to highlight two themes from the research which my written testimony provides more detail on. First, Head Start serves extremely vulnerable children and families who experience multiple and complex problems. You just heard about children with special needs.

Second, Head Start programs make a positive difference for these very disadvantaged children and their family. Research demonstrates both Head Start's positive results in terms of children's learning and the generally high quality of local programs. To me, these themes underline the importance of accountability in Head Start. Federal oversight must live up to the crucial importance of Head Start's mission.

Let me turn now to the five suggestions for strong Federal oversight that are detailed in my written testimony. These suggestions draw on my experience raising the bar on accountability during the 1990's, both lessons about what works and lessons about what is persistently difficult. The central theme is that holding Head Start programs to high standards, including closing those that can't meet the standards, can be done with strong focused and hands on Federal oversight.

Lesson one, the foundation for strong Federal oversight and results for children is the tough, rigorous and research-based requirements of the Head Start performance statistics. As a result of the Advisory Committee's recommendations and the 1994 reauthorization, we thoroughly revamped and strengthened the performance standards in 1996 bringing them into line with the latest research. So many of the vigorous fiscal standards that GAO is now looking at are in place now because of this reform. Rigorous standards are especially important because emerging research that strong implementation of the standards is linked to better results for children.

Lesson two, terminating grantees and aggressively negotiating relinquishments are important steps for HHS to take when a grantee cannot successfully resolve its problems. Hands on leadership is key. Stronger authority for HHS to terminate grantees who can't meet standards was in the 1994 reauthorization and the 1996 regulations. As GAO indicated in its 1998 report, HHS moved quickly and aggressively to use this new authority. My own experi-

ence was that personal and hands-on involvement helped make it happen. In one example, I flew to Denver to speak with parents and board members about the gravity of our monitoring findings so they could make a more informed choice about whether to relinquish the grant.

Lesson three, continuity for successful grantees is just as important as turnover for unsuccessful grantees. Because for a Head Start program to do a truly excellent job of linking children to services in a community takes time, consistency and relationships among partners developed and sustained over many years. This means that strong technical assistance to keep successful programs on track is a critical partner to strong monitoring. It also means that recompetition of Head Start grants should be limited to unsuccessful programs.

Two more lessons. The Federal oversight strategy needs to integrate fiscal accountability and program accountability at every stage. And Assistant Secretary Horn spoke to that in speaking of training. And finally, the oversight strategy must include a focus on Federal staff in both central office and the regions, including training and professional development.

In conclusion, for 40 years, the Head Start program has played a critical role for the Nation's most impoverished and vulnerable children, continuing to evolve and innovate in response to family needs. For Head Start to continue its success requires an equally strong innovative and vigorous Federal oversight role. I want to thank the Committee for your commitment over many years and I look forward to any questions that you may have.

[The prepared statement of Dr. Golden follows:]

Statement of Olivia A. Golden, Ph.D., Senior Fellow, Urban Institute, Washington, DC

Mr. Chairman, Congressman Miller, and members of the committee, my name is Olivia Golden, and I am currently Senior Fellow and Director of the Assessing the New Federalism project (a multi-year, nationwide study of low-income children and families) at the Urban Institute, a nonprofit, nonpartisan research institute in Washington, D.C.[1] I am honored by the opportunity to appear before you today to discuss the Head Start program, effective strategies for federal monitoring, and the content and recommendations of the GAO's recent report regarding a Comprehensive Approach to Identifying and Addressing Risks.

My perspective on Head Start, on programs that serve low-income children and families, and on tough and effective management to support accountability has been shaped by my experiences as a researcher and a practitioner at the federal, state and local levels. Immediately before coming to the Urban Institute, I directed the District of Columbia's Child and Family Services Agency. Before that, I spent eight years at the U.S. Department of Health and Human Services, as Commissioner for the Administration on Children, Youth, and Families and then as Assistant Secretary for Children and Families. During those eight years, I was a member or chair of three expert committees charting the future of Head Start. In 1993, I was a member of the bipartisan Advisory Committee on Head Start Quality and Expansion, which included both majority and minority staff to this Committee as well as staff from both parties to three other House and Senate committees. The Advisory Committee's unanimous Final Report provided extensive recommendations, including a rigorous blueprint for monitoring program and fiscal quality and strengthening federal oversight capacity. In 1994, I chaired the Advisory Committee on Services for Families with Infants and Toddlers, which created the overall design for Early Head Start. And in 1999, I chaired the Advisory Committee on Head Start Research and

[1] The views expressed in this testimony are those of the author and should not be attributed to the Urban Institute, its trustees, its employees, or its funders.

Evaluation, which provided an overall framework for the design of the Head Start impact study. We are all eagerly awaiting the first report from that study.

In my testimony today, I will focus primarily on effective strategies for building the strongest possible federal oversight role to support high-quality, fiscally accountable, programmatically successful, and well-managed Head Start programs across the country. As a result of reforms put in place by HHS and the Congress—beginning with the bipartisan 1993 Head Start Advisory Committee, the 1994 Head Start reauthorization, and the 1996 publication of tough, research-based performance standards and continuing across two administrations—Head Start has the most rigorous standards and the most intensive monitoring of any human services program that I am aware of. This emphasis on accountability by HHS and the Congress paid off in clear quality control results during the late 1990's: for example, as the GAO report indicates, 144 grantees were terminated or relinquished their grants between 1993 and 2001, a historically unprecedented number.

GAO's report provides useful next steps for the federal oversight role that build on these earlier reforms. The report does not, however, provide a clear picture of the number or proportion of Head Start programs with serious fiscal problems, because it shows the percentage of programs with even one monitoring finding, rather than grouping programs by frequency or severity of findings. Based on the Head Start Bureau's annual monitoring reports, about 15 percent of grantees have serious problems, including both programmatic and fiscal problems. Whatever the current numbers, any serious failures in fiscal accountability need to be forcefully addressed.

The GAO report contributes to this effort by identifying gaps in federal oversight—in particular, how the federal implementation of monitoring doesn't live up to the rigorous design—and by providing practical recommendations for improvement. The implementation challenges highlighted in the report -" such as effective use of early warning information, consistent decision-making across central office and the regions, and closing ineffective programs on a prompt timetable yet with appropriate due process—are not limited to any one Administration or even to one program. In my own experiences both with Head Start monitoring and with designing and implementing monitoring systems for other programs and at other levels of government, these same challenges have arisen. For that reason, I believe that the GAO's practical recommendations for next steps are particularly useful and that thoughtful implementation of these recommendations, with some additional suggestions and modifications that I suggest below, should help Head Start programs live up to the very highest levels of accountability.

Why Accountability Matters: The Research Context and the Role of Head Start

Before turning to these specific suggestions about monitoring, I would like to highlight briefly two broader themes from the research. To me, these themes "- (1) that Head Start serves extraordinarily vulnerable children and families and (2) that it makes a positive difference for them "- underline the whole reason accountability is so important. In a program with such a critical mission, and such a history of success for the most vulnerable children in good times and bad, we must ensure that federal oversight lives up to the importance of the mission, both demanding and supporting strong programs.

First, Head Start serves extremely vulnerable children and families, who experience considerable disadvantage and often multiple and complex problems. Children enrolled in Head Start may suffer from various health conditions and disabilities, live in families that have difficulty finding and keeping stable housing, and experience violence in their families and neighborhoods. For these children, improved learning and cognitive development require extremely high-quality services that follow the comprehensive model laid out in the Head Start performance standards.

For example, a survey of a nationally representative sample of Head Start families in 2000 found that 25 percent of parents were moderately or severely depressed, more than 20 percent of parents had witnessed violent crime, and parents reported that almost 10 percent of their children had witnessed domestic violence in the last year. According to the researchers, "preliminary findings suggest that Head Start may play a role in protecting children from the negative outcomes associated with family risk factors, including maternal depression, exposure to violence, alcohol use, and involvement in the criminal justice system."[2]

Second, Head Start programs overall make a positive difference for these very disadvantaged young children and their families. Both past and recent research, such

[2] Administration for Children and Families, Office of Planning, Research, and Evaluation. April 2003. Executive Summary for Head Start FACES 2000: A Whole–Child Perspective on Program Performance, p. 8.

as the rigorous, random assignment evaluation of Early Head Start, demonstrate Head Start's positive results for children and the generally high quality of its programs when observed and compared with other early childhood programs. For example,

- A rigorous, randomized assignment evaluation of Early Head Start found that compared to a control group, 3-year-olds who had attended Early Head Start had higher average scores and a smaller percentage at-risk in language development, higher average scores and a smaller percentage at-risk on tests of cognitive development, and better home environments and parenting practices (for example, more reading to young children).[3]
- Studies of Head Start using a variety of methods (for example, comparing siblings who have been in Head Start with those who have not) also show positive results for children. Soon, the results of the random assignment study of Head Start—designed by the committee I chaired in 1999 -" will be released. This study should provide more up-to-date information about the effects of Head Start for today's children, compared with being in other programs or at home.
- When researchers score Head Start classrooms across the country using standard indicators, they generally find them good and quite consistent in quality. A recent study that observed classrooms in six state pre-k programs found that the overall quality of these classrooms was lower than in similar observational studies of Head Start.[4]
- Low-income children are less likely than higher-income children to get the benefits of high quality pre-school or child care settings. This disparity would be far greater without Head Start, especially for the poorest children. Research conducted through the Assessing the New Federalism project at the Urban Institute has found that low-income 3- and 4-year-olds are less likely to be in center-based care (including preschool) than higher-income children. Because of the research evidence suggesting that quality center-based care can help children prepare for school, the researchers conclude that this "disparity".may represent a missed opportunity to assist low-income children in becoming school-ready."[5]

The Accountability Agenda: Lessons from Experience

The reforms in Head Start quality and accountability that were driven by the bipartisan Advisory Committee of 1993 and the Head Start reauthorizations of 1994 and 1998 provide a very rich source of lessons about strong federal oversight -- both what works and what issues are perennially difficult and need to be revisited often. The central theme is that holding Head Start programs to high standards, including closing those that can't meet the standards, can be done. It takes strong, focused, and hands-on federal oversight that includes both monitoring and technical assistance.

