

**HEAD START: ENSURING DOLLARS BENEFIT THE  
CHILDREN**

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**HEARING**

BEFORE THE

SUBCOMMITTEE ON EDUCATION AND EARLY  
CHILDHOOD DEVELOPMENT

OF THE

COMMITTEE ON HEALTH, EDUCATION,  
LABOR, AND PENSIONS  
UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

FIRST SESSION

ON

EXAMINING HEAD START, FOCUSING ON ENSURING DOLLARS BENEFIT  
CHILDREN RELATING TO THE EFFECTIVENESS OF THE OVERSIGHT  
BY THE DEPARTMENT OF HEALTH AND HUMAN SERVICES' ADMINIS-  
TRATION FOR CHILDREN AND FAMILIES IN IDENTIFYING AND RE-  
SOLVING FINANCIAL MANAGEMENT WEAKNESSES IN HEAD START  
GRANTEES

APRIL 5, 2005

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## HEAD START: ENSURING DOLLARS BENEFIT THE CHILDREN

TUESDAY, APRIL 5, 2005

U.S. SENATE,  
SUBCOMMITTEE ON EDUCATION AND EARLY CHILDHOOD  
DEVELOPMENT, COMMITTEE ON HEALTH, EDUCATION, LABOR,  
AND PENSIONS,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 9:30 a.m., in Room 106, Dirksen Senate Office Building, Hon. Lamar Alexander, chairman of the subcommittee, presiding.

Present: Senators Alexander, Roberts, Ensign, Dodd, Murray, and Clinton; and Senators Enzi and Kennedy, Ex Officio.

### OPENING STATEMENT OF SENATOR ALEXANDER

Senator ALEXANDER. Good morning. This is the Subcommittee on Education and Early Childhood Development. We are pleased to have with us the chairman of our full committee, Chairman Mike Enzi, of the Committee on Health, Education, Labor, and Pensions. We will be joined a little later by other Senators, including the ranking member of the subcommittee, Chris Dodd of Connecticut.

For 40 years, Head Start has been the Federal Government's largest investment in early childhood education. Its goal is to encourage equal opportunity, to help all Americans reach the same starting line.

When I attended nursery school and kindergarten in a converted garage in my mother's backyard in the mountains of Tennessee, I was attending the only preschool program in town. That was well before Head Start. The more we have learned about preschool education, the more important it has become. Now, 40 States and the District of Columbia offer some form of preschool education and the Federal Government has broadly expanded other programs for children under the age of 6.

Head Start offers low-income children and their families preschool education, family support, health screenings, dental care, and assistance in accessing medical services.

This past year, taxpayers spent about \$6.8 billion to serve more than 900,000 children in Head Start. These dollars have grown much more rapidly than inflation. Ten years ago, Head Start spent about \$4,700 per child. Today, we spend about \$7,500 per child.

This Head Start money is distributed in grants to nearly 1,700 local organizations. Many of these organizations, which we call grantees, operate other Federal, State, or local programs, or sub-

contract with other agencies, to provide services, known as delegate agencies. There are more than 20,000 Head Start centers with more than 48,000 classrooms. As one of our witnesses observed, managing a program of this complexity can present many challenges.

Our responsibility here in Congress is to make sure that taxpayer dollars are being spent for the purposes intended and for the children intended. Between January 2003 and the first months of this year, there were numerous accounts from communities across the country of serious financial abuses or irregularities by individuals or entities entrusted with Head Start dollars. That is why the House and Senate Education Committee leaders asked the Government Accountability Office to look into allegations of financial abuse and irregularities by the local agencies or individuals entrusted with Head Start funds.

The purposes of today's hearing is to consider the findings of the GAO report as well as its recommendations for how the Department of Health and Human Services can do a better job of overseeing the spending of Head Start money. This is not a new issue. In June of 1998, during the Clinton administration, a GAO report raised questions about the inconsistency of Head Start monitoring.

We have with us today, as witnesses, representatives of the writers of the GAO report and of the Federal managers of the Head Start money as well as representatives from the community agencies that actually administer and use the Head Start money.

Our job in Congress, especially as we consider reauthorization of Head Start for another several years, is to make sure that it is accountable, financially solvent, and meeting the purposes for which it is intended. I hope that as we consider program accountability, we will look for ways to change a process-oriented system to one that does a better job of measuring outcomes. In other words, instead of just requiring grantees to fill out forms and dot "i"s, should we not be putting more emphasis on finding out, for example, how much followup there has been on dental screenings, what the quality is of parent involvement, and whether the children are learning what they need to know, and need to be able to do, to have a more equal opportunity when they enter school?

We have two panels of witnesses today. Wade Horn from the Department of Health and Human Services and Marnie Shaul from the Government Accountability Office are on the first panel. Mayor A.C. Wharton of Memphis, Yvonne Gates from Clark County, NV, Jim Caccamo from Kansas City, MO, and Olivia Golden from the Urban Institute are members of the second panel.

We will ask Mr. Horn and Ms. Shaul to testify in just a moment, but first, I would like to call on our committee chairman and ranking member, both of whom are here, and to see if they have any opening comments.

Senator Enzi?

#### OPENING STATEMENT OF SENATOR ENZI

The CHAIRMAN. Thank you, Mr. Chairman. I want to thank you for your leadership on early childhood education policy and for putting this hearing together. There is no better investment that we can make for our future than to support programs that help our

children learn, and Head Start is an important part of that effort. I am looking forward to hearing today's witnesses about the future of the Head Start program and how we can make sure it is working effectively to help children enter school ready to learn.

The testimony we receive today will help shape the reauthorization of the Head Start program in a way that will make it stronger, better, and more effective for the children it serves. That is important. I am the father of three children and one grandchild. I understand the importance of early learning. Head Start provides an important service for thousands of children by providing a safe and healthy environment. Many of these children do not receive the same support at home as some of their more advantaged peers, and Head Start helps meet many of their needs.

The Head Start program has demonstrated a great deal of success since its creation almost 40 years ago. Lately, however, several instances of financial mismanagement and other troubling incidents have been brought to our attention, both through the recent report issued by the Government Accountability Office and from dozens of news reports around the country.

We aren't going to be disparaging or accusing practitioners at this hearing. Instead, we will look to our witnesses for help in identifying how Congress can ensure that Head Start program dollars are being used for the purpose for which they were intended, which is to help disadvantaged children succeed.

One of the findings in the recent GAO report is that the monitoring process for the Head Start program can be improved substantially to help ensure the program is more effective. It is my hope that today's witnesses will discuss options for Congress to help strengthen the program's integrity as well as its impact on student outcomes.

In the past Congress, this committee unanimously supported a Head Start reauthorization bill that would have made many of the improvements suggested by the GAO study. It is my hope that today's witnesses will comment on these efforts and suggest some alternative policy options, as well.

In the current economy, continued learning is more important than ever. We need to make sure that Federal programs, such as Head Start, are giving children the best possible start, since today's students are tomorrow's leaders. The Head Start program is an important beginning to a lifetime of education opportunities that will make it possible for today's students to support families in the future. It is essential that all children get a good start and that the Head Start program provides the type of educational foundation that will support a lifetime of learning and success.

Again, thank you for holding this hearing. I expect it to be useful to the committee as it works on the reauthorization.

Senator ALEXANDER. Thank you, Mr. Chairman.

Senator Kennedy, who is the ranking member of our full committee.

#### OPENING STATEMENT OF SENATOR KENNEDY

Senator KENNEDY. Thank you very much, Mr. Chairman. I want to thank you for having this hearing, thank our chairman, Senator Enzi, for his longtime interest in Head Start. Thank you, Mr.

Chairman, for your strong commitment on education and also for your recognition about early intervention, its importance, the difference it makes in the development of a child's life and also the paths it opens up, not only educationally, but socially and in other ways in terms of early intervention. I think we know that Head Start does work. It is important.

We know, as well, that we tried to address some of the problems in our bipartisan effort in the areas of recompetition and better enforcement and followup on under-involvement and more efficient and thorough audits. I think we all know that increased and improved training at the local level can help resolve some of these issues, and I think we are all interested in giving focus and attention to the major kinds of issues and problems that are out there and how we can deal with them and give priority, obviously, to those particular issues.

I am a strong believer in the Head Start program and have visited so many in my own State and talked with people and parents and met these young people. I even had a chance during the break to visit some in the Greater Boston area. So we are looking forward to getting a solid result. We thank you very much for your leadership on this and we want to work very closely with you and the chairman to try to get a positive outcome. Thank you. I will put my full statement in the record.

Senator ALEXANDER. Thank you, Senator Kennedy.

[The prepared statement of Senator Kennedy follows:]

#### PREPARED STATEMENT OF SENATOR KENNEDY

I commend Chairman Enzi and Senator Alexander for scheduling today's hearing on Head Start, which gives us an opportunity to consider effective ways to improve and strengthen all aspects of this vital program.

One thing is clear—Head Start is a lifeline for the neediest families and children across the Nation. For 40 years, it has given disadvantaged children the assistance they need to arrive at school ready to learn. Its balanced curriculum to help them develop the intellectual skills they'll need to meet high academic standards later in school. Equally important, it helps them learn to get along with their fellow students, and delivers the social and emotional building blocks they'll need to keep up once they reach kindergarten.

Head Start also makes it possible for these children to see doctors and dentists, and be immunized against childhood diseases. It teaches children to eat healthy meals. Every Head Start center is grounded in the community in which it operates and supports. Parents are welcomed into their children's classrooms and urged to participate actively in the local programs.

These services are backed by impressive research. Children who participate in the program make gains in vocabulary, and develop early reading and math skills. By the end of their kindergarten year, Head Start children are typically performing at or above national averages. That's a remarkable achievement, given the devastating effects of poverty on children.

Our challenge in reauthorizing Head Start this year is to build on the program's many strengths, identify the problems it faces,



and enable administrators, teachers, parents, and families to deal with them. We welcome the opportunity today to hear more about Head Start's oversight, and discuss ideas to improve its management.

Our goal is to ensure that Head Start's services reach as many children and families as possible. The need for Head Start is still miles from being met. Today it serves fewer than 6 out of every 10 eligible children and only 3 out of every hundred infants and toddlers through its sister program, Early Head Start.

President Bush's budget proposes to increase funds for Head Start by only \$45 million, and would set-aside those funds for nine States willing to turn Head Start into a block grant. Block grants are the wrong direction for Head Start. They don't guarantee medical check-ups, healthy meals, dental visits, or medical screenings for children. They don't guarantee support to families and parents. Lower quality and lower standards are not the way to strengthen Head Start. We need to invest more—not less—in the families and children the program serves.

We can do more to see that every dollar invested in Head Start delivers the highest quality of services in the most effective manner. New resources for Head Start should be accompanied by effective steps to genuinely improve the program.

We welcome the testimony today from the GAO and other witnesses on the oversight and management of Head Start, especially on ways to measure risks and potential problems more accurately and adopt more effective strategies to meet them. We know what works in Head Start and it's time to put these practices into place.

For years, Head Start has had one of the most comprehensive monitoring systems in early childhood education. Over the years, it has been revised and improved, based on Head Start's actual services. Annual auditing, reporting, and financial accounting are critical for the quality of the programs and the most effective level of services.

It's clear that the number of Head Start programs with serious problems is small—15 percent or fewer of all programs, by the Department's own calculation. But clearly, when any problem is identified in a program—no matter what the issue—it must receive appropriate attention and followup from those responsible at the Federal level.

Thanks to the bipartisan cooperation of committee members in the last Congress, we made good progress in working together on these improvements. We did more to enhance the skills and qualifications of Head Start teachers, upgraded the educational components of the program, and increased coordination at the State level with other programs.

I look forward to continuing our bipartisan work this year. We are fortunate to begin that work today by hearing from witnesses who will share their expertise and insights from the Federal and local levels. Thank you all for joining us this morning.

Senator ALEXANDER. I am going to give brief introductions so we can get right on with it, and I will ask these two witnesses if they will limit their remarks to 10 minutes or summarize their comments and focus on them. We have your statements. We appreciate them. That will give the Senators more chance to ask questions.

Marnie Shaul is Director of the Education, Workforce, and Income Security Team at the U.S. Government Accountability Office. So she is responsible for the studies GAO undertakes for the Congress on early childhood programs. Thank you very much, Ms. Shaul, for being here.

