HEAD START

Comprehensive Approach to Identifying and Addressing Risks Could Help Prevent Grantee Financial Management Weaknesses

Statement of Marnie S. Shaul, Director Education, Workforce, and Income Security Issues
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Comprehensive Approach to Identifying and Addressing Risks Could Help Prevent Grantee Financial Management Weaknesses

What GAO Found

ACF has not developed a comprehensive risk assessment system to identify financial management weaknesses of Head Start grantees. ACF has many processes it uses to collect information on how well grantees are performing and managing their federal grant funds. But different organizations within ACF conduct these activities, and we could not identify a systematic process that ACF uses to bring together information gained from the different data collection processes.

Moreover, when we looked more closely at each of the processes ACF uses to oversee Head Start grantees, we identified flaws that limit the quality, accuracy, and reliability of the information ACF collects. ACF does not ensure that its on-site reviews are conducted in accordance with its own guidelines for grantee compliance; it does not verify the accuracy of the data grantees submit on key performance indicators each year; and it does not reconcile grantees’ actual withdrawals with reported expenditures until all the funds have been spent. In addition, many of the staff we spoke with said that they often learn about problems after they get calls from parents and teachers—an ad-hoc, reactive approach on which ACF relies too heavily instead of comprehensive, proactive risk assessment.

Our analysis of the data shows that more than half the grantees cited for failure to comply with rules related to financial management were out of compliance again with one or more financial management standards during their next review. We also found poor linkages between grantee performance and funding. ACF rarely invokes its authority to terminate grantees when a community is being served by a poorly-performing grantee. Instead, ACF usually tries to convince a grantee to relinquish its grant, and only then will look for another grantee to serve that community. Opening competition to qualified applicants to replace a poorly-performing grantee may be a necessary step toward ensuring that as many eligible children as possible are provided with services that meet Head Start’s standards.

A comprehensive risk assessment system would provide ACF with the information it needs to target its oversight more effectively, reduce the risks inherent in managing a large federal grant program, and help grantees manage resources more effectively.

April 5, 2005

What GAO Recommends

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). 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. The reauthorization of Head Start presents an opportunity to address some of the management challenges facing the Head Start program.

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.

My testimony today will focus on how well ACF manages the risks associated with the Head Start program. Specifically, I will discuss

- ACF’s processes to assess financial risks,
- how those processes can be improved to ensure the accuracy and reliability of the information ACF collects on its Head Start grantees, and
- 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.

- 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

<table>
<thead>
<tr>
<th>Monitoring process</th>
<th>Required frequency</th>
<th>Purpose and description</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-site review (PRISM)</td>
<td>Triennial</td>
<td>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).</td>
</tr>
<tr>
<td>Survey of grantees (PIR)</td>
<td>Annual</td>
<td>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).</td>
</tr>
<tr>
<td>Review of financial reports</td>
<td>Semiannual</td>
<td>To account for use of grant funds, all grantees must submit semiannual reports on the status and use of their federal funds.</td>
</tr>
<tr>
<td>Review of audits</td>
<td>Annual</td>
<td>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.</td>
</tr>
<tr>
<td>Day-to-day contacts with grantees</td>
<td>Variable</td>
<td>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.</td>
</tr>
<tr>
<td>Renewal application</td>
<td>Annual</td>
<td>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.</td>
</tr>
</tbody>
</table>

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.
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).
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.

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.

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. 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).

ACF Does Not Ensure that Grantees Effectively Resolve Financial Management Problems

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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.
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 deadlines 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.
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 requirements. 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.

For more information regarding this testimony, please call Marnie S. Shaul at (202) 512-7215. Individuals making key contributions to this testimony include Betty Ward-Zukerman, Bill J. Keller, Mark Ward, and Neal Gottlieb of our Education, Workforce, and Income Security Team; Kim Brooks, Diane Morris, and Gabrielle Fagan of our Financial Management and Assurance Team; Curtis Groves of our Applied Research and Methodology Team; and Richard Burkard and James Rebbe of our General Counsel.
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