The reforms grew out of the widespread concern that after several years of expanding the number of children served in Head Start without corresponding investment in program quality or in the training and development of federal staff, the quality of local Head Start programs, while generally good, had become uneven. The charge of the 1993 Advisory Committee—whose members in addition to Congressional staff from both parties and both houses included experts with experience in academia, the federal government, state and local early childhood programs, and the broader health and education worlds -" was to provide recommendations for both improvement and expansion that would reaffirm Head Start's vision of excellence for every child. The extensive and specific recommendations in the unanimous report covered every area of quality improvement, from local programs to federal staff. Many of the recommendations were incorporated into the 1994 Congressional reauthorization of Head Start, and others were implemented by HHS without requiring legislative authority.

Five specific lessons from this experience seem to me particularly important as Congress and the Administration consider implementing the GAO's recommendations:

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[3] Administration for Children and Families. June 2002. Making a Difference in the Lives of Infants and Toddlers and Their Families: The Impacts of Early Head Start. Executive Summary, pp. 3–4.

[4] Donna Bryant, Dick Clifford, Diane Early, and Loyd Little. 2005. "Who Are the Pre–K Teachers? What Are Pre–K Classrooms Like?" Early Developments 9(1): 15–19. Published by the FPG Child Development Institute at the University of North Carolina at Chapel Hill.

[5] Jeff Capizzano and Gina Adams, 2003. "Children in Low–Income Families Are Less Likely to Be in Center–Based Child Care." Snapshots of America's Families III, No. 16. Washington, DC: The Urban Institute, p. 2.

1. The foundation for strong federal oversight—and of results for children—is the tough, rigorous, and research-based requirements of the Head Start performance standards.

The Advisory Committee recommended and the 1994 Head Start Reauthorization required a major overhaul of the Head Start regulations that define what is expected of local programs (regulations that are known as the Head Start Performance Standards) to raise the bar for the quality of both service delivery and management. The final regulations, published in 1996, thoroughly revamped and strengthened the performance standards across many dimensions. For example, they:

- raised standards for program management, including fiscal accountability and governance;
- brought standards for service delivery into line with the latest research; and
- created new standards which had not existed before for the quality of services to infants and toddlers.

Thus, many of the rigorous fiscal, board governance, and reporting standards discussed in the GAO report are in place now because of this important revision of the performance standards. For example, as part of their fiscal and governance standards Head Start programs are expected to ensure that their governing board and the parent policy council approve funding applications and review the annual audit.

Rigorous standards are important not only because they hold programs accountable and form the basis of a coherent monitoring strategy but also because emerging research suggests a link between strong implementation of the standards and positive results for children. As part of the Early Head Start evaluation mentioned above, researchers assessed program implementation of key elements of the performance standards during in-depth site visits. They found evidence that "full implementation [of the performance standards] contributes to a stronger pattern of impacts." [6]

2. Terminating grantees and aggressively negotiating relinquishments are appropriate, important, and realistic steps for HHS to take when a grantee cannot successfully resolve its problems and meet fiscal and program standards. Hands-on leadership is key to using this authority effectively.

Stronger authority for HHS to terminate grantees who cannot meet standards was recommended by the 1993 Advisory Board and included in the 1994 Head Start Reauthorization. As a result, the 1996 revision of the performance standards provided a framework and a tight time limit "- no more than one year—for grantees with serious problems (called "deficiencies") to solve those problems or face termination. As GAO indicated in its 1998 report assessing HHS oversight soon after the regulations, the agency moved quickly and aggressively to use this new authority, with 90 grantees terminated or voluntarily relinquishing their grants by the time of the 1998 report. The GAO report also noted the experience of HHS officials that the termination authority helps them negotiate voluntary relinquishments, which can be the quickest and smoothest path to a transition.

While I was at HHS, I found that hands-on involvement from agency leadership was very helpful in reinforcing the new expectations. In one example, I flew to Denver to speak with parents and Board members about the gravity of our monitoring findings, so they could make a more informed choice about whether the grantee should relinquish the grant in order to achieve better services for children. In that example, the grantee relinquished the grant, and a transitional grantee ensured that services to children continued uninterrupted while the grant was recompeted.

GAO recommends in its report an additional approach, besides termination and relinquishment, to ensure the replacement of grantees who cannot successfully serve children. The comments provided by the Administration on Children and Families express serious legal concerns about this approach, which involves changes in the recompetition of Head Start grants. I am not qualified to comment on the legal issues, but I would note that the existing approaches, termination and voluntary relinquishment, exercised with strong leadership and under a tight timetable, have in my view proved effective at raising the bar on program quality and compliance.

3. The goal of the federal oversight strategy is good results for children. To achieve this goal, continuity for successful grantees is just as important as turnover for unsuccessful grantees. This means that strong technical assistance—high-quality, well-tailored to grantee needs, and available promptly on request—is a critical partner to strong monitoring in the federal oversight strategy. It also means that recompetition of Head Start grants should be limited to unsuccessful programs.

A very important lesson from the deliberations of the Advisory Committee, reinforced for me by my own research and practice experience, is the value to children and families of continuity over time in a quality Head Start program. The Advisory

[6] Administration for Children and Families (June 2002), p.6.

Committee found that an effective Head Start program needs to be a central community institution for poor families: it has to link services that vulnerable children need in order to learn, such as health care, mental health services (for example, when young children have experienced family or neighborhood violence), and help for parents who may be young, overwhelmed, and struggling to support their children. For a Head Start program to do a truly excellent job at linking children to needed services takes time, patience, and a consistent set of players in a community, sometimes over many years. As a result, just as constant staff turnover can jeopardize quality services for children, turnover in a program can set back quality for many years, as new players get to know each other and readjust their priorities. In my own research, not specifically focused on Head Start but on communities around the country that created successful partnerships to serve both parent and child in poor families, I found that longstanding relationships among people involved in the work over many years were an important ingredient of success.

Continuity also matters because the lives of poor children, families, and communities are unstable in so many ways that the Head Start program may be the one critical source of stability. From my experience in child welfare, where I directed an agency that serves abused and neglected children, I became convinced that a high quality Head Start or Early Head Start program can be a source of consistent stable relationships for babies, toddlers, and preschoolers who are moving around from home to foster care and back as a result of abuse or neglect. Given what the research tells us about the importance of consistent relationships to cognitive development in early childhood, this role is crucial.

Therefore, it is just as important to a successful federal oversight strategy to make sure strong programs continue to succeed as it is to make sure failing programs are replaced. As the Advisory Committee made clear in its very first recommendation regarding federal oversight, this means placing a priority on responsive, up-to-the-minute, technical assistance capacity easily available to local programs and closely linked to program and management priorities. When programs have strong capacity and a strong track record in serving children, the federal oversight responsibility must include making sure that a small problem doesn't grow until it threatens a program's continued success. And as new issues emerge across the country, the technical assistance system must be able to respond flexibly and effectively.

At HHS, when we revamped and invested in technical assistance in response to the Advisory Committee report, we learned to consider technical assistance early in every one of our initiatives. For example, in implementing the current GAO report, HHS might consider whether the early risk assessment strategy would have its greatest impact paired with rapid-response technical assistance, so a program could get help as soon as the risk assessment set off alarms. While I was at HHS, we used a variation on this strategy in the field of child welfare, seeking to make sure that when we implemented more rigorous child welfare reviews, technical assistance to address newly identified problems would be rapidly available.