And Dr. Wade Horn, who we will ask to go first, was named Assistant Secretary for Children and Families in the Administration for Children and Families of the U.S. Department of Health and Human Services. That is a very long title, but he has had a long background in social services and is ultimately responsible for the administration of this Federal Government for about \$6.8 billion of money that goes to Head Start grantees around our country.

So, Mr. Horn, why don't we start with you, then with Ms. Shaul on the report, and then we will go to questions.

**STATEMENTS OF WADE F. HORN, ASSISTANT SECRETARY FOR CHILDREN AND FAMILIES, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES; AND MARNIE S. SHAUL, DIRECTOR, EDUCATION, WORKFORCE, AND INCOME SECURITY ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE**

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 on Head Start. The President is committed to strengthening Head Start, has made accountability a guiding principle of our work, and I can assure you that we take GAO's findings very seriously.

For nearly 2 years now, 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. It is a nearly \$7 billion program, serving more than 900,000 low-income children and families through a network of over 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, 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 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 to ensure that every Head Start program is 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 oversight of local Head Start pro-

grams. First, we have established for the first time minimum qualifications for all reviewers in the area that they are reviewing. Establishing these minimum qualifications helps ensure that all individuals on a monitoring review team have the knowledge, skills, and experience necessary to be part of a quality review.

Second, in December of last year and February of this year, we provided intensive multiday 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 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.

Fourth, we have begun conducting indepth analyses of all triennial and first-year monitoring reports to improve report quality, comprehensiveness, accuracy, and uniformity within and across the regions.

Fifth, ACF substantially revised the fiscal checklist 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 that the program review instrument for systems monitoring or PRISM review teams to closely examine several specific areas that were not as carefully or consistently considered in the past, including transportation services, condition and Federal interest in 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 ensuring the delivery of high-quality services to children and families in their programs.

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 ACF 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 this goal. Thank you very much.

Senator ALEXANDER. Thank you, Dr. Horn.

[The prepared statement of Mr. Horn follows:]

PREPARED STATEMENT OF WADE F. HORN, PH.D.

Chairman Alexander 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 ac-

countability a guiding principle of our work. Within this context, I can assure you that we take GAO's findings very seriously and for nearly 2 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 nationwide. 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, onsite monitoring of local programs. Under the Head Start Act, each grantee must be monitored at the end of the 1st year of operation and intensely at least once every 3 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 1 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 onsite 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 indepth analyses of all triennial and 1st 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.

**1. (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 Inspec-

tor 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.

**2. 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.

**3. 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 analyzing 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 onsite 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.

**4. (a) ACF should implement a quality assurance system to assure onsite 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.

**5. 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.

**6. ACF should recompetete 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 makeup 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 2nd 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.

Figure 1: ACF Organizational Chart

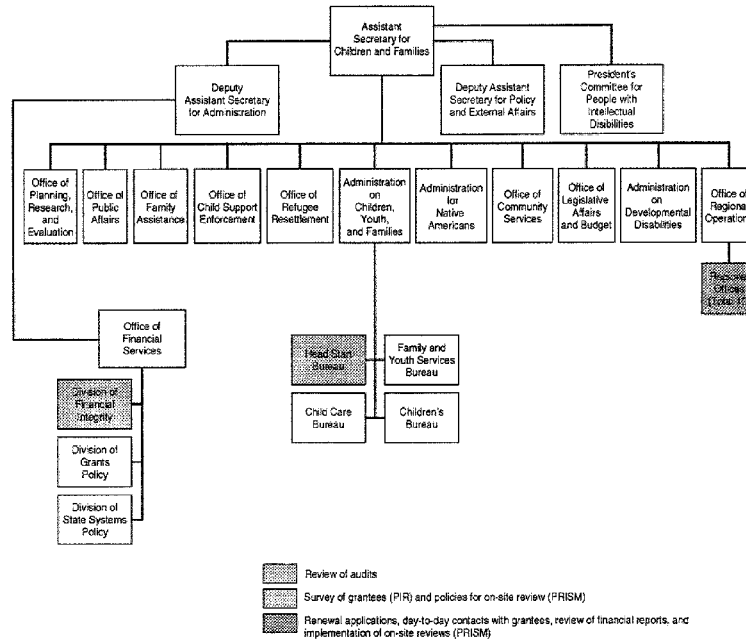
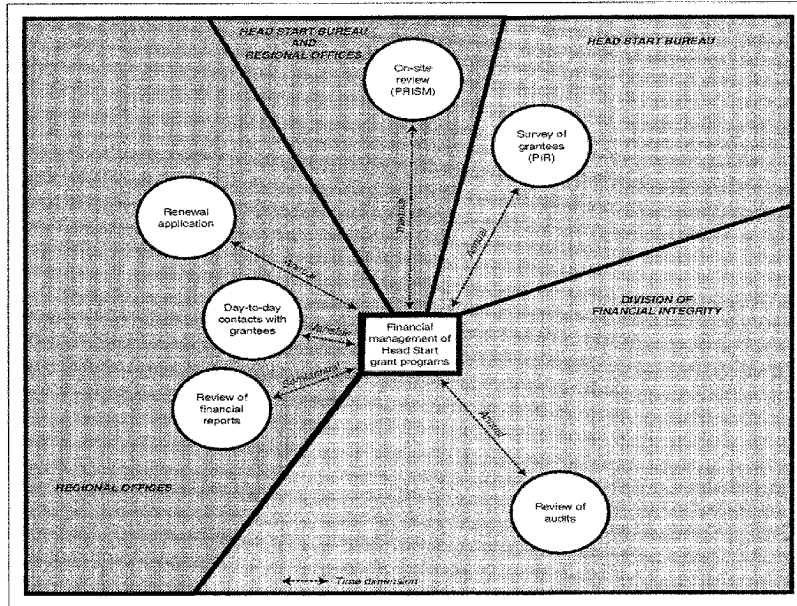


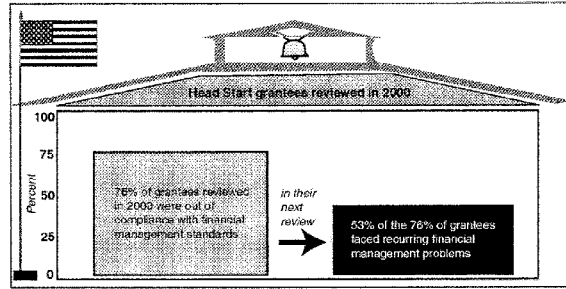


Figure 2: Head Start Oversight Activities Undertaken by Several Offices



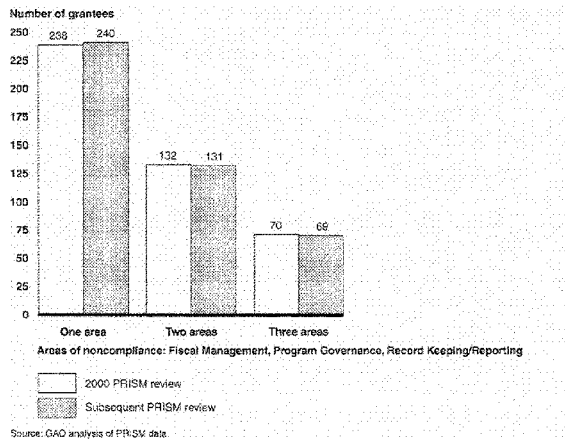
Source: GAO analysis.

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.

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



RESPONSE TO QUESTIONS OF SENATOR ENZI BY WADE F. HORN

*Question 1.* The Senate bill to reauthorize the Head Start program from the 108th Congress included provisions that would require Head Start grantees to re compete for those funds periodically. One of the GAO’s recommendations to the Department is to provide the current grantee with a certain degree of priority over other grantees. How should Congress help support these efforts to ensure high quality grantees are able to continue serving children, while still weeding out less effective or troubled programs?

Answer 1. We would welcome the opportunity to work with you on language that would enhance the Secretary’s ability to periodically re compete Head Start grants and replace poorly performing grantees. In conjunction with this type of change, statutory change also is needed to allow the Secretary to defund a deficient grantee which has not corrected its deficiencies within the required timeframe. Currently, section 646(a) of the Head Start Act precludes terminating funding of a grantee pending appeal and a full and fair hearing, which often can take several months and, sometimes more than a year.

*Question 2.* In the GAO report where the comments from the Department of Health and Human Services are included, the Department suggests that it will take action or continue to take action to address many of the concerns raised in the report. Since the report suggests that the Department may have an interest in having

Congress clarify our intent in statute, are there specific recommendations you can make that will help Congress support your activities to improve the program?

Answer 2. My testimony provided a number of suggested changes to Head Start that we would like to explore with the Congress. 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. Specifically, we would like Congress to include in the reauthorization of the Head Start Act a provision that will allow interested States to include Head Start in their preschool plans. Under the proposal, States are offered the opportunity to coordinate preschool programs with Head Start programs in exchange for meeting certain accountability requirements. 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 under section 641A of the Head Start Act in the makeup 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. As I indicated earlier, the current statute requires a protracted hearing process before we can defund deficient grantees. I would be pleased to work with the committee to provide details on each of these proposals.

*Question 3.* According to the GAO report, more than half of the grantees identified as having financial management problems also demonstrated recurring financial management issues. Even so, the Department of Health and Human Services has not taken action to deny grant funding to these programs. What can Congress do to ensure that appropriate action is taken against grantees with severe and recurring financial management problems?

Answer 3. One problem is that in the past ACF Regional Offices often accepted grantee letters of compliance stating that non-compliances were corrected. Although there are legitimate situations in which a letter and corresponding documentation may be sufficient to determine that a non-compliance has been corrected, there also are many situations that should be verified through an onsite visit. In fiscal year 2005, ACF is establishing a new policy that reduces the acceptance of letters of compliance and greatly increases the use of onsite followup reviews to verify compliance. This will help reduce the number of repeat findings by assuring, onsite, that all problems have indeed been corrected.

In addition, ACF is developing a "comprehensive risk assessment" of the Head Start program. This approach 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. We also will determine the relative risks associated with each of these factors and develop a rating system that tell us when a grantee is at risk of heading down a path to larger fiscal or programmatic problems. This type of system will enable us to identify at risk grantees while there is still time to work with them and implement appropriate change.

Finally, Congressional action is needed to allow the Secretary to defund a deficient grantee which has not corrected deficiencies within the required timeframe. Currently, section 646(a) of the Head Start Act precludes terminating funding of a grantee pending appeal and a full and fair hearing.

*Question 4.* The GAO report and your testimony today identifies self-certification by grantees that they have resolved audit or site-visit findings as one of the reasons the Administration on Children and Families is having difficulty preventing recurring financial or other types of mismanagement. What role do you see self-certification playing to resolve concerns in the future, and what can Congress do to support efforts by the Administration to ensure programs are independently reviewed?

Answer 4. As I discussed in my response to your previous question, ACF is making significant changes in the way we determine if grantees have corrected identified areas of non-compliance. In the past, we have often accepted grantee self-certification and to do onsite visits to verify compliance only on occasion. We are fundamentally revising this approach to require that verification of compliance be determined through an onsite visit and only, for a relatively small number of cases, will we accept grantee self-certification.

*Question 5.* The issue of recompetition appears to be the only area where the Administration on Children and Families suggests they need Congress to be involved in addressing the suggestions within the report. Are there additional ways that Congress can improve the accountability process within the Head Start program, and is there a role for Congress to play in the other recommendations made by GAO?

*Answer 5.* The issue of recompetition and a related issue of the grantee appeal process are key areas in need of statutory change to assist us in improving the quality of Head Start programs. Specifically, with respect to the grantee appeal process, we would like to work with the Congress to change provisions in the Head Start Act which allow Head Start grantees which have been judged to be poorly performing and, consequently, have been sent letters terminating their grant to continue receiving their full Head Start grant during the appeals process. Most Head Start appeals take several months, some have lasted for well over a year and the grantee which already has been determined to be deficient is allowed, during this time, to continue to operate its failing Head Start program. We would like to change this and give Head Start grantees the same appeal rights as all other HHS grantees whose funding is discontinued as soon as a determination is made that performance is deficient. Interim grantees would be put in place to ensure that services are not interrupted.

