



HEARING BRIEF

HOUSE EDUCATION AND LABOR COMMITTEE HOLDS HEARING ON GAO INVESTIGATION OF HEAD START GRANTEEES

Prepared by:
Audrey Busch (abush@wpllc.net)

May 19, 2010

On Tuesday, the House Education and Labor Committee held a hearing titled, “Examining GAO’s Review of Selected Head Start Grantees.” Upon learning about the U.S. Government Accountability Office’s (GAO) investigation of fraudulent behavior by some Head Start grantees, Chairman George Miller (D-CA) felt it important the Committee hold a hearing to look into the GAO’s findings and the resulting action from the Department of Health and Human Services.

WITNESSES

- Carmen R. Nazario, Assistant Secretary for Children And Families, U.S. Department of Health and Human Services
- Mr. Gregory D. Kutz, Managing Director of Forensic Audits And Special Investigations, U.S. Government Accountability Office

MEMBERS PRESENT

Chairman George Miller (D-CA) and Acting Ranking Member Judy Biggert (R-IL); Representatives Dale Kildee (D-MI), John Tierney (D-MA), Bobby Scott (D-VA), Donald Payne (D-NJ), Susan Davis (D-CA), Joe Courtney (D-CT), Carol Shea-Porter (D-NH), and Brett Guthrie (R-KY).

OPENING STATEMENTS & DISCUSSION

Chairman George Miller noted the importance of tax payer dollars being used properly and said that after learning about the fraud perpetrated by some Head Start grantees, he wanted to learn what the Department of Health and Human Services was doing to improve safeguards and change such behavior. He also said he plans to continue to pursue strong oversight of this program.

Ranking Member Biggert stated, the system was “designed to give the neediest children Head Start” and shared an anecdote about her time working for a Head Start program during the first year of the program’s existence. “Every dollar misused is a dollar not spent on children meant to be served,” she said.

WITNESS STATEMENTS

Mr. Gregory D. Kutz

Mr. Kutz highlighted the results of GAO's investigation and the consequences of fraud and abuse in Head Start. The investigation, Kutz stated, was sparked by numerous allegations reported to the GAO's hotline concerning two non-profit grant recipients. The two grant recipients were presumably enrolling families that did not financially qualify for services in order to maintain enrollment numbers and keep the Head Start funding stream. Looking into just two organizations at first, GAO undercover investigators conducted "over-income tests" where they applied for Head Start services while claiming income above the poverty threshold required to qualify. Generally, programs are only able to serve 10% of enrollees with income of over the 130% poverty threshold; 90% of those served must have poverty-level or below income. The GAO discovered that over-income families were being enrolled in the program for under-income slots. Furthermore, the investigators discovered that applicants were being encouraged to apply as "homeless" because this categorization requires automatic enrollment in the program. Additionally, children were moved between Head Start centers in order to be "double counted." This was all done in an effort to boost enrollment and secure the federal Head Start funds. In response to these findings, the GAO sent out undercover investigators to test Head Start centers across the nation.

Primarily what the GAO did when undercover was provide bogus documents showing the applicant was over the 130% poverty threshold for enrollment, this was called the "over-income" test. They focused on the following states: California, Texas, Maryland, Pennsylvania, New Jersey, Wisconsin and the District of Columbia. Seven centers in four of these states enrolled over-income children into under-income slots. The centers allowed the investigators to enroll with fraudulent documents, proving the program is susceptible to not only grantee fraud but also to beneficiary fraud. Kutz voiced his concern that over-income applicants are taking available spots for under-income families. Kutz played audio excerpts of the application process where over-income applicants were granted enrollment for under-income spots. The fraud is documented and alarming.

Ms. Carmen R. Nazario

Ms. Nazario began by voicing her concern for the neediest children and their exclusion from the Head Start program because of the fraud and abuse revealed. She explained these instances have been reported to the Inspector General and the Secretary of Health and Human Services (HHS), Kathleen Sebelius. Secretary Sebelius has sent letters to every Head Start grantee notifying them of increased surveillance and enforcement of the program's rules. Additionally, HHS will begin unannounced visits to Head Start centers and will implement a hotline where fraud can be reported. A "top-to-bottom" review will be conducted to determine how to strengthen the oversight process of this program and Secretary Sebelius has announced her intention to assemble a committee that will "systematically" review how to prevent fraud and promote a culture of integrity throughout the Head Start program.

MEMBER QUESTIONS

Chairman Miller's voiced concern regarding the level to which the fraudulent behavior penetrated the Head Start Center. Miller was curious if this abuse was an order from management or if this began, and ended, with the front-line employees. Kutz was unable to clarify this for the Chairman, but explained there had been unverified allegations stating management was responsible for pushing this enrollment agenda forward. Miller was concerned with not only the credibility of the documentation provided by the applicants but also how this documentation was being kept and tracked. Kutz agreed with Miller that fraudulent documents could threaten the credibility of the program and said it is too easy to manipulate and provide faulty proof of eligibility for program enrollment. Miller then turned to Ms. Nazario and voiced his concern about detecting future fraud and abuse within this program. Ms. Nazario explained that there is a new regulation that will be published this summer. This regulation will require all centers to keep documentation that proves eligibility for the program. Currently there is no such requirement. Nazario claimed this will help prevent future abuse.

Representative Biggert wanted Kutz to explain what GAO's investigation revealed about the design of the application procedures and overall design of the current system. Kutz explained that this investigation proves the system is vulnerable to fraud – both grantee and beneficiary fraud. More specifically, Biggert asked about the frequency of handwritten paperwork and the potential to track documents submitted by applicants. Kutz explained that any changes to this system in any form would have to be mandated by Congress. Biggert cited the reauthorization of the Head Start program conducted in 2004, and wondered if this reauthorization enabled any of the recent fraudulent activity to occur. Kutz suggested that the definition of homeless children needed tighter legislative language.

Building on Representative Biggert's concern for the overall system used by Head Start, **Representative Kildee** commented that technology needs to be used to revamp the current tracking system within the program. Kutz pushed this point by emphasizing the transparency that could be gained through implementing a computerized tracking system for both HHS and for Congress. Kildee was curious about the punitive measures taken against centers violating the rules of the program. Kutz stated this was left to the Inspector General and the U.S. Attorney General.

Concerned with HHS staff's capacity to deal appropriately with these allegations, **Representative Tierney** stated the pressing need for Nazario and the Secretary of HHS to ensure the manpower is available to both address and prevent fraud and abuse. Looking forward to the summer when the new regulations would be released, **Representative David** shared concerns that these new regulations would confuse Head Start Centers.

CONCLUSION

Stepping in for Chairman Miller, Vice Chairman Kildee concluded the hearing by stating the importance of reaching the goals of this program that were established 45 years ago. More information on this hearing, including testimony and a webcast of the session, is available at <http://edlabor.house.gov/hearings/2010/05/examining-gaos-review-of-selec.shtml>.