4. The federal oversight strategy needs to integrate fiscal accountability with program accountability at every level and stage - in staff training, in the design of monitoring, and in additional elements of the strategy such as the comprehensive risk assessment or the analysis of improper payments proposed by GAO. Focusing on fiscal accountability without also emphasizing program accountability and results for children can lead, in the words of GAO's 1998 report on Head Start monitoring to "hold [ing] local Head Start programs accountable only for complying with regulations - not for demonstrating progress in achieving program purposes."[7] Looking at the two kinds of accountability together, on the other hand, can lead to successful solutions that help programs serve children better and more efficiently. Local programs providing Head Start services, like all publicly funded human services programs serving children with complex needs, often face questions about how to meet child and family needs and yet stay within fiscal reporting and accounting requirements. For example, when Head Start programs collaborate with other local programs - such as a mental health clinic that can help children who have experienced violence in the home - they often face questions about what services they should pay for from the Head Start grant and what services should come out of the other agency's funding stream.

For these and many other questions that come up regarding fiscal accountability, it is important to find solutions that support program creativity and innovation as well as fiscal accountability. The worst outcome is to have different program and fiscal experts or monitoring reviewers provide conflicting advice. Conflicting re-

[7] U.S. General Accounting Office. 1998. Head Start: Challenges in Monitoring Program Quality and Demonstrating Results, p. 3.

sponses create the kind of unfairness that GAO cites, where different programs get different treatment, and they also chill innovation, because many programs won't want to risk innovation without knowing how reviewers will judge it. The best outcome is for fiscal and program experts to work together to develop solutions to the real problems programs face.

Integrated training for fiscal and program reviewers is also likely to reduce the inconsistencies reported by GAO in assessing program findings and deficiencies. Among the many reasons that people interpret regulations differently, one is the different focus of "compliance-oriented" fiscal reviewers and "results-oriented" program reviewers. For this reason, it is especially helpful to address potential conflicts explicitly in advance.

5. Finally, a key step in implementing the GAO recommendations will be a focus on federal staff in both central office and the regions: their training and professional development, staffing levels, and administrative support (such as travel resources), as well as strategies to make federal decision-making more consistent. These are difficult issues that have not been solved yet, either in Head Start or in most other monitoring programs, but there are promising examples to draw on.

While I was at HHS, we tried a number of approaches to these dilemmas - investing in federal staff despite very tight administrative budgets and promoting consistent decision-making - but there is much left to be done. One promising approach that we implemented might offer lessons for today's strategies, because it aimed both to use federal dollars more efficiently and to achieve program goals, including Head Start accountability. Specifically, we chose to divide the ten regions into five pairs, each with one larger "hub" region and one smaller region, and to design some of the Head Start monitoring strategies across the two paired regions. We used this approach to allocate resources more efficiently and to ensure that if we thought it appropriate, the monitoring team leader for a particular review could be from the region that did not directly oversee the grantee. This allowed the selection of a team leader who was familiar with the geographic area but not involved with the individual grantee.

In summary, a well-designed system of federal oversight for Head Start must

- set the bar high, through rigorous and research-based standards;
- ensure through aggressive and hands-on management that unsuccessful programs are promptly replaced;
- ensure prompt and high-quality technical assistance, to promote continuity and steady improvement for successful programs;
- integrate an emphasis on management with an emphasis on results for children, in order to support creativity, innovation, and fiscal responsibility; and
- use multiple approaches to strengthen federal staff capacity.

For more than forty years, the Head Start program has played a critical role for the nation's most impoverished and vulnerable children, continuing to evolve and innovate to respond to increasingly complex family needs. For Head Start to continue this success into the future requires an equally strong, innovative, and vigorous federal oversight role. I appreciate the Committee's commitment to ensuring the continued strength of this federal role, so that Head Start can build on its record of making a difference to America's poorest young children and their families. Thank you for the opportunity to offer suggestions for further improvements, and I look forward to any questions you may have.

Chairman BOEHNER. Let me thank all the witnesses for coming today, and your excellent testimony. The Members of this Committee understand pretty clearly the importance of early childhood development especially for low income children. And without this help, their chances of success in school is very, very limited.

Congress has made a big investment in Head Start over the years. And as we said earlier, a lot of grantees are doing a lot of very good work. But Dr. Horn and Dr. Golden, you have both been around this process for a long time. There are some operators out there who have done a pathetic job for a very long time. You probably know who they are better than I do. I hear about it from members. They come up to me. They have been fighting the problem at home for a long time, and nothing ever happens. Why is it it is so difficult to change grantees when it is obvious to virtually everyone

that there is a significant problem? Dr. Horn, you are in the hot seat right now because this is your job. So I will let you begin.

Mr. HORN. Well, first of all, let me say from the outset that I believe that most Head Start programs are operating well, that most people who work in Head Start get up every day, go to work and try to do the best they can to further development of children who come from an economically disadvantaged background. So I also believe that Head Start is the embodiment of a very important ideal. That ideal is that now children should be disadvantaged by the circumstances of their birth in their overall education.

So I don't believe that trying to improve the oversight of the Head Start program ought to be equated as some have tried to equate it with an antipathy toward the program in general. I think it is a good program and a program that deserves our support. But there are problems. Some of those problems are internal within my agency. And some of them statutory. And to answer your question about replacing grantees, there is a problem statutorily and I know the GAO and we have a different opinion upon this and it may be useful for the Congress to settle this, because frankly we would like the opinion of the GAO to prevail. Would that we had more authority than we believe the statute provides. And here is the problem. There are two sections in the statute. The first is section 641(b)(2).

And this section says, in part, that the secretary shall give priority to the designation of Head Start agencies to any local public or private non profit or for profit agency which is receiving funds under any Head Start program. Unless the secretary determines that it is, you know—and then it has some exceptions. The problem is, you have to cross reference that with section 646(a)(3) in the statute, which says in part that financial assistance under the subchapter shall not be terminated or reduced or an application for refunding shall not be denied to a grantee unless the recipient has been afforded reasonable notice and opportunity for a full and fair hearing.

Now, if you look at the requirements for notice and so forth, and you add them up, the minimum amount of time to actually defund a grantee who does not voluntary relinquish is 240 days and that is assuming the hearing before the departmental appeals board occurs in 1 day.

Chairman BOEHNER. But the fact, is Mr. Wade, or Mr. Horn, that if you look at the period from May 1998 to 2001, the—to terminate a grantee, here is an example. It took 1,236 days. I have got another one here, another example occurred between February 1, 2001 and May, 03, 800 days from the start of the review to the date of the termination. Now why would it take the agency 24 long to make this determination?

Mr. HORN. Well, part of it has to do—we have no control over how long the hearing is before the appeals board. And that hearing can drag on for months. There are cases where it has dragged on for over a year. Just the hearing. And we can't order the DAB to come up with a decision in a shorter period of time. But it seems to us—I am agreeing with you. We ought to be able to move quicker toward termination of a grantee.

Chairman BOEHNER. All right. Dr. Golden.

Dr. GOLDEN. I guess what I would highlight is that when I started people said to me just this, that it is too hard. And it turned out that in most cases it wasn't too hard. That is how we were able to accomplish that termination and relinquishment of so many grantees. And it is what we learned I think about what makes it possible is that you have to have—you have to have high quality fact gathering. You have to have hands-on involvement. I think that this helps to have not only the high standards of Head Start, those are key, but the clear vision about how those standards relate to the result, because what I found when I went and talked to parents is that parent boards of a grantee might initially have wanted to fight your conclusion that it was deficient, but once you talk to them about how what was going on was say the kind of fiscal problem that we heard from Ms. Henry and that the teachers in the classroom who they had such affection for really were terrific and were going to be able to stay, once you did that you could often get a relinquishment.

And I don't know the legal specifics of the issue that Assistant Secretary Horn is raising enough to know if there are additional things Congress could do. But the message that I want to leave you with is that there is a great deal you can do with the existing authority when you are focused on being able to prevent a lot of problems with technical assistance and then address the rest.

And I think the one big picture context piece I would put on it is that we know something about the quality of Head Start programs compared to the quality of other programs nationally, because researchers go out and look. And we know in Head Start not only is quality good, but it is unusually consistent compared to, say, State pre-K or child care, so that the overall, this elaborate and high standards monitoring process is delivering at the same time that the Committee is clearly absolutely right and the GAO is right, you can't have—you have to address the individual cases that aren't being met.

Chairman BOEHNER. Well, I appreciate your comments and your testimony about all the changes that were made in the 1990's. But here is a June 1998 study from the GAO. Challenges in monitoring program quality and demonstrating results. And this isn't new. And the two of you know that this isn't new. That is the part that is agitating me because—

Dr. GOLDEN. The 1998. I think that is right. The 1998 study was very helpful to us. It highlighted how aggressively we have moved on terminations, but it expressed the concern—and relinquishments—it expressed the concern that the research base wasn't as strong and so that is the next step which I think is really key to work on.

Chairman BOEHNER. Let me ask one more question. And excuse me for going a little bit over. But as Mr. Miller pointed out in his opening statement, there are 1,796 little boxes that every Head Start grantee has to check off. And I have watched some of this occur as I have gone to Head Start centers. And sometimes, between what we are asking the Head Start centers to do in terms of—they are diligent about wanting to check those boxes off and the different offices that are reviewing various parts of the program, is there ever an opportunity, one, to look at the overall pro-

gram itself that the grantee in terms of fiscal management, quality, results? That is one question.