RESPONSE TO QUESTIONS OF SENATOR ENSIGN BY WADE F. HORN

*Question 1.* The GAO report stated that many individuals hired as PRISM (Program Review Instrument for Systems Monitoring) reviewers do not have their references checked prior to hiring. This has led to widespread outcome differences across regions during triennial PRISM reviews at Head Start Centers. I am very concerned about this trend and the part it may have played in allowing grantees to continue receiving Federal funds despite poor accountability and fiscal controls. As part of the implementation of minimum requirements for these reviewers will references and qualifications be checked prior to hiring? What benefits do you see of having private sector individuals complete these PRISM reviews?

*Answer 1.* ACF will, within the next few weeks, begin a policy of checking reviewer references and qualifications. We appreciate that it is important to assure that all Head Start reviewers have the skills and background needed to properly perform their job of monitoring the performance of Head Start programs. This effort, coupled with additional efforts we are currently undertaking—such as implementing a quality assurance system in which a selected number of programs will be re-reviewed within a few months of their initial onsite review, establishing a rating system for reviewers and providing all reviewers indepth training—will help address the problem of Regional inconsistency. We also are working closely with our Regional Offices to assure that all Federal Team Leaders fully understand the importance of doing a professional and objective assessment of each Head Start program, and we will explore cross regional review efforts, where appropriate, as another way to enhance regional consistency.

We will assure that all fiscal reviewers are competent to do the job for which they have been hired. These reviewers now have to meet, for the first time, minimum qualifications and have been provided indepth training on how to conduct a fiscal review. Fiscal reviewers are, in fiscal year 2005, using a new fiscal checklist which will, we believe, go a long way to identifying Head Start grantees with fiscal problems early on when there is still time to correct the problem.

We think we must continue to take advantage of using reviewers who are not Federal employees. There are many individuals available to the Head Start review system who are expert in their fields. We would not be able to even approach this level of expertise using only the staff in the Federal Government who work on Head Start. Most Federal Head Start staff are generalists who, while certainly knowledgeable about Head Start and early childhood education, do not have the kinds of specific skills, experiences or training that our private reviewers have. We have, for example, dentists, certified public accountants, early childhood experts and many other well qualified contractors who are vital to a comprehensive, quality monitoring system.

In addition, it would be extremely helpful if the committee would consider a statutory change providing flexibility in the makeup of monitoring teams so that we can always send out the most qualified individual for the job. Currently, section 641A(c)(2) requires that monitoring reviews are performed and supervised by departmental employees knowledgeable about Head Start. We would like this changed to provide the Secretary the flexibility to ensure that reviewers are experts in the fields they are responsible for reviewing.

*Question 2.* In the case of the Economic Opportunity Board (EOB) in Las Vegas, the entity was required to submit annual audits. It is unclear to me how these audits were used and whether onsite review teams relied on the audit data. In fact, the GAO report stated that many regional staff do not effectively use the audit data provided, often because of the lag in reporting the audit outcomes. Over the course of 2 years EOB had two different onsite reviews, first the triennial PRISM review, and second, a follow up review by the Head Start Bureau to determine if the deficiencies found in the PRISM review had been resolved. What happens with this audit data once it is reported to the Head Start Bureau and the Administration for Children and Families? As part of the comprehensive risk assessment, is the Bureau going to put in place policies that utilize these audits in determining whether a grantee is a financial risk, or having financial difficulties?

Answer 2. ACF currently reviews all grantee audits which have findings in order to help inform us about the state of our grantees' fiscal health.

OMB Circular A-133 requires non-Federal entities that expend \$500,000 or more in a year in Federal awards to have an audit conducted for that year. Audits are to be submitted to the Federal Audit Clearinghouse which reviews the audit reports to assure they meet the A-133 requirements. HHS Audits are then sent to the HHS Office of the Inspector General (OIG), where they are reviewed and those with any findings are assigned to the appropriate HHS office. For audits with findings in the Head Start program, the audit is sent to the responsible ACF regional office for resolution. ACF makes a determination as to how to resolve the audit findings and so informs the grantee. Findings with monetary values typically require the grantee to pay back funds. Non-monetary findings require the grantee to correct its problems to the satisfaction of the ACF office.

Onsite review teams look at many documents in assessing grantee performance, including the annual audit. While no one document necessarily provides all the information needed to fully understand the fiscal state of any Head Start program, using many documents, plus using the newly revised fiscal checklist, should provide reviewers with a full understanding of the financial situation of a Head Start grantee. ACF will certainly include audit findings as part of its risk assessment strategy to look holistically at the programmatic and fiscal health of all Head Start programs.

*Question 3.* I was pleased to see in your testimony that the Head Start Bureau and the Administration on Children and Families are working on a comprehensive risk assessment that will help identify grantees that have potential fiscal or programmatic problems. However, it did greatly concern me to read in GAO's report that 838 grantees, or 76 percent of those reviewed using the PRISM system in 2000 were out of compliance with one or more financial management standards. It disturbed me even more that 440 or 53 percent of those same grantees were cited again for fiscal or programmatic problems in the subsequent 2003 review. About half of those grantees were found to have two or more areas of concern. It is my hope that in creating the comprehensive risk assessment that the Head Start Bureau and ACF will seriously look at this problem and come up with viable answers. Do you anticipate that the new risk assessment will help in reducing the number of repeat offenders? Also, do you believe that this new assessment will help grantees find long-term solutions to fiscal management concerns?

Answer 3. ACF anticipates that risk assessment will help in reducing the number of "repeat offenders" in the future. ACF already has identified the risk factors that we are moving quickly to address. For example, in the past, Regional Offices often accepted grantee letters of compliance stating that non-compliances were corrected. Although there are legitimate situations in which a letter and corresponding documentation may be sufficient for a Regional Office to determine that non-compliance has been corrected, there are also many situations that should be verified through an onsite visit. In fiscal year 2005, ACF is establishing new policy that reduces the acceptance of letters of compliance and greatly increases the use of onsite followup reviews to verify compliance. This will help reduce the number of repeat findings by assuring, onsite, that all problems have indeed been corrected.

ACF believes that some repeat non-compliances occur because the original review team did not establish and report the connection between a non-compliance and the underlying governance and/or management systems that should have detected and corrected the non-compliance as part of their ongoing local oversight responsibilities. Through training, policy development, and quality assurance ACF will insist on review teams addressing these interrelationships and making them known to grantees in monitoring reports so that grantee corrective action is completed in a way that ensures that changes are long-lasting and sustainable in fiscal as well as programmatic areas.

Senator ALEXANDER. Ms. Shaul? I guess I should say Dr. Shaul. Excuse me.

Ms. SHAUL. Mr. Chairman and members, thank you for the opportunity to present the findings of our review on the 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 about 40 years, and as both you and Dr. Horn point out, it is the largest Federal investment in early childhood education and care. So it is important that this program is managed so that it ensures that children receive the services that they do deserve.

With me today are members of the GAO team that worked on this report.

My remarks today focus on three issues. First, risk assessment, the extent to which the Administration for Children and Families, which is the part of HHS that is responsible for Head Start, connects the information it has to make an assessment of financial risks. Second, information quality, the quality of information in ACF's processes. And third, correcting financial problems, the effectiveness of ACF's approaches in ensuring that grantees with financial weaknesses correct their problems.

Let me turn first to risk assessment. ACF does not bring the information it collects together to comprehensively assess the financial risks the program faces. We brought a chart over here which shows a number of individual processes that ACF has for looking at the program. But instead of integrating this information, which is collected by several ACF offices, and I am pointing out on this chart—we have got these colored in some of the different offices in ACF that have some responsibility for the Head Start program—instead of integrating that information, Head Start sometimes relies on ad hoc responses, for example, in response to calls made to regional offices about grantee problems or to questions from Congress. This type of response is useful, but it cannot substitute for a comprehensive approach to determining where Head Start faces the greatest risks.

Second, regarding information quality, we found problems with ACF's processes, and again, I am referring to these processes in the chart over here. For example, different onsite teams have had inconsistent findings about the status of the same grantee. Let me give you 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 ensuring that grantees correct their financial problems. 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 followup visit, more than half of these grantees still were not compliant with financial standards.

A small percent of Head Start grantees have a level of non-compliance that ACF determines deficient, a status that brings corrective action beyond self-certification. However, we found that ACF's regional offices did not use common criteria to determine de-

iciency. In our review of 20 grantee files that contain similar financial problems, and where we would have expected to see 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 have relinquished their grants or were terminated.

As Dr. Horn pointed out, 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 recompetete grants. ACF says that it must give current grantees priority at renewal time, which effectively eliminates its opportunity to replace grantees then. 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 recompetete a Head Start grant.

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

Senator ALEXANDER. Thank you, Dr. Shaul, and thanks to you and your team for your work at the request of Congress. It is a great help.

[The prepared statement of Ms. Shaul follows:]

PREPARED STATEMENT OF MARNIE S. SHAUL

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: (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.<sup>1</sup>

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

<sup>1</sup>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).

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 longstanding 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 2001–02 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.

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 10 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.

*TABLE 1: ACF'S OVERSIGHT PROCESSES FOR MONITORING GRANTEE'S FINANCIAL MANAGEMENT*

Monitoring process	Required frequency	Purpose and description
onsite 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, onsite 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.

#### 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 ongoing 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 under-enrolled, 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 GRANTEEES ARE  
FLAWED

We found that the main processes ACF uses to collect information on its grantees’ financial management—onsite reviews, annual grantee surveys, and analyses of financial reports and audits—have flaws that limit the value of the information collected. The onsite 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 onsite 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 onsite reviews. For example, comparisons of simultaneous onsite 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 onsite reviews to systematically identify grantees with financial management weaknesses depends on some assurance that the onsite 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 onsite 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 GRANTEE 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 onsite reviews from 2000–03 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.<sup>2</sup> 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).

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 onsite 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 onsite 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 two cases, ACF returned to review the grantees and found that they had not corrected their problems. It was not clear from our file review how ACF prioritized these two grantees for followup, 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 followup. 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 rep-

<sup>2</sup>The data base for onsite 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.

resent 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 onsite 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 onsite 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 under-enrolled, 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 onsite 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 onsite reviews and for finding grantees deficient or not, and

Implement a quality assurance process to ensure that the framework for conducting onsite 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.

#### GAO CONTACT AND STAFF ACKNOWLEDGMENTS

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#### RESPONSE TO QUESTIONS OF SENATOR ALEXANDER BY GAO

*Question 1.* According to the report, more than half of the grantees identified as having financial management problems also demonstrated recurring financial management issues. Even so, the Department of Health and Human Services has not taken action to deny grant funding to these programs. What can Congress do to ensure that appropriate action is taken against grantees with severe and recurring financial management problems?

*Answer 1.* While only about 24 percent of the grantees reviewed in 2000 passed their reviews without any findings of non-compliance with financial management standards, nearly half—about 47 percent—of those with problems passed their next review with no financial management problems.

The Head Start Act requires HHS in awarding new Head Start grants to give priority to current Head Start grantees. We are aware that this provision is designed to ensure the continuity of high quality programs and avoid unnecessary and disruptive changes in grantees that serve a particular community. However, HHS may deny priority to a grantee if it determines that the grantee fails to meet financial management or performance standards. In such a situation, HHS may, as we suggested, choose to conduct a competition which could ultimately result in a new grantee being selected and the current grantee being terminated. The Congress may wish to consider amending the current law by providing for alternative termination procedures and timeframes to minimize disruption under these circumstances. Congress may also wish to more explicitly specify the circumstances under which a grantee could maintain its priority status and the level of failure to meet financial management or performance standards that would be necessary for a grantee to be denied priority status.

*Question 2.* The Senate bill to reauthorize the Head Start program from the 108th Congress included provisions that would require Head Start grantees to re compete for those funds periodically. One of the GAO's recommendations to the Department is to provide the current grantee with a certain degree of priority over other grant-

ees. How should Congress help support these efforts to ensure high quality grantees are able to continue serving children, while still weeding out less effective or troubled programs?

Answer 2. Our recommendation was based on current law that generally provides priority to grantees that operate programs that meet financial management and program requirements. Among those grantees that were reviewed in 2000, 24 percent met their financial management requirements and, of those that did not, 47 percent were able to correct any noncompliances before their next review. Clearly, we do not want to lose the experience and expertise such providers bring to the program. On the other hand, of the grantees reviewed in 2000 that had financial management weaknesses, 53 percent continued to have financial management problems in subsequent reviews. ACF will need to focus its oversight resources on these grantees in order to ensure that such programs can succeed; if no improvements are forthcoming, then ACF may need to exercise its authority to re compete those grants.

While we did not address the Senate bill to reauthorize the Head Start program, we generally believe that competition on a level playing field will result in the consistent selection of high quality grantees and that a grantee's past experience can and should be an important factor in these selection decisions.

As noted in our report, if ACF improves the processes it uses to collect and analyze data on grantee financial management, ACF will be in a stronger position to link funding opportunities to performance. Reliable, accurate, and transparent processes are needed in order for ACF to be effective in separating stronger grantees from poorly performing grantees.

*Question 3.* Testimony that will be given later today suggests that the data used in the report could be improved by separating grantees into categories based on whether or not they had multiple findings, or whether the findings were severe or not. Is that data available, and how might the GAO report be different if the data were reported in this way?

Answer 3. ACF provided us with its databases summarizing the results of its on-site reviews for fiscal years 2000–03. The 2000 database contained approximately 1,100 records reflecting reviews done by ACF in 2000. These records include both grantees and grantees with any of their delegates. We have run the analysis for both the entire database and for grantees separately and the results are the same: 76 percent of the grantees had at least one of the three areas with non-compliance and 53 percent had recurrent problems.

Of the 76 percent that were out of compliance with at least one financial management standard in 2000:

- 14 percent were out of compliance with only 1 financial management standard,
- 32 percent were out of compliance with 2–5 financial management standards,
- 54 percent were out of compliance with 6 or more financial management standards, and
- 36 percent were out of compliance with 10 or more financial management standards.

In both 2000 and 2003, the four standards with which grantees were most often found out of compliance were:

- The requirement to maintain an effective reporting system to generate reports on grantee financial status and program operations to advise governing bodies, policy groups, and program staff of program progress;
- The requirement that grantees maintain a recordkeeping system to provide accurate and timely information regarding children, family and staff and assure appropriate confidentiality of this information;
- The requirement that the grantee establish procedures describing how the governing body and the appropriate policy group will implement shared decision-making;
- The requirement that each grantee and delegate agency establish written procedures for resolving internal disputes between the governing body and the policy group.

In 2000, 13 percent of grantees reviewed were judged deficient based on financial management standards. However, in our review we found that ACF did not use common criteria to determine deficiency.

*Question 4.* The issue of recompetition appears to be the only area where the Administration on Children and Families suggests they need Congress to be involved in addressing the suggestions within the report. Are there additional ways that Congress can improve the accountability process within the Head Start program, and is there a role for Congress to play in the other recommendations made by GAO?

Answer 4. All of the recommendations we set forth in our report are actions that, we believe, ACF can take without seeking further authorities and ACF has indicated that it intends to act on most of these recommendations. However, congressional oversight is always necessary to ensure that Federal Agencies demonstrate continued commitment to improvements. If asked, we are prepared to assist the committee to monitor ACF's progress in implementing our recommendations.

*Question 5.* As we've heard from Assistant Secretary Horn, the Administration on Children and Families is committed to strengthening the Head Start accountability process. He's outlined a number of recent policies that have been put in place, as well as a number of new initiatives that will help ensure Head Start program dollars are being used most effectively. Do you expect that these activities will be sufficient, and are there additional activities you might suggest?

Answer 5. The steps set forth in Assistant Secretary Horn's statement should lay a solid foundation to ensure that ACF can do a better job identifying and addressing the program's risks and preventing grantee financial management weaknesses. However, continued monitoring may be necessary.

The Congress may wish to ask ACF to conduct additional systematic analyses of other types of improper payments in order to provide a better estimate of program risks. In Assistant Secretary Horn's statement, he expressed support for looking more carefully and systematically at the way grantees expend all of their Head Start funds. However, he did not indicate that ACF would specifically look at other types of improper payments the same way it reviewed compliance with the income-eligibility rules in 2004 as we recommended in our report that HHS should do so. In February, ACF provided technical comments on a draft of our report and noted that audit reports and other reviews would be used to identify other possible improper payments. However, reliance on these oversight tools will not provide ACF with a systematic way to assess risks associated with other types of improper payments.

*Question 6.* In your testimony you stated that the Head Start program is the only program operated by the Department of Health and Human Services that allows a grantee to continue grant operation while appealing the termination of the grant. Could you determine in your review why this is the case? Are there other Federal programs that allow this?

Answer 6. Our work did not cover grant conditions in Federal grant programs in other Federal Agencies. We limited the scope of our work to the Head Start program specifically and sought supplementary information from the HHS' Departmental Appeals Board in order to draw comparisons to other programs under its oversight authority.

*Question 7.* Also mentioned often in your testimony and in the GAO report is that regional staff believe they are overworked and have control over too many grants. How pervasive is this problem? Do you believe that additional staff at the regional level would help earlier detect some of the financial and programmatic problems at the grantee level? Or would additional staff simply add to the Federal bureaucracy of the program?

Answer 7. We did not assess the human resource capacity in ACF's regional offices. We did report that regional office program specialists working with Head Start grantees typically are responsible for about 12 grantees. According to the Assistant Secretary for Children and Families' testimony before the committee, ACF fully supports our recommendation to develop a comprehensive risk assessment of the Head Start program. Once completed, ACF should be in a position to make more efficient use of its human resources and better target its oversight resources to identify financial and program problems at the grantee level. Additional training for ACF's existing staff is also an area discussed in the report.

*Question 8.* It is often stated in the GAO report that ACF rarely uses the authority it has to recompet a grant if a grantee has been found deficient. The report also states that deficient grantees are often given bonus points during renewal, even though ACF is not required to give priority to a grantee that has failed to meet program, financial management or other requirements established by an agency. Do you believe that increased use of this authority would strengthen current grantees or would it hurt the continuity of the program?

Answer 8. We believe that ACF has the authority to deny priority status to a grantee that fails to meet program or financial management requirements—i.e., deficient grantees—when awarding grants and that ACF should use its authority in order to open up the possibility of competition for grants to other qualified providers. Denial of priority status is a major step that should be taken after carefully



considering all available options so as to avoid unnecessary and disruptive changes in grantees that serve a particular community. However, denial of priority status is a step ACF should take if a grantee fails to make the necessary changes to effectively manage its program.

Senator ALEXANDER. And Dr. Horn, thank you. Your comments will be placed in the record.

Each of us will take 5 minutes, and let me begin with a more general question. I have some more specific questions, but I would like to talk about the theory of management and regulation a little bit.

It seems to me, as we look at how the Federal Government funds educational activities, we have got two models. One is a Head Start/higher education model, let us say, and one is the K through 12 model. Now, what I mean by that is that in higher education, we have 5,000 or 6,000 entities and we basically give the money to students. It follows them to the entities and the entities have great autonomy and we really don't manage—we don't try to manage the Vanderbilt University and the University of Tennessee or the community college in California from Washington. We have accrediting agencies and we have a very light touch from Washington and that has helped to produce the greatest system of colleges and universities in the world.

On the other hand, in K through 12, we have a very heavy touch. We get in and tell everybody what to do and we tell children where they have to go to school and it is a completely different model.

Head Start for 40 years has been more like higher education, it seems to me. We have 1,700 different local organizations, more or less, to whom the Federal Government directly gives money. They have a lot of autonomy in what they do. And there are about 20,000 Head Start centers.

So I am trying to understand, how can we effectively be good stewards of that money without having too heavy a management touch from Washington on 20,000 different Head Start centers which is really impractical? I don't want to see us get into a situation, for example, where we have a lot of rules from Washington and a lot of local centers going around filling out forms and doing small things, and trying to do all the regulation from here when, in fact, the model is autonomous local agencies with responsibility for results and Federal oversight of big financial problems and hopefully some measurable outcomes.

We will hear a little later on the second panel from Mayor Wharton of Memphis, who is the mayor of our largest county in Tennessee. He found a Head Start center that was a mess. More recently, it has been alleged that the people there were pilfering from the pension fund as well as other problems. He is here today because he was prevented from taking charge and solving the problem by the regulatory system that we have.

So if each of you would help me understand, what would be the ideal system here? How can we maintain autonomy for these 20,000 centers and 1,700 organizations, and allow the people working there to focus on the children rather than filling out forms? I don't want them to become like the Federal Election Commission, where you spend 10 percent of your time and your money satisfying lawyers and accountants rather than doing what you are sup-

posed to be doing. So can you help me with that general observation?

Dr. Shaul, what is your reaction to that?

Ms. SHAUL. The Head Start program is a unique program with a long history of how it is provided. It does have very high standards for the kinds of services children are to receive.

I think part of how to give programs flexibility is to have the results-oriented part. Our work was really about the financial side, so I am not going to speak much to that, but to have the results-oriented part for the children with some local autonomy about how they get there.

But on the financial side, I think it is to do this risk assessment, to focus your energy on the most important areas, not to have a really long checklist of things that are of equal importance but perhaps individually may not be getting to the absolute most important things, but to really look at what are the key issues that give you risks in the financial area. Is it that people aren't paying attention to single audit results or what are in them, and those kinds of things. So it is creating some focus rather than treating everything as though it is equally important.

Senator ALEXANDER. Dr. Horn?

Mr. HORN. I believe that one of the great strengths of the Head Start program over the years has been the local control. I think that is very important for us to preserve, the ability of local programs to design their programs to meet the needs of their community and that whatever we do, we ought not to unduly constrain the ability of local programs to design that program to meet those local needs.

I also want to say that I think that despite our acknowledgement of weaknesses in our oversight of local programs, I think most local programs do a good job. I think that most people who work in Head Start get up every day and come to the Head Start program and help to fulfill a very important ideal, that no child should be disadvantaged in their later education because of the circumstances of their birth. At the same time, I think that there are two things that are very legitimate for the Federal Government to do, given that this is a Federal-to-local grantee administered program.

First of all, I think it is important for us to be able to assure the American taxpayers that their funds are being used appropriately and are being used only for the purposes authorized by Congress and are being used to the maximum extent possible to benefit the well-being of the kids in the local programs.

The second thing is that I think we need to do a better job of managing by results and not just intentions, that we ought to have a greater focus on whether or not children are, in fact, progressing developmentally in their local Head Start programs as opposed to simply making sure that programs fill out forms accurately.

So there is a nice balancing act here that we have to continue to strive to achieve. Preserve local control, recognize most programs are doing a pretty good job, but at the same time, do a better job of overseeing the fiscal management of the taxpayers' dollars at the local level and also manage more by results.

Senator ALEXANDER. Senator Kennedy?

Senator KENNEDY. Thank you very much. I appreciate your answer, and let me say the record ought to show that Marnie Shaul was nodding at a good part of what you said on these issues.

I think for those of us who have been strong supporters, understand that we want this to be run well, run well, the way that you described it, Mr. Horn, and that it is the local kind of component so that it is going to take into consideration the local needs of children, and they vary extensively, as we all know, and also people that are trying to do a job. These are challenging jobs that they do and they have got to be equipped to be able to meet the financial kind of responsibilities, and how you do that in a way that is non-bureaucratic, as the chairman has said, but yet requires some skills, some auditing skills and some requirements and some training programs, and to be able to do that effectively and have the role of the regional office.

We want obviously to have some, I think, addressing of these problems of the under-enrollment. I mean, that is not good. We want to make sure that these audits are done and done right and done well.

I like the idea of this recompetition of deficient programs that we are going to have for those that are deficient. There are new kinds of opportunities for children in other places and they are going to try to do it. That sends a very powerful message to people, too, so people are going to make sure that theirs doesn't fall in that kind of level. That is very important.

Just in terms of the training programs, I would like you just to talk, and maybe Marnie Shaul could talk a little bit. There was a training program at the Institute for Head Start Directives on management practices for programs. I would like you to comment where that is. Does that reach out? Is the program providing the kind of training that it should? Should they get more help and assistance, being able to do the job and do it right? Are they getting that kind of support? I think we ought to know that. Maybe you could tell us, both whether we are giving that kind of training from the Head Start program, whether we are doing that in the regional and whether we do it at the national, do it enough.

And also, I noticed in the report there were some concerns about individual Head Start centers. They told the GAO about the issues on staffing and workload and travel that kept them from addressing some of the problems that they saw in these Head Start centers, or in the regional office. Maybe you could comment on that, if you are familiar with that. I mean, what is that about?