And second, are we creating an environment with 1,796 boxes to check off that we are distracting the local grantee from actually accomplishing results for low income children who need the help?

I will let you start, Dr. Golden.

Dr. GOLDEN. OK. I think that is a great question because I think the key issue for the Committee and for anyone managing the program is that on the one hand, we know from the research, we have studied how programs that do a good job at the standards do for results for kids compared to programs that do a less good job, and so we know that high standards really matter and that carrying out the high standards really matters.

At the same time, I think you are absolutely right that you want to be looking at those standards in a way that is focused on results not a way that is picky about details. And so one of the things that I think is important about the way the regulations now talk about deficiencies is that those are meant to be not just about counting up the boxes, but if you are going to go into this really serious program improvement process you have to step back and you have to say this is serious. This is something that is getting in the way of the program's success. So my own view would be that high standards really matter, and we know that from the research; that in enforcing those high standards you have to keep your eye on the big picture, do a lot of training and technical assistance, and that as the Committee moves forward, that is one of the reasons that I recommended thinking about fiscal and program issues together in carrying out GAO's recommendations because you are absolutely right. You don't want to be pulling people in multiple directions. You want them kept focused on the big picture.

Chairman BOEHNER. Dr. Horn.

Mr. HORN. I think one of the strengths of the Head Start program is its focus on local control and the ability of local programs to design a program that meets local community needs; and there is a tension between preserving that local control and that local flexibility and the degree of Federal oversight that we want.

I think that there are two things that the Federal Government ought to do when it comes to oversight of the local programs while preserving the ability of the local programs to be flexible to meet local community needs:

First, we ought to make sure, at a minimum, that money that you here in Congress appropriate for Head Start is used for Head Start purposes, No. 1, and is being used to the maximum extent possible to deliver quality services to kids, not to provide outrageous salaries to some executives.

The second thing we ought to do, and I agree with Dr. Golden, is to focus on results. If all of our monitoring is focused on process and we lose sight of results, then the monitoring isn't really very useful. We need to find a way to ensure that as we are monitoring these programs, that at the end of the day what we really care about is not whether certain processes and procedures were followed to the T, but the kids are actually developing well as a consequence of those programs.

Chairman BOEHNER. The gentleman recognizes the gentleman from California, the Ranking Democrat, Mr. Miller.

Mr. MILLER. Thank you, Mr. Chairman. Let me see if I am hearing some of this correctly, Dr. Golden and Secretary Horn; we have 1,600 grantees roughly, is that correct?

Mr. HORN. Yes.

Mr. MILLER. You say as a result of the high standards in effect, the program is delivering what we expect it to do on behalf of these children. And I think, Mr. Horn, in a different way you arrived at the same conclusion. Overall, the program is in fact delivering the kinds of services that we in the Congress and other people expect from the Head Start program; is that a fair assessment?

Mr. HORN. I think most programs are doing a good job.

Mr. MILLER. And I think that would be probably our experience. There are obviously some cases when it goes wrong, it seems to go wrong in a rather dramatic and even criminal fashion. But when I look at the GAO report, it seems to me that there is a lot of failure to comply with these regulations or with what would be good fiscal management in some cases, or in some cases there is programmatic failure to comply; you are not doing right by the children.

But it seems—what I see in this report is you are cited, so to speak; you are told that this is the deficiency and you are told to correct it, and then there is this heavy reliance on self-certification. And it would seem that the average grantee could think that these people are never coming back, because not only may it take a long time to relinquish one, it looks like it is a long time before you get back to find out if in fact it was corrected, or, even as you go into the next cycle, you find out—the very same problem sitting there staring you in the face.

Is that a fair assumption of what GAO is telling us?

Ms. SHAUL. Yes.

Mr. MILLER. Pretty sloppy layman's language.

Ms. SHAUL. There were a variety of noncompliances, from grantees that might have only one, all the way through to grantees who are deficient. I think when you have a grantee with a very low number of noncompliances, probably on their self-certification, could be affected, because it is a fairly small issue. But when you begin looking at grantees who have multiple citations of noncompliance, or who are deemed deficient, of course that wouldn't be appropriate. Deficient grantees can't self-certify. They have to have a quality improvement plan.

Mr. MILLER. What part of the universe are those people where this is serious?

Ms. SHAUL. In the 2000 data we reviewed, of all the grantees about 13 percent were deficient grantees. And in that group that we said had at least one noncompliance, it was 17 percent of that group.

Mr. MILLER. This is a theory. This is a manageable caseload. If you want to provide technical assistance, if you want to provide follow-up, if you want to make sure these things are corrected and people are coming into compliance, this is I think manageable, Secretary Horn, is it not?

Mr. HORN. Yeah, I do. However, I don't think it is manageable with the old practices and procedures that we had in place. And that is one of the reasons we have restructured the way that we deliver training and technical assistance to local Head Start grantees. In the past, there was sort of an overreliance, in my judgment, on going to conferences and being trained at conferences. There is a certain efficiency at training at conferences, but not an effective way of changing behavior.

What we are interested in doing with the new training and technical assistance network is to do much more training and technical assistance onsite at the local Head Start program, and not just with in-services, but with experts that come in and provide mentoring and guided practice and come back again and again to make sure that appropriate changes have taken place.

Mr. MILLER. That extends to compliance and with program regulations?

Mr. HORN. I agree completely that we have relied too much in the past on self-certifications, and we issued guidance recently to all the regional offices that said we are no longer going to allow self-certification—certainly not for deficient grantees—but, rather, they are going to have to travel to the local programs to make sure they are fixed.

Mr. MILLER. In terms of flexibility, you talked about what happened in 93 with terminations and relinquishments. Those were two: You either terminate in an adversarial process or you show them the wisdom of their ways and you get a relinquishment.

And there is also this question as to whether or not you can deprioritize a grantee, which would then allow competition. Is that a cumbersome process?

Dr. GOLDEN. I think you have heard that there is some disagreement between GAO and the Assistant Secretary about what is legally possible under the current statute, which I am not expert on. We didn't need to go to that strategy, but used the other strategies that involved termination.

Mr. MILLER. Dr. Shaul, when I read your discussion on page 16 of the denial of the priority—and you make the point, which I think is an important one, that denying the priority status to a grantee who has been part of the community for years and has educated multiple generations, this is a serious decision. And one of the things we like in this community is having some continuity. We don't want to change a grantee or vendor every year. I don't think that is helpful. But it seems to me you are suggesting that can be done without a lot of hassle. If you find that they have consistent nonperformance you can deprioritize them, or the Secretary can.

Ms. SHAUL. Our understanding of the law, Congressman, is that if the Secretary says that a program is failing program or financial standards, that that program does not continue to have priority, and therefore the agency could recompete.

Mr. HORN. If that is the case, I would love the Congress to clarify it, because our lawyers says that is not the case.

Mr. MILLER. Have you tried to do it?

Mr. HORN. Our lawyers tell us that the statute requires that you cannot deny—you cannot either terminate funding or deny a funding application until the grantee has had an opportunity for a full

and fair appeal, if they choose to appeal, which is the reason why we too try to move to voluntary relinquishments. The average number of relinquishments and terminations under the Clinton administration was 16 per year and under the Bush administration is 13 per year. We are not talking about a huge difference. But we do rely upon voluntary relinquishments, as the Clinton administration, precisely because it is very difficult for us to move to termination, given the statutory requirement that we cannot in fact deny refunding to a grantee until the appeals process has played its course.

Mr. MILLER. If I could have Dr. Shaul respond on that point. When I read this, it sounds like this is all doable. Your attorneys have the same caveat?

Ms. SHAUL. Our attorneys looked at one case where there was a decision made that allowed the agency to select a grantee who—to deny priority to a grantee that applied to take on an expansion grant. And we used that as the basis for saying if they could deny it in that case because one of the delegate agencies was deficient, that that would—we thought that that would apply in other circumstances as well. That is the case we cite in our report.

Mr. MILLER. Mr. Chairman, I have had a number of problems in my area, more on the programmatic side than on fiscal side. And I don't know, it seems to me if you ride them pretty hard, you could get the changes; whether it is in people running the program, seems to me you could bring these programs into shape. And the ones that are in the newspaper with the travel and the purchases and the credit cards, I don't know why somebody didn't just call the cops. This behavior went way out of bounds. This isn't about compliance, this is about criminal intent. And I don't know why the board—I don't know if we can bring judgment into play here, but somebody failed to pick up the phone and call the district attorney and say someone is absconding with the funds. This is beyond this at the moment, but there is another failure going on here.

Mr. CASTLE. [Presiding] Thank you, Mr. Miller. I yield myself 5 minutes for questioning.

I would like to follow up on that line. How those things happened and were never detected I don't know, regardless of whether they should have happened or not. But let me try to get a bigger picture, because I am having trouble with this hearing because I did spend some time reading the report and marking up—my staff did as well. I think this was a pretty damning report and I didn't look at this as having a lot of positives.