So I am interested in how much help and assistance. If we want to get it simplified, we want it nonbureaucratic, we want accountability. We know that is the way. But, quite frankly, the people need help and assistance at the local level and regional level. How much assistance are they getting? Should they be getting more?

Mr. HORN. We recently revamped the way that we deliver training and technical assistance to local grantees. In the past, there has been, in my judgment, too much emphasis on training via conferences and too little emphasis training onsite. As a psychologist, I know that, unfortunately, the research on training suggests that what you are most likely to do after you go to a training conference is what you did before you went to the training conference, despite

the best intentions of everybody, both the trainers and those who attend. The best way to get actual behavior change is to work on-site, hands on, to provide guided practice and mentoring and then do a lot of followup to ensure that the changes are being maintained.

And so what we have done within the Training Technical Assistance Network is we are shifting to a more local grantee focus, where we have specialists in each of the regional offices and their job is to work directly with each of the local grantees to encourage more of this local training. So if there are difficulties with fiscal management, for example, the best thing is not to send somebody off to a conference to learn about fiscal management. The best thing is to send someone who knows something about fiscal management into the local program, review the way they are doing things, make suggestions for improvement, and then go back a number of times to ensure that those changes are being made.

So I do believe that we have had not as great a success as I would like to see in training local programs to ensure they have the skills to be able to manage these programs most effectively. Again, I hasten to add, that is not to say that most programs are not being managed effectively. I think they are. But the problem is that we have to ensure that all the programs are being managed effectively and we think this more locally-based T&TA structure will go a long way to helping do that.

Senator KENNEDY. Could you make a comment?

Ms. SHAUL. One of the things that we saw, Senator, when we saw grantees with problems, when we reviewed the files, was that oftentimes that was because they had difficulty in maintaining a financial officer who knew how to do things. And so I think the kind of onsite training that you are talking about is important.

I want to add, though, that I think the training of the PRISM reviewers, too, to be sure that they are able to see things on the ground when they get there is another training element that I believe is important and that you are working toward, as well.

Senator KENNEDY. Thank you, Mr. Chairman.

Senator ALEXANDER. Thank you, Senator Kennedy.

Senator Enzi?

The CHAIRMAN. Thank you, Mr. Chairman.

Assistant Secretary Horn, I appreciate the effort on the report and your testimony. In your testimony, you listed five areas that you believe Congress and the administration should work together on the reauthorization. Could you comment briefly on each of those five areas and give us a little bit more detail for the record, briefly summarize what you think Congress should do?

Mr. HORN. Let me turn to that page to remind me of those five specifically.

Well, the first recommendation is that we believe that Congress should find ways to increase the involvement of States in the administration of the Head Start program, particularly when it comes to coordination of Head Start with pre-K programs and their child care programs directed at preschool children. As has been pointed out at this hearing, back in 1965, there were no States that had a state-run and state-financed pre-K program. Today, there are 40 States or more that do so.

Does it really make sense to have two systems grow up parallel with each other and not well coordinated? I think the answer is no and the President thinks the answer is no. He thinks that we ought to find ways to better coordinate the State pre-K efforts with Head Start because when they are not coordinated well, it creates inefficiencies and can lead to under-enrollment problems.

Second, we think that Congress should provide the Secretary with greater discretion in the use of Head Start dollars, particularly related to the current 2 percent set-aside when it comes to training and technical assistance. As you know, the current statute says that 2 percent of the total budget shall be reserved for training and technical assistance, and for some years, that may be a reasonable amount. It is a lot of money. It is about \$160, \$165 million. But for other years, it may be too much, and why hamstring the Secretary's discretion when in any given year, we may make the choice to add more children to the program as opposed to spending an exact prescribed amount of money on training and technical assistance.

We would also like greater flexibility in the makeup of the monitoring teams that we send out on the PRISM reviews. Right now, the statute—and let me read the section that I am talking about here. The statute, 641(c)(2), Conduct of Reviews, and subpart (c) under that says that the makeup of the reviewers shall be conducted by review teams that shall include individuals who are knowledgeable about the Head Start programs and to the maximum extent practicable the diverse needs of eligible children.

Well, we think the most important thing for the reviewers is not necessarily—I mean, they should know something about Head Start, but they should really know something about the area that they are reviewing. There is no requirement in the statute, for example, for fiscal reviewers to be experts in fiscal management issues. If you have—under the statute, the current statute, have a choice between someone who is expert in fiscal management and somebody who knows a lot about Head Start, the statute compels us to pick the latter, not the former. Does that really make sense? It seems to me that what we ought to do is change the statute to make it clear that what we want are reviewers with the expertise in the areas that they are reviewing.

The last thing I would say, because I know I am talking a lot here, has to do with our ability to replace deficient grantees. There are two relevant statutes in this regard. The first is Section 641(a)(2), and what this requires is that the Secretary shall give priority to the designation of Head Start agencies to any local public or private nonprofit or for-profit agency which is receiving funds under any Head Start program. Now, there are some exceptions in terms of if they are not meeting certain performance standards.

But if you cross-reference that with Section 646(a)(3)—I am giving these numbers for the record. I don't imagine everyone is following those numbers. But what it says is, it says that under this objective, a financial system shall not be terminated or reduced and an application for funding shall not be denied, and a suspension for financial assistance shall not be continued for longer than 30 days unless the recipient has been afforded reasonable notice and opportunity for full and fair hearing.

This is kind of unique when it comes to Federal grants management. In most cases, when we find a grantee is doing something deficient, we can move in and defund them and then we sort it out through the appeals process. The current statute does not allow us to do that in the Head Start program, and as you know, appeals can last a long time. At a minimum—at a minimum, and that is assuming that the hearing at the appeals level is only 1 day—it requires 240 days for us to go through the process, and sometimes the appeals hearing can last months, if not, in some cases, years.

That section prevents us from moving in and defunding that grantee. So we would appreciate some greater flexibility under the statute to actually protect the taxpayers' money during the appeals process.

The CHAIRMAN. As an accountant, I love this detail stuff—[laughter]—and I have some followups on it, but I will have to do that and request those in writing. I have some additional questions that I will do for you, too, but they are all detailed like that, but they are very important information for us to get in order for us to be able to do a good job drafting legislation, so I will appreciate your answers to them.

My time has expired. Thank you.

Senator ALEXANDER. Senator Murray?

Senator MURRAY. Thank you, Mr. Chairman.

Let me follow up on that, because there seems to be some discrepancy between what GAO says you have authority on and what you think you have authority on. Ms. Shaul, can you tell us what authority you think ACF has to recompute these programs?

Ms. SHAUL. Based on our review, we believe that the agency has the ability to say that a grantee does not have priority status at renewal time if it is not meeting the program or financial standards.

Senator MURRAY. So you believe they have the authority to do that right now, but—

Ms. SHAUL. That was our conclusion.

Senator MURRAY [CONTINUING]. I believe that Mr. Horn just said he doesn't think they do.

Ms. SHAUL. That was a disagreement. Mr. Horn—Dr. Horn—agreed with all of the recommendations in our report, basically, with the exception of this area where there seems to be some lack of clarity and where I think both of us have suggested that it would be helpful for the Congress to make clearer the circumstances.

Senator MURRAY. Well, let me follow up on Senator Kennedy's question, as well. Mr. Horn, you talked about what can be done to help these programs that do have some fiscal management problems, going in and working with the programs and following up. How much of that is done today?

Mr. HORN. Not as much as we should. That is the honest answer.

Senator MURRAY. And what is precluding that from happening? I mean, it is one thing to say to a program, you have got fiscal management problems and then to go back the next year and say, you have got fiscal management problems, and another thing to say, it is our responsibility to give you the training and assistance you need to be able to meet the goals we have set out for you. So what is the obstacle from making it happen?

Mr. HORN. First of all, you have to know there is a problem before you can solve it, and so what we have been trying to do over the last 12 months is to implement systems so that we can identify fiscal problems before they become huge problems. One of the ways we have done that is by putting into our PRISM reviews a series of red flags when it comes to fiscal issues that would require that we go back and do a more indepth look at what is going on at the grantee level.

For example, one of the questions is, has the grantee borrowed money within the last 12 months? That could show some difficulty with cash management. Have vendor payments been late? Again, it could be issues with cash management. Has the amount of cash reported on the balance sheet decreased over the past 3 years, and so forth? These are red flags that were put into the PRISM reviews that we require—

Senator MURRAY. Are those in place now so that—

Mr. HORN [CONTINUING]. They are in place now, yes.

Senator MURRAY. OK.

Mr. HORN. The other thing that just recently has come to my attention, and we will do a better job of this, is taking a look at the financial statements that come to us on an every 6 months basis from local grantees to ensure that if we see substantial drawdowns or changes in drawdowns over the course of time, that we go back to the grantee and talk to them about that, because the goal—a goal of reviews, in my view, should never be just “gotcha.” What they should be is they should be reviews that are designed to help to improve the program.

Senator MURRAY. OK. So in my understanding, are you saying since you know these challenges are there for a few of the programs, you are now reviewing that more consistently and you are flagging that and sending out to these programs some help—

Mr. HORN. Exactly.

Senator MURRAY [CONTINUING]. Is that not correct?

Mr. HORN. Yes.

Senator MURRAY. So I would assume that a year from now, 2 years from now, you would come back with better numbers from some of our programs?

Mr. HORN. I would hope that would be true, yes.

Senator MURRAY. Without any changes, correct? Do you have the ability to do it now, I assume?

Mr. HORN. Well, again, there are certain things we don't have, in our judgment, the ability to do, such as, for example, we do have a disagreement with the GAO as to whether or not we are able to recompete grants when we find a grantee deficient during the appeals process, which I said can last in some cases years. And again, this is unique in the Federal management of grants—

Senator MURRAY. Right. But I understand, also, that one of the problems is ways to identify accurately those programs that do have problems so that we are not taking corrective action on programs arbitrarily.

Mr. HORN [CONTINUING]. Well, we should never take corrective action on programs arbitrarily, but if I understand your point, I agree with it, which is this. The goal of reviews is not to defund grantees.

Senator MURRAY. Right.

Mr. HORN. The goal of reviews is to try to have the maximum number of quality programs as possible. And so I don't think that we should be judged—the Federal Government should be judged by if we defunded 50 grantees this year and only 25 last year, we did twice as good.

Senator MURRAY. OK. But one of the things, if we are going to change authority and give you more authority to recompetite programs, we had better make sure there are really accurate identifiers in place so that it is not discriminately targeting programs, but it is based on accurate information which we don't currently have.

Mr. HORN. I am always in favor of accurate information.

Senator MURRAY. Ms. Shaul, would you agree?

Ms. SHAUL. Yes. One of our recommendations was, in fact, that how grantees are determined to be deficient be very clear, not only from the standpoint of the agency, but so that also grantees know exactly what those circumstances are, that the standards be clear and transparent to everyone.

Senator MURRAY. And I am hearing you say that is not currently the case?

Ms. SHAUL. When we reviewed files in the field, we looked at 20 files where we had grantees that looked in the file review to have similar numbers of financial problems, similar types of financial problems, similar program governance problems, and yet half of the grantees were determined deficient and half were not. We would have expected pretty similar outcomes, whatever the outcome was, for all 20 of those files. So I would say that there is not a—has not been a consistent standard.

Mr. HORN. And if I may add one thing, Senator, we are concerned about inconsistencies across the regions, and that is one of the reasons why this year we are implementing for the first time a system of re-reviews of a sample of reviews that have been done over the course of the year by specially-trained reviewers who go in and basically will act as calibrators across the various regions to make sure that each of them are reviewing the same information and coming to the same—you know, in the same way and coming to the same conclusion. So we share the concern about the issue and we are taking steps to try to deal with it.

Senator MURRAY. I think that is really important, because Head Start programs out there are struggling with a lot of different challenges—kids who are coming really needy to their programs, parents that are struggling, all kinds of things, and they want to do a good job. But if we have different ways of evaluating different programs, then we are just going to send these programs of Head Start into nightmares of trying to do all kinds of forms rather than doing what we want them to do, which is to make sure kids get the best possible start.

Thank you, Mr. Chairman.

Senator ALEXANDER. Thank you, Senator Murray.

Our ranking member of our subcommittee, Senator Dodd?

Senator DODD. Thank you very much, Mr. Chairman. I apologize to my colleagues and others for arriving a bit late. I have two new young ones, and one with a high fever this morning. I am learning the joys of parenthood at this stage, so I apologize for arriving late.