And I am pleased, Secretary Horn, things are happening as a result of it, but what happened before didn't make me real happy. Maybe I am wrong. Everybody is sort of making nicer than what I would have, based on what I read at this hearing.

Dr. Shaul, if you could help me, your title is Director of Education, Workforce, and Income Security issues. How many of these types of reports have you been involved with in your career at GAO—not Head Start—but reports where you were either the head person or key person putting it together? A dozen, 100 or—

Ms. SHAUL. Probably more than 50, less than 100.

Mr. CASTLE. How does this rank in terms of what you stated in here in a general sense? I read this and I didn't read a lot of posi-

tive in here. I read, to me, that we have government problems. We have problems with these agencies as well that have done the things that Mr. Miller referred to. But it seems to me that we are not carrying out our responsibilities, and maybe even at the congressional level not carrying out our responsibilities the way we should have here in recent years. Am I misreading that, or are you saying you are just pointing out the problems but there are a lot of good things as well? What is going on here?

Ms. SHAUL. Our report, Congressman, was designed in part to look at the processes in place for oversight and then what happened when problems were found. And I think basically what we are saying is there are enough processes in place. In our chart you can see there are many, many. But we didn't believe that the agency really pulled the information together effectively so it could do a real risk assessment, so it could really target its resources.

Mr. CASTLE. Stop right there. In my view, that is the real problem. And in following up on what Mr. Boehner said, that questionnaire of 1800 things that they have to mark up, there is a heck of a lot of information flow, but are we handling the management of that information? Is that really at the crux of this problem, so that we are not doing the proper supervision and administration of these programs—because they complain about it as well— and, you know—and maybe they are right—the Head Start programs?

Ms. SHAUL. I think there are two issues. Our report wasn't really commenting on the overall quality of the Head Start program. We know it is a popular program. What we were focusing on was the oversight of the program by the Department could be improved by bringing together information in a much more effective fashion, and, as I said, targeting the resources.

Mr. CASTLE. Let me talk about the information again. I mean, one of the complaints I have heard about is that the Head Start agency—there are those forms, I don't know if they are self-inspection or what they are, they are voluminous, literally in the many hundreds and couple thousands, and information is derived from that. There is information which is derived from the various reviews which are done here. Is there a better way of approaching this?

Without criticizing that—and maybe I should open this up to Secretary Horn and Dr. Golden as well—but are there ways on improving this? I don't think there isn't anybody here on either side of the aisle that doesn't want to make Head Start the best program we can. We all like and admire this program as well. And we had trouble with this legislation last year and we would like to pass legislation this year, but we want to effectively monitor this without having these groups spending all their lives without having to fill out forms. And my impression is there is a lot of information flow without much coming from it which is really beneficial. And as a result, we don't know where the programs are. We don't seem to be able to terminate the programs, and there are some serious and incredible flaws in at least a dozen, two dozen, programs that seems to me that somebody should have caught. Why isn't all this happening? Does anybody want to help me with that?

Dr. GOLDEN. I was going to comment on the more general information flow question, and the question is where does the informa-

tion for monitoring go? And I do want to note, because there is a lot of research around Head Start, it is possible for us to know some things that we don't know about how the programs work and what is out there. One of the things we know is that when researchers go in and observe programs, even though Head Start is spread out all across the country, they find consistent good quality. They find very few classrooms that are of low quality compared to when they look at, say, pre-K or child care settings, which are more varied and of lesser quality.

So what I would take from that—even though I think you are absolutely right that there is an enormous amount of information and some of it doesn't get used well—that, clearly, gathering this information in a lot of areas is having an effect in terms of consistency, and that is because of the work the Committee has done to make sure that there is rigor.

The way I read the GAO report was that it provided very important recommendations for a particular set of programs, for both pulling together fiscal information for a particular set of programs that could build on the capacities you already found there and that needed to be pulled together.

Mr. CASTLE. I would like to hear from Secretary Horn as well. You are basically saying that that information flow, you think, helps give them parameters in terms of what they are doing, and therefore we have a consistent, reasonably high quality of programs at Head Start?

Mr. HORN. I want to agree there are high-quality programs at Head Start. I think most of the programs are delivering quality services to the kids, and that is borne out by some of our survey studies, particularly through the FASA survey. But I agree we have not made maximum use of the information that is available to us, and we need to do a better job.

We—for example, it is astounding to me as it is to you that we can have Head Start directors making $200,000-plus and not have somebody question that in a refunding application and to ask for the comparability study which is required by our regulations to show that that salary is in line with other executive directors in similar situated nonprofits in that community.

The fact that the Head Start programs are required to provide us every 6 months with a history of their drawdowns and expenditures, not in detail, and that those are not being reconciled on a regular basis in the regional offices; we need to do a better job, because if you start to see over time a grantee which is—whose expenditures are going up at a precipitous level or who are drawing down too early in their grant period, that should be a red flag to us to go out to the program and ask what is going on.

I think most programs get themselves in trouble not because they wake up and say, gee, what can I do that is illegal or fraudulent today; I think a lot of programs get themselves in trouble because they don't know better. They find themselves in a situation where they have overspent their grants and don't know how to deal with it. And we have to do a better job working with the local Head Start programs and making sure they don't get into those kinds of trouble.

The best system in the world is not going to be able to detect immediately every instance in which someone submits fraudulent data to us, but we can do a better job with the information we have available to us, and we are committed to doing so.

Ms. SHAUL. If I could just add one thing to support this. One of the noncompliance areas has to do with program governance, and that is really the place where the day-to-day oversight of the agency occurs, not through the Federal oversight, which is a more systematic and systemic kind of approach.

Mr. CASTLE. You mean a local board of directors is running that?

Ms. SHAUL. The importance of the local board of directors. We all know in other venues, the importance of boards in providing some oversight. So the local boards are extremely important.

Mr. CASTLE. Maybe we can make Sarbanes-Oxley applicable to them. That would take care of that problem. That is a joke.

I recognize Mr. Kildee for 5 minutes.

Mr. KILDEE. Thank you, Mr. Chairman. Thank you for the hearing today.

I know you are concerned about prolonged appeals and you listen to your attorneys. I can understand that. But I can recall Secretary Shalala probably didn't listen to her attorneys. I remember in 1 year she got rid of 100 grantees under the same law. Maybe she had different attorneys. But I would think that you might want to change your attorneys. I have done that a few times, too.

Either these grantees relinquished their funds or she pushed them out. A little more aggressive action for those who aren't really functioning well might be warranted. You might look into that and consult your attorneys.

Dr. Golden, it is good to have you before this Committee. I have memories of your testimony before this Committee from years past. Should good programs be required to recompete? And, if not, how should we determine which ones should recompete?

Dr. GOLDEN. Thank you for asking that, Congressman, because one of the points I made in my testimony is that we need to be able to have turnover when programs don't succeed; but when programs are good, we need to have continuity. And the different several sources of evidence I think suggests that that is what works for children.

That bipartisan advisory committee I mentioned did some looking into what it takes to build community connections to serve children well, and they concluded you needed continuity. My own research has suggested the same thing. And when I was in the district working on child welfare and working with kids, as you heard from Ms. Henry, kids who have been abused and neglected and have lots of instability in their lives, having that Head Start program as a source of stability was really important. It was a place you could build continuity. My own view would be that good programs should not be recompeted. You should not be adding a source of instability.

In terms of which programs, I guess my own view is that the structure we had around deficiencies where you are looking at programs that seriously can achieve the goals of the program and can't fix it is a pretty good framework. We may need to fine-tune that in some way. But right now, what we have at the Federal level is

the ability to say once we pull together the information, this is a program that has a serious problem, we are going to give them a very short amount of time to fix it; and, if not, they are not doing a service to children.

Mr. KILDEE. I appreciate your response, Dr. Golden.

It has been proposed that the Head Start program be block granted. Some don't like to use that term, but we all know it is a block grant. I have been in Congress 29 years and I can smell a block grant a mile away. So it is a block grant. Would this help or hurt Head Start, especially in the area of accountability?

Dr. GOLDEN. Let me not use the word "block grants," and that sounds as though it is under dispute, and talk about what I think the research says about what works for kids. I think that the research on early childhood says that high standards, like the high Federal performance standards and consistent enforcement, consistent quality, are what is key. And I think we know from a variety of sources that the way you get consistent quality is through the Federal monitoring and enforcement.

So some of the kinds of research that I turn to to draw that conclusion, the reviews of the quality of Head Start programs through observation compared to—for example, there is a recent study that compares that to observation of State early childhood programs and finds the Head Start programs higher quality. When you look at State capacity to do monitoring or quality enforcement in child care and pre-K, what you find is enormous inconsistency; and, in child care, a very great difficulty with having high standards to start with.

I learned some more about this with the research I am doing now at the Urban Institute where we are looking at State programs, programs for low-income children more broadly. One of the things you see is that when there is devolution, when States are asked to take responsibility for programs for low-income kids, State budgets are so hit hard by the recession, by the ups and downs, that they get hit by the State budget crunch at the very same moment that there are more poor children that need help, so it doesn't work as a way to get consistent high standards.