Senator ALEXANDER. We call those field hearings.

Senator DODD. Yes. [Laughter.] You know, having written a lot of these laws as a single person, I am beginning to appreciate the effect of my efforts here now.

[Laughter.]

Well, thank you very much, and thank you, Mr. Chairman, for doing this. This is very worthwhile and tremendously helpful and important and I want to thank GAO for their work. I am always impressed with the work that the Government Accountability Office does, and certainly it can be very helpful in all of this, too.

I would ask, Mr. Chairman, unanimous consent that some opening comments be included in the record.

Senator ALEXANDER. Without objection.

[The prepared statement of Senator Dodd follows:]

#### OPENING STATEMENT OF SENATOR DODD

Mr. Chairman, I'm pleased to join you in holding this hearing today. I know we share a common goal that our Nation's poorest children have access to a high quality preschool program.

Of course, Head Start is much more than a preschool program, offering comprehensive services to 900,000 children throughout the country. I often refer to Head Start as a stealth health program because without Head Start, hundreds of thousands of poor children each year would not receive the health care, dental care, vision screening, and screenings for potential developmental delays that the program provides to help poor children enter school ready to succeed.

As we all know, the children that participate in Head Start enter with great deficiencies compared to their counterparts who are better off financially. That's why it is so important that Head Start programs remain the gold standard for early learning and preschool.

The Government Accountability Office has found some troubling breakdowns within the monitoring system for overseeing Head Start programs. I welcome GAO's recommendations and look forward to working with GAO and the Administration for Children and Families to ensure that both Head Start programs and the monitoring system designed to help guide and oversee their operation work as intended.

Head Start has a more comprehensive, extensive monitoring system than any other preschool or pre-kindergarten program in the Nation. That's by design, a system that has evolved over the years as the science about early learning has grown matched only by our desire to ensure that each Head Start program meets the quality performance standards, which have evolved over the years as well.

When I look at the number of monitoring tools available within the Head Start oversight process, it is clear that the monitoring tools are in place. But, somehow, both at the Head Start grantee level and within HHS, the tools have become just another check-off item in the process.

I suspect that local Board governance and oversight is a problem for grantees with serious or chronic problems. It seems to me that with the extensive monitoring system that applies to Head Start,

potentially stronger local Boards could pick up on problems in the self-assessment, the monthly financials, and the annual audits.

I know that the PRISM review is comprehensive, it has nearly 1,800 program requirements, including 573 requirements in fiscal management alone. And, it speaks to the quality of the monitoring system that such a comprehensive review occurs onsite for every Head Start grantee every 3 years. But, that review represents the back-end of the monitoring system in my view.

We need to figure out a way to strengthen Board training, management, oversight, and systems review on the front-end as the first step in program governance and program oversight. This is a role for HHS, not one where HHS should say “go find your own training.” The local Boards need to be actively engaged in each program and knowledgeable about program rules.

No Head Start agency begins the day asking what program violations can they commit today? I am hopeful that this hearing will offer many recommendations to further strengthen Head Start as we begin drafting reauthorization legislation in the weeks ahead. We need to reform the monitoring system so that it serves as a management tool, not a check-off list of items that is ignored upon completion. If we invest in appropriate training on the front-end, including management and systems training, we will have stronger programs and better outcomes for children.

Senator DODD. Let me, if I can, I would like to focus, if I could, on what I consider to be sort of the absence of some real management tools, if I can, Mr. Horn, with the kind of review we are looking at here. Let me sort of state, if I can, my concerns here about this approach.

I don't think that boards of these Head Start centers begin the day by saying to themselves, “I wonder what violations we can commit today?” I work off the presumption, and I assume you do, that these are very good, very talented, committed people who believe that Head Start makes a significant contribution, and it seems to me it is in our common interest, then, to try and do what we can to strengthen these boards.

My concern basically comes down to this, and that is whether or not we are putting enough emphasis on the front end of this process rather than the back-end of the process, whether or not we are providing these boards with the kind of management skills and tools that they can conduct the kind of reviews of how these centers are being run rather than sort of waiting at the end of the process and going in with an 1,800—look at the size of this thing. I mean, it is a huge thing, these PRISMs, that go in and go back and review this. It seems to me you can—catching the violation.

If we are truly interested in making Head Start work, then we ought to be doing what we can to see to it that these institutions have the tools necessary. Why don't we put up, if you want, that chart there on these management tools. I know you are familiar with all of these, but it seems to me it is important to look at it.

So I begin on that presumption. I presume you do, as well—

Mr. HORN. Yes.

Senator DODD [CONTINUING]. That these people are not out to somehow violate the law, but rather want to do a good job and the question is, can HHS provide them with the necessary tools to

make it possible for them to do a better job so we minimize the very things that the Government Accountability Office has encountered in their review, and that is really the essence of my question for you, I suppose.

When I look at the number of tools available within the Head Start oversight process, it is clear that the monitoring tools are in place, as you see them here. These are the management tools, and those are pretty good tools, and pretty comprehensive, because I was reading them last night, going back over them. They are rather significant. But somehow, both at the Head Start grantee level and within the HHS, the tools have become just another checkoff system in the process. Has the annual self-assessment been done? Check. Have the monthly financial reports been given to the board? Check. Did the financial audit get completed? Check.

What I would like to know from Dr. Shaul at GAO is how many of the violations are related to the operation of the local grantee boards, for instance? We can get to the answer in a minute, if you would. I expect that board governance and oversight is a problem for grantees with serious or chronic problems.

And for Dr. Horn, while I appreciate your testimony today about the reforms that you are making, frankly, when I looked at your Head Start management initiative, I didn't see anything in it with regard to the board training, board management, board oversight, and systems review by the boards. So it seems to me that with the extensive monitoring system that applies to Head Start, potentially stronger boards could pick up on the problems in the self-assessment, the monthly financials and the annual audits, rather than just going and saying they have been done and checking them off, but rather really getting into them.

The review, in my opinion, represents—what we are looking at here, the PRISM review, while it is comprehensive, but that is the review, in my opinion, that represents the back end of the monitoring system. What steps could HHS take to provide management assistance and program oversight assistance to the boards themselves is what I am getting at here.

So that is really my question to both of you. Why don't we begin with you, Dr. Shaul, and how many of these problems did you encounter as I raised here related to the operation of the local grantee boards?

Ms. SHAUL. Senator, when we looked at the kinds of issues that came up most often with grantees, they turned out to be areas of program governance, just what you suggested that they might be. It is things like not having systems in place so that the agency would generate the kinds of reports on finances and program results that would allow the board to have—to know what is going on at the agency on a regular basis and be able to provide guidance to the executive director and the staff. The Federal Government can do the systems approach, but the day-to-day oversight of the agency really is the board's responsibility, and so they are very, very key.

And some of our other examples of problems that we saw in grantees that we mentioned in our report, what we sometimes saw was poor communication between the board and the executive director, the board not knowing what was going on with the audits,

and so on. So in those situations, it happens that grantees can get off track when the board doesn't have the information it needs to provide the oversight. So you have identified a very key element.

Senator DODD. And to you, Mr. Horn, then why don't we do this? If we are truly interested—if you begin with the assumption that people aren't getting up in the morning on these things and saying, "I wonder what violations we can commit today," but rather, "How can we do a better job?" wouldn't it make some sense to really provide that kind of assistance?

And I know you are providing some money already. I am anticipating a response to this will be some of the resources you are putting into that. But as I looked over the amount of money, a one-time \$3,000 grant to boards, presumably to purchase their own training somewhere, or that you once provided satellite video to boards, it seems to me we might want to revisit a sampling of Head Start grantees to do an additional PRISM, which may or may not be necessary, but it may fit into this process a little more in a more worthwhile way. What is your answer to that?

Mr. HORN. Well, first of all, may I say for the record I do agree with you that people do not get up every day and wonder what kind of violations—

Senator DODD. I should have acknowledged your head was nodding affirmatively when I said that.

Mr. HORN [CONTINUING]. And governance of any nonprofit is really critical to the effective functioning of that organization, and that is particularly true in Head Start because there is a unique piece of the governance structure in Head Start, which is the Parent Policy Council. One of the things that I think is so extraordinary about Head Start and I think is very, very well worth preserving no matter what reforms we do is the idea that parents themselves should be in the majority status when it comes to the Parent Policy Council and that that is a way to ensure that parents have input into the program and that the program reflects the needs and desires of the parents of the children being served.

The problem, however, or maybe not a problem, but the challenge is that means that we are dealing with probably some governance boards which are not very sophisticated initially and that puts a special obligation, it seems to me, on the Federal managers to ensure that we build in that sophistication and that expertise in the Parent Policy Councils, in particular. That is why last year we did dedicate about \$6.7 million in supplemental funding to local programs to do training in terms of governance.

It is also one of the reasons why we have restructured our Training and Technical Assistance System to be more local program based and focused as opposed to focused to a large extent on conference training. And what we are doing is with the Training and Technical Assistance Specialists assigned to each of the local programs is we are trying to figure out what are their most compelling needs. And I agree with you that one of the most compelling needs of many programs may be better training in a governance system.

So we hope—this is a new system that is really focused on local programs and getting the training done at the local program level as opposed to a distance learning. But I am hopeful that that will

help us strengthen the governance structures within local programs.

Senator DODD. That is a good point, but actually, we need to do both. I mean, I think the boards and the policy councils, it is not an exclusivity here. They both need the help. And it seems to me particularly, since the boards themselves are the governing body, in a sense, that to the extent we can take some of these scarce resources, and they are scarce and I appreciate that. You don't have unlimited resources. But rather than, as I mentioned earlier, sort of revisiting a sampling of these Head Starts, to take those resources and put them into training, so if you are the new board, here is what your obligations are, here is what your responsibilities are, and early on, we get them involved.

I am assuming, again, a good board wants to know what is going on and wants to be able to make the kind of corrections, be an effective board, my point being it seems to me that would make more sense than coming in after the fact, as we have done here and as Dr. Shaul, I think, agrees with me in a sense from your comments there, to really put the emphasis on the front end, at least as much on the front end as we do on the back end of the process. Do you agree with that?

Mr. HORN. Yes, I do. Look, it is always better to prevent a problem from beginning in the first place than trying to cure a problem. It is cheaper for everybody and the kids are going to be far better off when problems are prevented from happening.

I think we need to do both. We need to do a better job of up-front training and we also need to do a better job of our oversight of the way that the programs are actually being implemented. But in terms of poor training, I think that is a very critical issue and I take your recommendation quite seriously.

Senator DODD. Maybe, Mr. Chairman, we might take a look at that at some point, maybe just even have a witness or two come and give us some ideas of how we might strengthen that aspect of this.

But again, I thank GAO and I thank the chairman for doing this today. Thank you very much for coming.

Senator ALEXANDER. Those are very constructive suggestions and this has been very helpful testimony, Dr. Horn and Dr. Shaul. Thank you for your work.

Senator ALEXANDER. We will now invite the second panel to come to the table. While they are doing that, I will introduce them, to save a little time. As we discussed with them before, we have your statements and either have read or will read them. We will ask each of the witnesses, who will be introduced in just a moment, if you could summarize your comments in 5 minutes or less, and that will give the Senators—we will try to restrain the Senators to 5 minutes, as well—that will give us a chance to ask more questions and to have a better, more indepth discussion.

I will introduce two of the witnesses and then I am going to ask Senator Dodd if he would like to introduce Olivia Golden. Would you like to do that? And then Senator Roberts is coming over to introduce Dr. Caccamo.

The two witnesses that I will introduce: first, it gives me great pleasure to present A.C. Wharton, who is the Mayor of Shelby

County. Shelby County surrounds Memphis. It is our largest county in Tennessee and A.C. Wharton is one of our most distinguished public servants. He has been the Shelby County Public Defender. He has been Chairman of the Tennessee Higher Education Commission.

He is a law professor, a pioneer in a great many areas, and he is invited here today because he has been for the last 3 years tackling problems with the Head Start grantee in Shelby County. And while we have been hearing in this first set of panels the difficulties in managing and controlling and, if necessary, defunding a grantee as between Washington and the grantee, I hope we will hear from Mayor Wharton and from others on this panel what it is like to try to take control of a local agency that is having problems.