I think what I would say is what it takes to deliver on the goals of Head Start, on the school readiness, on the learning, on the results, is consistent, high standards, the Federal performance standards in force through an effective Federal monitoring structure.

Mr. KILDEE. Thank you very much.

Chairman BOEHNER. [Presiding] The Chair recognizes the gentleman from Minnesota, Mr. Kline.

Mr. KLINE. Thank you, Mr. Chairman, and you all for being here today.

I would like to pick up on the notion that Mr. Miller raised earlier when he was asking about the universe and the scope. We see—we have the anecdotal evidence here clearly that there has been abuse. We have the stories of directors making $200,000-plus salaries. And I am looking at the report, Dr. Shaul, and there is a number in here on page 2 in the summary. I would like you to think I got past the summary, but let me refer to the summary. It says this is a concern because ACF's data shows that more than

76 percent of Head Start programs that were reviewed in 2000 were out of compliance with financial management standards.

And in response to Mr. Miller, when he asked about the universe, I think you said there was a 13 percent number and 70 percent of 13. Could you take a minute and sort out the percents here, to the end where how big is the problem?

Ms. SHAUL. In terms of serious problems, Congressman, those would be grantees who are deemed deficient in the 2000 year sample that we looked at of all those grantees that we reviewed that year, 13 percent of those grantees were deficient. Now, if I move to the pool that we said had at least one noncompliance, the 76 percent—17 percent of that group, since it is a smaller portion of the grantees—17 percent of that group were deficient. Those are the most serious.

I would want to make one point on the record here too, is that we did make a recommendation that the agency look at developing a clear definition that both it and the grantees know what is deficient, since we found that there were some inconsistencies and deficiency determinations.

Now, to go back to your question about how serious. When we came to that 76 percent, we looked at one noncompliance in any one of three areas which we considered important to financial management. And so there was a wide range of problems at grantees, from grantees who might have had only one noncompliance to grantees who might have had dozens of noncompliances. So there is a big range from the first grantee who is cited with the noncompliance all the way through to grantees who were deficient.

Mr. KLINE. Could you help me a little more and sort of—and to get out of the sort of deficient one point, many points and so forth, could we look at the Head Start program that grantees out there, how many—what percentage of the total universe of Head Start grantees are in your judgment—and I am certainly willing to take subjective here—are in trouble; just don't—absolutely do not know what they are doing and therefore are in major noncompliance or perhaps occasionally on purpose noncompliant? Of all those programs out there, how many should we be worried about?

Ms. SHAUL. Congressman, our review is limited to the financial aspect. If you are asking for the program as a whole in any given year, HHS reports something around 15 percent or fewer of its grantees are deemed deficient.

Mr. KLINE. And financially, when you cut through the 13 or 16 of 76, what is that number?

Ms. SHAUL. The number would be slightly lower, because HHS makes its determination about deficiencies looking across the program standards, not just the financial ones.

Mr. KLINE. That does help me understand the scope. And I am getting ready to yield back, but I am going to express my concerns. We have a 1998 report and a 2005 report indicating that there are difficulties. And so I think, Mr. Secretary, you can see where there is some frustration on our part that we don't seem to be making the progress that we ought to be.

Thank you. I yield back, Mr. Chairman.

Chairman BOEHNER. Chair recognizes the gentlelady from California, Ms. Woolsey.

Ms. WOOLSEY. I have three comments and two questions.

The comments. First of all, when we are talking about appeals and hearings, I would like to remind everybody in this room that this is still America and we do have a process for appealing for what we don't think is right. Second, I would like to say where there is a will, there is a way. And I think that this report has laid this out for us. We can, if we want, take this report and make it punitive to the Head Start directors and the Head Start program in general, or we can use it to learn and to help and to prevent future problems. And that depends on what this Congress wants to do with the report. Third, don't throw the baby out with the bath water. Most of the programs are doing a good job, and every single person up there has said that. So the idea that we would recompete every year with every program would be absolutely wasteful and inefficient; it would punish the good programs for the problems of just a few. And I don't think we should be writing law based on a few bad apples. There will always be a few bad apples. Let us prevent those bad apples from being part of our programs.

Mr. Horn, you mentioned salaries at least three times, so that must be a problem you see with Head Start programs. And from what I can tell, there are some outrageously high salaries and/or benefits with a few program directors, from what I can tell. But the average salary of a director is under $57,000 a year. Do you think that is excessive, one?

And two, given that HHS approves the budgets of these programs, who approved those excessive salaries?

Mr. HORN. Well, first of all, it is not just me who worries about excessive salaries. Apparently the Congress does too, because they put the salary cap on Head Start staff in last year's Labor-HHS appropriations bill. I am not against people making money. The real tragedy in my view is somebody making $150,000 as a Head Start director. It is not that they are making $150,000; the real tragedy is if they are still paying their teachers about 6 or 7 bucks an hour. When you think about salaries in Head Start, it is not just looking at the top salaries, you have to look at the salary structure.

Ms. WOOLSEY. I am asking about the $56,670.

Mr. HORN. I think most directors of most Head Start programs have salaries that are reasonable and have a reasonable salary structure, but that doesn't mean that we ought not to identify those who are paying themselves.

Ms. WOOLSEY. Why weren't they identified when the detailed budgets were before HHS each year?

Mr. HORN. Very good question. And we have issued guidance to our regional offices that they require and ask for and receive information on the salaries of not only—of the salaries of the directors and the top executive staff, but of their teachers as well; because I think it is very important that we take a comprehensive view every single time there is a refunding application that looks at the complete salary structure, because, as I said, it is not just looking at the director's salary that has me bothered. But what bothers me is when someone is making a high salary and paying their teachers 6 or 7 bucks an hour.

Ms. WOOLSEY. What is the average salary of the director of the HHS program, or your program, of the director of the assessors or

the fact finders? What is the average salary of the fact finders in your Department who are going to training and technical assistance?

Mr. HORN. I don't have that information.

Ms. WOOLSEY. I bet it is a lot higher than a lot of these. We should look at that. I mean apples and apples.

Mr. HORN. My salary is substantially below the cap that the U.S. Congress put on Head Start directors last year.

Ms. WOOLSEY. Well, OK.

Dr. Shaul, I have a question. You said something about there being a relatively small number of grantees that were seriously deficient and not closed. How many of those actually improved so they didn't have to close? Was there any way to know that?

Ms. SHAUL. Congresswoman, we did not look at that, but I am sure one could tell the answer to that question by going back to the HHS data.

Ms. WOOLSEY. But it could be.

Ms. SHAUL. We could certainly do that. And certainly other grantees who are deemed deficient, only a portion of those have had their grants terminated or they have been relinquished. One could presume that they have gotten the technical assistance they needed to improve.

Ms. WOOLSEY. I have one last thing to say and that is to Ms. Henry. Good witness down there. And what you have to know, don't ever be intimidated by us. You are sitting there, and you are the teacher and we are the students. You know way more than we do.

Chairman BOEHNER. The Chair recognizes the gentlelady from Virginia, Ms. Foxx.

Ms. FOXX. North Carolina.

Chairman BOEHNER. I was looking at the gentlelady from Virginia, Ms. Drake. But, Ms. Foxx, you are recognized.

Ms. FOXX. Thank you, Mr. Chairman.

Ms. Henry, I would like to thank you for being here, too and thank you for what you do. We appreciate you very, very much and thank you for what you do.

I would like to make a brief comment and then ask Dr. Horn a question. Dr. Horn, I was on the original board of the Smart Start program in North Carolina when it was formed about 1995. And that program was designed to give maximum flexibility to local programs in North Carolina, but it is State-funded primarily.

I have always had a little bit of experience of program evaluation over the years in my role as a university administrator and community college president, so I know a little bit about program evaluation. Smart Start, where we funded 12 programs, and then 12 more, and then 12 more, and then we had one or two programs that really had problems, and we almost could know that from the very beginning that they were going to have problems. We could tell that from the criteria that had been established, and yet we funded them because we were trying to do one per congressional district. When we abused the system to make it fit, we created problems. But over time, we had few people who really abused the system and misused funds. And part of that is because there was not a consistent accounting program established and there was not

consistent evaluation of the programs done at the State level. And what wound up happening was there were both sins of omission as well as sins of commission that occurred.

What is wrong with the Federal Government establishing oversight that would establish minimum sort of requirements for evaluation, minimum requirements for accounting standards and those kinds of things? In fact, I am not very much involved with Smart Start anymore, but my understanding is they have installed a statewide accounting program so that people can—so apples and apples can be compared.

What is wrong with the Federal Government establishing a mechanism for gathering information and evaluating at the Federal level, and yet leaving capability for local control, which you said is a very difficult balance to strike? And has anybody attempted to do that?

Mr. HORN. Well, two things. First of all, there are certainly consistent ways that the Federal Government asks for information from the local programs. I think you are suggesting a step further than that, which is that the Federal Government should say precisely what accounting package they use and so forth. That is sort of left up to local grantees in the Head Start program. But there are consistent methods for us to ask for information that they have to generate for us.

I think the difficulty that GAO pointed out is that we don't always use that information to its maximum potential. But it is precisely on this point of consistency that we implemented the National Reporting System in Head Start, because prior to the National Reporting System, every grantee could determine for themselves how they were going to measure outcomes.

And as someone who has a history in program evaluation, I realize that as a Federal program manager, if people are measuring what they think is the same thing but in different ways, you can't compare them. Even worse, if you don't know they are measuring them in different ways, you compare them anyway, and then you have no idea whether your interpretations are correct.

So is there anything wrong with the Federal Government, in appropriate areas, standardizing the way people collect information or report information? Absolutely not.

Ms. FOXX. Follow-up, if I could, for Dr. Shaul and you too.

Did we see consistent problems or is there a thread that runs through? I know, again from having operated a Federal program one time in my life, grantees get together and share information, talk about what works, what doesn't work. Did you see regional problems where people are sharing bad information or how to get around the system? Are there regional issues, State issues? Are there just programs stuck out there all by themselves? Is there any kind of pattern to the problems that you saw?

Ms. SHAUL. We did an analysis of which of the Federal standards and regulations were the ones that were most commonly a problem for grantees, and the ones that came up most often were in the program governance area, particularly things like the ability of the agency to generate reports that could provide information to its policy boards, its parents, and to the staff so they could know what

was going on in program management and operation. So that was a fairly common thread.

Also there was an issue that came up fairly regularly about difficulties in establishing practices between the policy boards and the governing boards about how they would share program responsibility, which sometimes meant that agencies were not in touch with what the community wanted them to do. Those are two areas.

One thing I might add to the question you raised earlier, too, I think probably all of the Head Start programs or the entities within which they are housed are subject to the Single Audit Act, so there is that uniformity across the agencies. However, as Dr. Horn pointed out, that information isn't always used.

Chairman BOEHNER. The Chair recognizes the gentleman from Texas, Mr. Hinojosa.

Mr. HINOJOSA. Thank you, Mr. Chairman. I also want to thank the panelists for your presentation and coming to visit with us this afternoon.

My first question is to Dr. Horn. Dr. Horn, in your testimony, you highlight some of the administration's recommendations for this reauthorization of Head Start. Specifically, you ask for more discretion to use funds in the most effective manner, and that sounds good.

I am concerned that the track record at HHS does not warrant increased discretion. Let me tell you why. Currently, 13 percent of Head Start funding, which equals $897 million, is set aside for the Secretary of HHS to carry out a list of activities, including funding migrant and seasonal Head Start Training and Technical Assistance, quality assurance, and several other activities. Clearly, one of the messages we take away from the report that we have been discussing is that there is a need for Training and Technical Assistance and greater oversight. Furthermore, despite HHS studies showing that Migrant and Seasonal Head Start is reaching a measly 19 percent of the eligible population, and appropriations language directing the Secretary to develop a plan to serve more migrant children, the Secretary has not used his discretion to close the access gap for migrant children. In the 9 years I have been in Congress, this has been one of my biggest concerns, and I don't see it happening.

Please break down for me the $897 million in big categories, how it is being spent by HHS.

Mr. HORN. I would be pleased to present that and give that to you for the record. I don't have those numbers in front of me right now, but let me respond to the 19 percent figure.

When it comes to the migrant program, the denominator is all children zero to five. When it comes to enrollment of children in Head Start, the denominator is 3- and 4-year-olds. You are going to get a smaller percentage because your denominator is over 5 years, zero to five, and there are more kids. Whereas in the Head Start program, the denominator is 2 years of kids, 3- and 4-year-olds. What we have to start to do is look at apples and apples and not apples and oranges when it compares to the enrollment of children in those two programs.

The other thing I would say is that we have made a very special effort in the last 3 years in this administration to enroll Hispanic

children in the regular Head Start program. We distributed, as far as I know for the very first time, Spanish language television and radio PSAs specifically targeting Hispanic and Latino families to encourage them to enroll in Head Start. We have been working with chronically under-enrolled Head Start programs who—one of the reasons they are often under-enrolled is they aren't very effective at reaching out to Hispanic and Latino families. We are working with them to do that. We held the first-ever Hispanic Institute for Head Start just a month or so ago. And in fact, the result of that is that we now serve a greater number of Hispanic and Latino children in Head Start than we do any other subgroup. Historically, that that has not been the case. Historically, the largest subgroup that we serve is African American children. And this year is the first time that we are seeing the plurality of children are actually of Hispanic and Latino descent.

Mr. HINOJOSA. Your response is one that is very bureaucratic, and I am not going to accept that because we are dealing with the total number from zero to five, and that the Head Start children are just for the 2 years, that this 19 percent of the eligible population of those children from the migrant and seasonal workers is OK.

I have said it is not OK 9 years ago, and I don't see you or anyone changing the numbers in a way that we compare apples to apples and we get the number to at least 50 percent of the eligible children.

That you are bringing up some Spanish language and Spanish written material, I accept that. I have seen the improvement in some of the materials that are coming to our children. My problem, my concern, is that we don't reach 50 percent instead of the numbers that we have gotten for the 9 years I have been in Congress. If you want to compare apples to apples, do it. Do it so we can have something that we can really measure the outreach of. And I would love to see the report that gives me the answer to my question, how you are using the $900 million of that 13 percent of Head Start funding.

With that, Mr. Chairman, I return the balance of my time.

Chairman BOEHNER. The Chair recognizes the gentlelady from Virginia, Ms. Drake.

Mrs. DRAKE. Thank you, Mr. Chairman.

First of all, I would like to thank you all for being here. Your testimony has raised a lot of questions in my mind. I think you can hear tremendous support for Head Start. We realize the value of it and realize the value of continuing very good programs. But I think after a program has been in place for 40 years and we hear the kind of abuses that we are hearing about, it is very upsetting to think that we haven't determined a better way to monitor this program.

And I would like to know from you, Mr. Horn, these cases that we read about in the cities that were cited, are these programs that you were already investigating or maybe they were in an appeal process? Or were they new to you when the press reported some of these abuses with credit cards, vehicles, salaries?

Mr. HORN. I think it is quite variable. In some cases we were involved, and in some cases the inspector general's office was involved, and in other cases we were not.

Mrs. DRAKE. When they file these reports with the 1700-and-some boxes with the information that you want, does somebody actually review that information; or are there certain components that they look at based on are they self-certifying, or are they ones you need to look more closely?

Mr. HORN. Are you referring to the PRISM review information or the program information report?

Mrs. DRAKE. You mentioned that they have to file a report, but there seems to be no consequences from that report.

Mr. HORN. Well, we have implemented a policy that says that except in—that the exception shall be, if there are instances of noncompliance, the exception shall be self-certification as opposed to the acceptable means of dealing with noncompliances; that noncompliances in the future, except for when we are talking about relatively noncompliances, shall be certified by a visit directly to the Head Start grantee.

I think that is going to go to a long way to ensuring that the kind of situation that the GAO talked about between 2000 and 2002 doesn't occur; that we actually show that changes have been made.

Mrs. DRAKE. I think one of the questions I had as well is, are these people that are so blatantly abusing the program—and I think we are very angry about that, because those are children we aren't serving—are they providing you fraudulent data on those forms, or are they coming right out and telling you this?

Mr. HORN. I doubt the ones that are using the money to support their private restaurant business are reporting that to us on that form. Let me clarify one thing. It is perfectly possible for someone to have inadequate fiscal controls and still provide a quality environment in the classroom for children.

Mrs. DRAKE. If they are spending money on their restaurant or their vehicle—

Mr. HORN. That is not an excuse for fiscal mismanagement. Some are suggesting that, gee, because we have data that shows that classroom quality is high in most Head Start classrooms, that therefore that is a reflection of good fiscal management. Well, not necessarily. You could have very poor fiscal mismanagement, have someone paying themselves an exorbitant salary, and yet have reasonable good quality in the classroom itself.

But your point is exactly correct. The reason it is so important for us to do a better job of fiscal oversight is because every dollar wasted is a dollar that is not going to services for kids. That is the real tragedy here. When somebody is being given a Mercedes SUV as part of their compensation package, that is money not going to kids. And that is why we need to do a better job.

Mrs. DRAKE. Is it true that you have to fund the cost of that program's appeal?

Mr. HORN. Yes.

Mrs. DRAKE. Why wouldn't people appeal if it isn't a cost?

Mr. Chairman, I know I am running out of time. What I am hoping that we will do is look at what we are asking of these pro-

grams, what should be the process to determine they are doing a good job; maybe set up a way to help them if they are not; but ones that are doing blatant things like this, that they just be terminated immediately. Whether it is America or not, I think it is criminal.