I would like to also introduce Yvonne Atkinson Gates, who is a County Commissioner from Clark County in Nevada. Senator Ensign strongly recommended that we hear your story, Ms. Gates. She attended Clark County High School, graduated from the University of Nevada-Las Vegas in 1978 with a Bachelor's degree in political science and journalism, and has a distinguished career locally. We welcome you and thank you for coming such a long distance to let us hear from you.

Senator Roberts is here. Senator Roberts, would you like to make an introduction, and then we will go to Senator Dodd.

Senator ROBERTS. I certainly would, Mr. Chairman. I apologize for the lateness of my arrival, but we were discussing some intelligence matters with some of our allies in the Intelligence Committee, and it was a good meeting. I don't want to alarm anybody.

[Laughter.]

Mr. Chairman and members of the committee, I am honored to introduce Dr. Jim Caccamo, a true expert and an advocate in the field of early learning. I am pleased that the doctor is here with us today to discuss the past and current financial management of a Kansas City Head Start grantee and his thoughts on what steps could have been taken to avoid the financial problems which are becoming more egregious and a big press item out in our part of the world and I think through all the Head Start world and pose a great challenge to us.

The doctor is a respected leader in the greater Kansas City area for his work and his dedication to early childhood issues. He has an extensive background in early childhood, ranging from his work as an Assistant Superintendent for Special Programs for the Independence, Missouri School District to his work as the Director of the Metropolitan Council on Early Learning. The council is a highly respected organization which specializes in metropolitan planning for early learning for the bi-state Kansas City region. The vision of the council is that all children will enter school prepared for success. They work with an extensive network of community partners from the public and private sector to develop and implement an early learning system that supports families and prepares children for success in school.

It is also important to note the good doctor's past work as Executive Director for the Partnership with Children. That partnership is a Kansas City-based organization whose mission is to work on

a collaborative basis to protect and improve the quality of life for children and youth through research, through education, through mobilization and capacity building. The partnership is now known for its annual report cards, which actually measure the status of children in a variety of areas in the five-county metropolitan area.

The doctor also spearheaded the Number One Question campaign, an effort the organization launched back in 1997. The Number One Question campaign encourages everyone in their communities to ask the question, is it good for the children? So before making any decision, ask the question that should be asked. Now, this is a cause which I proudly championed here in the Senate a few years ago with the National Association of Child Care Resource and Referral Agencies.

As you can gather from his credentials, it is no secret that the doctor is a dedicated and passionate leader in early childhood issues. I am confident his testimony will provide great insight into the Head Start financial situation, which is very egregious in Kansas City, and also provide positive steps we need to take to ensure a similar situation does not occur in the future.

Doctor, I thank you for taking the time out of your busy schedule to be here today. I look forward to your testimony, and I thank my colleagues for their patience, and thank you, Mr. Chairman.

Senator ALEXANDER. Thank you, Senator Roberts.

Senator Dodd, would you like to introduce Dr. Golden, and then we will go down the line.

Senator DODD. I would be honored to introduce Dr. Golden. Truth in advertising, I am a fan of Dr. Golden's. This is a remarkable individual, Mr. Chairman, who has made, really dedicated a substantial part of her professional life to these very, very issues and today is the Senior Fellow at the Urban Institute.

Many of my colleagues may recall actually working with Dr. Golden in the past. She has served recently, prior to the Urban Institute, as the Director of Child and Family Services Agencies here in the District of Columbia, leading that agency out of receivership, I might add, into a solvent condition, and I congratulate you on that.

And then Dr. Golden, previous to that, served in two Presidentially-appointed positions within the U.S. Department of Health and Human Services, first as the Commissioner for Children, Youth, and Families, and then as the Assistant Secretary for Children and Families. In those roles, she was responsible for over 60 Federal programs, including Head Start; Early Head Start, which was created during her tenure to extend benefits to Head Start to babies and toddlers age 0 to 3 Federal child care programs, which I was deeply involved in with Senator Hatch in drafting initial legislation in that area; child abuse and neglect programs, including the implementation of the Adoption and Safe Families Act of 1997.

She was also Director of Programs and Policy for the Children's Defense Fund, a lecturer at the Kennedy School at Harvard, and Budget Director for the Executive Office of Human Services in the Commonwealth of Massachusetts. She is an author on poor children and welfare reform, just an extensive background, very, very knowledgeable and tremendously helpful to have as a part of any discussion about Head Start.

I didn't get a chance at the opening of my comments just to State what I said. Head Start is—obviously, every program deserves to be looked at and we need to address issues that can emerge from it, but I am a strong believer that Head Start has made such a tremendous positive difference in people's lives, and we take some parochial pride in that the author of Head Start, of course, is a Connecticut resident and a long-time friend of mine who advocated the program of Head Start back, I guess about 40 years ago now. So we take particular interest in the program and how we can sustain it and strengthen it in the coming years.

So again, I thank the chairman for having this hearing, and Dr. Golden, it is truly an honor to see you once again and have you before us.

Senator ALEXANDER. Now that we have introduced the members of the panel, we welcome Senator Clinton, as well.

Why don't we go on to the 5 minutes of summarized testimony and then we Senators will plunge in with some questions. Why don't we start with Jim Caccamo and go right down the line with the Mayor, then Yvonne Gates, then Olivia Golden.

**STATEMENTS OF JIM CACCAMO, DIRECTOR, METROPOLITAN COUNCIL ON EARLY LEARNING, KANSAS CITY, MO; A.C. WHARTON, MAYOR, SHELBY COUNTY, MEMPHIS, TN; YVONNE GATES, DIRECTOR FOR MARKETING AND COMMUNITY RELATIONS, CENTER FOR ACADEMIC ENRICHMENT AND OUT-REACH, CLARK COUNTY, NV; AND OLIVIA A. GOLDEN, SENIOR FELLOW, URBAN INSTITUTE**

Mr. CACCAMO. Thank you, Mr. Chairman and members of the committee, for allowing me to be here today to testify.

One of the early adopters of the Number One Question campaign in Kansas City was KCMC Head Start. Using the Number One Question, each and every program was reviewed and, where necessary, changes were made so that they could say, yes, Head Start is good for the children. For over 3 decades, Head Start has delivered high-quality comprehensive services to children and families. The KCMC executive director devoted his 27-year career to developing innovative approaches to educating young children and supporting their families. Through his leadership, KCMC reaches over 2,700 children and their families annually.

His strong sense of importance for early childhood helped engage the private philanthropic community to make sizeable contributions toward continued program improvement in both Head Start, but in the broader early childhood area within our community. It is ironic that such a solid agency programmatically experienced such financial and governance mismanagement.

The financial and governance mismanagement problems began to surface 4 years ago. The controller and chief financial officer was engaged in a kickback scheme and in February 2002 plead guilty to bribery and money laundering. He is currently serving a 51-month sentence in prison and was ordered to pay \$800,000 in restitution.

In March of 2002, Kansas City, Missouri School District began trying to collect payments of approximately \$1.5 million for Head Start services they provided. These serious problems should have



caused intensive scrutiny and supervision of all financial and governance practices at KCMC, but clearly, whatever interventions occurred were not sufficient.

In October 2003, some 18 months after learning of the controller's abuse, the Kansas City Star reported on the KCMC board's paying the executive director an excessive salary. Revelations about fiscal mismanagement continued to unfold, and in February 2004, the executive director resigned. And in December of 2004, the agency gave up the Head Start grant. It is estimated that KCMC is as much as \$3 million in debt.

The financial mismanagement, excessive salary, employee kick-back problems could have been avoided with tighter oversight on the part of the board and the executive director. Since last winter, the Community Development Institute in Denver, Colorado has run the Head Start program. The programs for children and families served by the agency remain strong, without noticeable interruption in service, throughout this period.

There is strong community interest in seeing that Head Start continues to be a flagship program. Our best community organizations have come together to talk about responding to the RFP when it is published. Our community will respond with a strong application that reflects our commitment to quality, comprehensive services to children and families and to ensuring strong fiscal management. Fiscal and governance problems that occurred at KCMC have been identified, and local experts are responding to the RFP, are trying to put together careful attention to ensuring these issues do not happen again.

All of us who care deeply about supporting low-income children and their families during these early years must ensure that the Head Start monitoring process helps programs provide the best possible support to children and families.

I have participated in Head Start reviews over my career and found them to be rigorous and thorough. In fact, it seems to me that Head Start reviews are more complex and rigorous than many of the other program reviews with which I have taken part. Clearly, these reviews are necessary and the GAO's recommendations seem appropriate.

In KCMC's case, rules and regulations were in place, but we must be committed to having all financial aspects closely attended to by the board and the director. I believe that there are some additional steps that could be taken, and let me outline them for you.

First, board membership should include community members from the delegate agency and school board members from one or more of the contracting school districts.

Two, increased involvement in board program and fiscal accountability with closer review in monitoring the budget, ensuring that payments are made in a timely manner, and that each budget year is closed out using only current fiscal year money.

Three, insistence that delegates and subcontractors notify the executive director and treasurer of the board in writing when payment for services is more than 60 days in arrears, and notification of the executive director, treasurer of the board, and regional ACF office if those payments are 90 days in arrears.

Internal controls on financial transactions, such as procurement, accounts payable, payroll, expense reimbursement, must be strengthened and fiscal review must attest that the agency is following all of ACF's financial regulations.

And last, staff development for senior management and the board of directors should be required, including a review of ACF's budget practices, budget planning, and ethical leadership.

Ensuring that financial and governance problems don't occur is a matter of ethics, integrity, accountability, and active engagement of the board of directors.

In conclusion, I want to thank the committee for their focus on helping to improve one of our national treasures. For almost 40 years, Head Start has served our Nation's low-income children and their families to help ensure their physical and emotional health and to prepare these children to be successful in school. Head Start has made a difference to millions of our children. Strict rules and regulations are necessary, but communities must also assure that their local Head Start programs are doing the best possible job fiscally and in governance. In Kansas City, we believe that Head Start is good for the children. Thank you.

[The prepared statement of Mr. Caccamo follows:]

PREPARED STATEMENT OF JAMES M. CACCAMO, PH.D.

Mr. Chairman and members of the committee, thank you for allowing me the opportunity to testify this morning.

**Introduction**

For the past 34 years I have been actively working to improve the status of children in Metropolitan Kansas City. My name is Jim Caccamo and I am the director of the Mid America Regional Council's Metropolitan Council on Early Learning.

For our young children and their families, the words of Rogers and Hammerstein's song from the musical Oklahoma, couldn't be truer, "everything's up to date in Kansas City." Over the past dozen years, our community has worked hard to improve early learning with the vision that every child will begin school ready to learn. Civic, business, and philanthropic leaders have formed partnerships with many agencies and organizations to promote the well-being of our children.

Eight years ago, Kansas City began a campaign to help focus our community's attention to the well being of our children. We asked every citizen to use what we called Kansas City's #1 Question—*Is it good for the children?*—as a guide for making decisions at home, in schools, in the workplace, in places of worship, and in their neighborhoods.

One of the early adopters of the #1 Question Campaign was KCMC—Head Start. Using the #1 Question as a guide, each and every program was reviewed and, where necessary, changes were made so that they could answer "yes"—*it is good for the children.*

For over 3 decades Head Start has delivered high quality comprehensive services. KCMC's Executive Director devoted his 27-year career to the enhancement and development of innovative approaches to educating our young children and supporting their families. Through his leadership KCMC reaches over 2,700 children and their families annually. His strong sense of the importance of early childhood helped engage our private philanthropic community to make sizable contributions toward continued program improvement in both Head Start and the broader early childhood community. Understanding the value of Head Start's comprehensive approach to children and families, there has been and continues to be extremely strong community support for Head Start in Kansas City.

KCMC delivered outstanding care to young children. The agency stressed quality in every programmatic aspect of its Head Start program and was a leader in ensuring that its sites moved toward accreditation by the National Association for the Education of Young Children.

It is so ironic that such a solid agency programmatically, still experienced financial and governance mismanagement.

### **What Happened in Kansas City?**

The financial and governance problems at KCMC began to surface 4 years ago, in April 2001. The Controller/Chief Financial Officer was engaged in a kickback scheme and in February of 2002, pled guilty to bribery and money laundering. He was sentenced to 51 months in prison and ordered to pay over \$800,000.