Mr. HORN. One last clarification. The notion that we cannot move to restrict funding or terminate funding during the course of an appeal is somewhat unique to the Head Start program. That is not something that we generally do with grants from the Federal Government. And most grant programs from the Federal Government to a local program, if we believe that they are underperforming or engaging in—lack of internal controls and so forth, we can defund them immediately and then the appeals process is still available to them, but we don't have to continue to provide them with funds while the appeal is going on. That is what is unique about this program. And that is a problem—if in fact we can move directly and terminate their funding without a change in the statute, please let us know that, because we don't believe the statute allows us to do that.

Mrs. DRAKE. In those other programs, do you also fund their appeal like you do in Head Start?

Mr. HORN. No.

Mrs. DRAKE. Mr. Chairman, I hope those are things that we look at.

Chairman BOEHNER. It is clearly under advisement. The Chair recognizes the gentleman from Nebraska, Mr. Osborne.

Mr. OSBORNE. Thank you, Mr. Chairman. I would like to thank Members of the panel for being here today and being so patient.

I know this is about Head Start. I would like to make a somewhat broader comment. There was a White House report that came out a couple of years ago that indicated there are roughly 150 different youth-serving programs under the auspices of the Federal Government, and there was quite a bit of concern in this report. Obviously, Head Start is one of those 150. But the report basically said that there is a little coordination between programs, little evaluation of programs to see if they are really doing what they are designed to do. In some cases, the statute actually prevented people from one agency talking with individuals in another agency who may have a similar program. And so there is quite a bit of frustration among youth-serving programs around the country. And they approached us and others and said, you know, we would like to see something where we could pull all of these programs at least under one umbrella, and take a look at them and make sure there is not duplication and make sure there is not waste, fraud and abuse, and make sure they are fulfilling their purpose and make sure there are quantifiable, measurable goals that they are attempting to meet.

And so we have introduced a Federal Youth Coordination Act. But just a couple of examples of these concerns would be—we have talked about Head Start today; but, for instance, a child that is in foster care has to go to four or five different agencies, and if you are in foster care it is pretty difficult to negotiate that jungle. As part of the reauthorization of the Elementary and Secondary Education Act a couple years ago, we included an amendment for mentoring for success, and there were two objectives to that. One was

to broaden mentoring to provide some money. But the second was to determine what programs worked—you know there are all kinds of mentoring programs, there are school-based, faith-based, there are one-to-one, there are 1-to-10, over the Internet—and also to determine are some programs saying let us cut drug and alcohol abuse by 50 percent? Is that true? We haven't been able to get an answer. The President's budget zeroed out this particular program and said it hasn't fulfilled its purpose. The program was what we have outlined and we can't get any answer as to any evaluation that has been done. We have been trying to. The money has been distributed, but what we wanted to do was to try to get a handle on what works.

So that is just sort of an editorial comment and I would like to proceed with a couple of questions, having gotten that off my chest.

Ms. Henry, you haven't had a lot of questions here. How long did the problems continue without action being taken? Is there a time lag? How long a delay was there?

Ms. HENRY. For many years prior to my involvement, they have been happening, you know, the continuous deficiencies and everything that has been happening. In Nevada, it has been going on many years prior to my involvement.

Mr. OSBORNE. Dr. Shaul, how do you believe that competition will help address the problems in communities served by poorly serving grantees? I think you talked about competition being important.

Ms. SHAUL. Currently it appears as though it has been difficult for the agency to replace grantees quickly. And we believe that many grant programs do have an annual renewal process. And we were not recommending recompetition at renewal time for every grantee. But for grantees who are not performing well, we believe that at renewal time, that would be a good opportunity to give others in the community who might be able to provide good services for children the opportunity to put in an application and compete on a level playing field with the current grantee and to have some determination made about which of the entities might be able to best serve the children in the community.

Mr. OSBORNE. And, Dr. Horn, this may be repetitious, and I had to step out and if this was asked before, please let me know. The study noted when Health and Human Services sent different review teams to the same grantee, they often came back with different results. And do you see any solution to this, or do you have any idea why this was happening?

Mr. HORN. In particular, the study we did had to deal with erroneous payments where the regular PRISM review team went to the local grantees, and a piece of that PRISM review is to look at whether children who are ineligible for the program are being served, and to the extent to which those erroneous payments are being made. And then we sent specialized people in to look at the same data and they came back with two different conclusions.

And that has led us in two places: First of all, better training for review teams, the standard review teams on this issue. The other thing we are implementing, which I think is consistent with the GAO's recommendations, is this idea of rereviewing a certain percentage of local programs that are reviewed in the course of any

given year by a specialized team that will review them across the 10 regions. What they will serve is as calibrators, if you will, for the adequacy, the reliability, and the validity of the general review teams that are sent out to the local programs.

So we review a third of the local grantees as we normally do, but then we would send out these specialized review teams to a random sample of those grantees to rereview them to make sure we are applying the standards consistently across the various regions and across the various review teams.

Mr. OSBORNE. I yield back, Mr. Chairman.

Mr. CASTLE. [Presiding] Mr. Price is recognized.

Mr. PRICE. I appreciate that, Mr. Chairman. Now is the time you can ask questions and really get the truth. I want to thank each of you for coming as well, and for testifying, and I have concerns, like all of the Committee Members do, about Head Start and not about its mission. Obviously, its mission is noble. One of the things that may be that when a mission is so noble, it may be that accountability and oversight gets less, because anybody that questions the program itself then is questioned for questioning whether or not the program itself ought to continue, which isn't what we are talking about at all.

But I have a very simple question, and it may be too simple but I don't know. And that is, when I look over the numbers that have been presented in the budget, I think that we are spending $6.8 billion, about, for a Head Start program that provides services to 919,000 or thereabouts children. Are those numbers accurate?

Mr. HORN. Yes.

Mr. PRICE. 6.8 billion. If my calculator is working correctly, that means we are spending about $7,400 per child?

Mr. HORN. It is a bit more, because what that calculation does not take into account is services that are provided to Head Start through other funding sources; for example, the food nutrition program, the child care, and also Medicaid.

Mr. PRICE. I was being conservative. So the question is are we getting our money's worth?

Dr. GOLDEN. I don't know if I could comment on that, because that is a really important question and one that as a researcher is very dear to me. One of the things that Head Start has, that goes to the several earlier comments about evaluation, is that very few other Federal programs have very detailed research, sort of meeting the gold standard of research, meaning children in the program compared to comparable children outside, that helps you answer both what you are accomplishing and how much are you paying for it and how much is the benefit.

In early Head Start, which is the program for babies and toddlers, it is a bit more expensive than that, because, as you know, in any State or in any circumstance, high-quality care for very young children is more expensive because you need an adult to be with fewer children.

Dr. GOLDEN. There we have evaluation research showing the effects on kids in terms of fewer of them, for example, in the range that would be likely to target them for special ed for disabilities. So we are seeing learning improvements that take kids out of some of these expensive later experiences.

We have new information, I think, about early Head Start bringing the kids up to about 4 years that should be—I think will be—out this week. And then the equivalent evaluation study about Head Start as a whole, there is a lag time in research, so I had the chance to chair the group that designed it when I was at HHS. But I gather that that will be out, I hope, within weeks, perhaps months, in any case, in time for this Committee to consider it. So I think one of the advantages of Head Start is that whereas with some programs, you would just have to guess or you would have to say there are lots of early childhood programs out there and they show a four-to-one return on expenditures; with Head Start there is actually some additional detailed information to help the Committee look at that.

Mr. PRICE. Dr. Horn, do you want to comment? Are we getting our money's worth?

Mr. HORN. Well, first of all, I would say that when she chaired the committee to design the implementation of the national impact study, she invited me to serve on the committee, so we both have an investment in that project. I think it is a well designed project and, for the first time, will allow us to serve with a national representative sample randomly assigned to Head Start, not Head Start, be able to determine what the true impact of Head Start is.

Mr. PRICE. The answer is, we don't know. Is that accurate?

Mr. HORN. I think the—I mean, my feeling is that we know some things. I think the data is strong enough for us to say, all things being equal, it is better for kids in economically disadvantaged circumstances to get a quality program such as Head Start than not.

Mr. PRICE. When folks in my neighborhood want their children who aren't Head Start eligible to go to a program that is similar to Head Start, the cost of that program is markedly less than $7,400 a year. So I would hope that, in this process that we are going through, Mr. Chairman, and as we try improve this program, we look at where the efficiencies are that can be derived from the program that make it so that we are driving as much money to the child and not wasting money along the way, which I fear we are doing.

Mr. HORN. I agree with that 1,000 percent.

Mr. PRICE. Thank you. Thank you, Mr. Chairman.

Mr. CASTLE. [Presiding.] Thank you, Mr. Price.

And I think we have reached the end. And let me just thank all the Members who are here and able to ask questions.

But I would like to particularly thank those of you who came from near and far to testify and answer our questions here today. We appreciate it a great deal, and all those who participated by being witnesses to all this today.

With that, we stand adjourned.

[Whereupon, at 4:15 p.m., the Committee was adjourned.]

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