In March of 2002, the Kansas City Missouri School District began trying to collect the delinquent payments of approximately 1½ million dollars from KCMC for operating Head Start programs.

These serious problems *should* have caused significant and intensive scrutiny and supervision of all financial and governance practices at KCMC.

But clearly, whatever interventions occurred were not sufficient. In October 2003, some 18 months after learning of the comptroller's abuses, the *Kansas City Star* reported that the KCMC Board was paying the Executive Director an excessive salary. Revelations about fiscal mismanagement continued to unfold. In February of 2004, KCMC's Executive Director resigned. In December of 2004, the agency gave up the Head Start grant. It is estimated that KCMC is as much as 3 million dollars in debt.

The fiscal mismanagement, excessive salaries, and the employee kickback problems could have been avoided with tighter oversight on the part of the Executive Director and Board.

Since last winter, the Community Development Institute in Denver Colorado has been running the Head Start program. During all of this, the programs and services for children and families served by the agency continued to be strong without a noticeable interruption in services.

There is a strong community interest in seeing that Head Start continues to be one of our "flagship" programs. The very best of our community organizations have come together to talk about responding to the RFP that will soon be published. Our community will respond to the RFP with a strong application that reflects our commitment to quality comprehensive services for children and their families and to ensuring strong fiscal management.

The financial and governance problems that occurred at KCMC have been identified and local experts who are working on responding to the RFP are bringing particular attention to ensuring that these issues do not reoccur.

Kansas City has been driven by a strong vision that all children will start kindergarten ready to learn. We are committed to continue to provide the strong early education experiences that our children need.

### **What Steps Could Have Been Taken That Could Have Avoided the Situation in the First Place?**

All of us who care so deeply about supporting low-income children and their families during these early years must come together to ensure that the Head Start monitoring process helps programs to provide the best possible support for children and families.

The Government Accountability Office's recommendations to improve program oversight and financial management seem appropriate.

I have participated in Head Start reviews over my career and found them to be rigorous and thorough. In fact, it seems to me that the Head Start reviews are more complex and rigorous than any other program reviews with which I am familiar. Clearly, these reviews are necessary and as I said the GAO's recommendations seem appropriate.

In KCMC's case, rules and regulations were in place. But, we must be committed to having all financial aspects closely attended to by the Board and the Executive Director.

I believe that there are additional steps that can be taken at the community level. These include but are not limited to:

1. Increased Board membership to include community members such as a member from a delegate agency and a school board member from one of the contracting school districts.

2. Increased involvement of the Board in program and fiscal accountability with closer review and monitoring of the budget, ensuring that payments are made in a timely manner, and ensuring that each budget year is closed out so that the current fiscal year's bills are not paid with next fiscal year's dollars.

3. Insistence that delegates and subcontractors notify the executive director and treasurer of the Board, in writing, when payment for services is more than 60 days in arrears. They should also be instructed to notify the executive director, treasurer of the Board, the regional office of ACF if payments are over 90 days in arrears. These red flags, if they occur, should be enough for ACF fiscal oversight to become very engaged.

4. Internal controls on financial transactions such as procurement, accounts payable, payroll, and expense reimbursement, must be strengthened and fiscal review must attest to the agency's following all of the financial regulations of ACF.

5. Staff development for the senior management and the Board of Directors should be required. This development should include a review of ACF's budget practices, budget planning, and ethical leadership.

Ensuring that financial and governance problems don't occur is a matter of ethics, integrity, accountability, and active engagement of the Board of directors.

#### **Conclusion**

In conclusion, I want to thank the committee for their focus on helping to improve one of our national treasures. For almost 40 years, Head Start has served our Nation's low-income children and their families to help ensure their physical and emotional health and to prepare the children to be successful in school. Head Start has made a difference for millions of children.

Please keep in mind that strict rules and regulations are necessary but communities must also be committed to ensuring that their local Head Start programs are doing the best possible job for children and families.

In Kansas City, we believe that Head Start *is good for the children*. Thank you.

Senator ALEXANDER. Thank you, Dr. Caccamo, and Mayor Wharton, welcome.

Mayor WHARTON. Thank you and good morning, Mr. Chairman. I can only echo what Dr. Caccamo said with respect to the Kansas City program. I noted in my written testimony that while the GAO's report is well, as far as it goes, as indicated by the previous testimony, I think it would be presented in a vacuum if we did not go all the way down to the delegate agency level. The problem is not so much how we detect wrongdoing but what we are able to do about it once we detect it.

I agree fully with the premise of Senator Dodd's question to the effect that, or observation to the effect that most employees do not get up in the morning thinking of what kind of wrongdoing they can engage in. Out of the 800 or so employees we have down in the Shelby County Head Start program, I know that that is correct.

However, there were a few members on the board who did, in my opinion, wake up each morning and see what kind of excesses they could become involved in. And even when we detected those wrongful activities, the hoops we had to go through were unbelievable. Now, I have a legal services background. I have worked with boards. I am a former public defender. I have no problem with the shared governance concept.

I do believe, however, that there are certain areas in which we need a bit more direct control at the grantee level, specifically the business side—buying gasoline, buying trucks, signing contracts. I, quite frankly, don't believe most of the parents I come in contact with wish to serve on a policy council to deal with where you buy your gasoline or where you buy your insurance. They want to make sure that during the day, when their little children are there, that there is a caring, educated, trained caregiver, teacher, whatever, aide, whatever, who is going to make sure that that child is progressing as he or she should and that any deficiencies that child might exhibit at an early age are corrected in the most effective manner.

If you will look at the areas in which most of the excesses took place, they were not in how well the children were actually cared for. They were in these other areas of business. One thing I would suggest is that we remove from that area of shared governance those strictly financial and business decisions. Yes, parents ought

to have a direct say-so in what their child is taught, what challenges they face to encourage them to be ready to learn when they reach our schools. If we could simply pull back a part from the parental involvement aspect of it, those are the business decisions. That is where they get into trouble.

But even again, after we identified the deficiencies there, it is virtually impossible to do anything. The delegate agencies have a right to continue operating, and guess what, they have a right to continue spending the money to fight you as you try to straighten it out. I believe in due process. But in these instances where we have programs being literally imploded in front of us, we lose so much respect for the public that it is impossible for us to regain the credit that the community has to give us if Head Start is going to continue to be an effective program.

Mr. Chairman, I heard you mention the higher education model in which Congress does not get involved in the day-to-day affairs of a given college or university. That is correct. But you do, from the standpoint of whether a student is making satisfactory educational progress. If they are not, then that college or university has clear and direct authority to say, you will not come back next September, or if you come back, you will not get financial assistance, and it is precise. It is exact. We need to be certain with respect to Head Start.

I, again, emphasize the fact that this is not to assail shared governance. But keep in mind, in many instances, you have your policy committee, you have your policy council, and in my case, I had a county commission. So while I was able to tangibly see what was going wrong, it took me almost a year to correct it. And even then, I had to take a page out of your book, Mr. Chairman, when you were sworn in as Governor down there when your predecessor was selling the pardons down there and you had to go in early. I didn't know whether I had the authority to do it or not. I basically pulled the financial operation physically and literally into my Finance Office. I had the books there. That is the only way we straightened it out now. Had I had to go through the policy council, that never would have happened.

One final observation, if I might. In many of our communities where the Head Start programs operate, a Head Start program is political gold. You build a lot of influence. If you take a powerful Head Start policy council, they can go head-to-head with an elected official any day. Again, please do not confuse any of this with the idea or the suggestion that parents should not be involved. But in certain areas that are ripe for political interference, that are ripe for graft and the other things that we are seeing, I think we need to pull those out of the shared governance model and hold us all strictly accountable for those financial and business matters.

I will be more than glad to respond to any questions later on.

[The prepared statement of Mayor Wharton follows:]

PREPARED STATEMENT OF THE HONORABLE A.C. WHARTON, JR.

During my campaign for the office of Mayor of Shelby County, Tennessee, I stressed that my first three priorities would be education, education, and education. By that statement I was attempting to project that a sound education was the bedrock of any progress Shelby County might make. By "education" I include preschool exposures that will ensure all children are ready to learn upon entering kinder-

garten, and that their families receive the appropriate assistance in developing support tools to help their children thrive.

Based upon that philosophy, upon taking office in September 2002, I first set my intentions to make an inquiry about Shelby County's troubled Head Start operation. News reports often chronicled the difficulties within Shelby County's largest delegate agency, an entity known as Head Start, Inc.

Shelby County Government was and is the official grantee for all Head Start funds. As Mayor of Shelby County, I believed I had full authority over the program, and I knew I had a moral obligation to ensure that it was adequately serving the children and families in my community.

Drawing on my background as a trial lawyer, I poured through, literally, many feet of files, investigative reports, and assessments. Additionally, many concerned citizens beat a path to my door to tell me of the troubles of Head Start. After thoroughly researching the issues and listening to the concerns of citizens, I had a clear vision of the immediate and long-term changes required for us to have a successful, stable and well managed Head Start program in Shelby County.

What I could not anticipate was how the political realities, created largely by the obstructive albeit well-intentioned governance structure for Head Start, would prevent swift and decisive action.

I was elected with 62 percent of the vote, due in large part to the fact that I had bipartisan endorsement. My support base crossed all racial, demographic, and political lines. Given this broad support, I assumed that when I set out to correct what I believed to be obvious deficiencies in this most critical program, I would be able to accomplish the task. Unfortunately, I found that my motivations were questioned and that it was not going to be the efficient task it should be.

As a defense lawyer, I am well respectful of the due process rights our Constitution accords our citizens. I feel, however, that the hurdles I had to face in ridding Shelby County of an ineffective, and perhaps illegally operated program, went far beyond our founding fathers' notion of due process.

With this in mind, it is my belief that all Head Start grantees, such as Shelby County Government, should upon receipt of their grant or as a condition of receipt of their grant, be allowed to develop a local governance and operations program that determines how best to select delegate agencies and how to terminate those contracts efficiently when needed. Once this due process program is approved, it should rest solely with the grantee to determine when a contract is to be terminated. The role of the Federal Government should be simply to ensure that the grantee has complied with its due process plan it submitted to HHS and which has been approved by HHS. The best interest of the intended recipients of Head Start programs should be the focus of any due process review.

While I understand and support the provisions of the policies that set forth the parameters for the policy councils' authority, my experience is that the resulting practice serves to delay and overcomplicate the termination process. The broad and expansive role given to the policy committees adds other areas in which delay occurs. Additionally, in the case of Shelby County, a vote of the Shelby County Commission was required. With each member of this body being elected by the public, there obviously is room for much political interference.

It is my opinion that our present Head Start scheme is one in which process has trumped product. Head Start was designed as a compensatory education project for culturally deprived children. The purpose was to ensure that these children receive services and attention that would prepare them to be ready to learn once they enter school.

Because of the complicated procedural regulations, more time is given to "the process" of running the Head Start programs, and all of the attendant politics, than is given to the intended product, namely well cared for, and well taught children, ready to learn when they enter school.

Nothing herein should be construed to mean that governments or any other grantee should be allowed to ride roughshod over the dignity that should be accorded all participants and Head Start programs whether they are grantees, policy councils, policy committees, or certainly children and parents. What I do feel emphatically is that the pendulum has swung too far in an effort to correct the excesses that accompanied the origin of our many War on Poverty programs in which those from the outside came in and professed to know what was best for the service recipients, giving them no voice, but only imposing on them their designs for a greater society. We need to pull the pendulum back to a middle ground which gives the appropriate respect to the desired end of participant involvement while at the same time not bogging down the programs with procedural hoops that detract from the overall goals of the Head Start program.

Again, I wish to emphasize that in my legal services experience, I worked closely with citizen boards. I have also worked closely with citizen boards in many other civic programs. I emphasize that because I want to make it clear that this is not a call for eliminating policy committees and policy councils. I do feel, however, that the role of the policy councils in such areas as the selection or termination of delegate agencies should be reviewed carefully. As it now stands, regardless of the severity of mismanagement within a delegate agency, the grantee, in this case Shelby County Government, faces unnecessary barriers in bringing about an immediate termination of the delegate agency contract, creating a feeling of hopelessness that ultimately weakens the entire program.

In order to understand the seriousness of this dilemma, one must understand the down to earth politics which often accompany Head Start programs. Many of the parents who are on the policy council may feel somehow indebted to those who operate the program. In many instances, their children are attending various Head Start programs, and they have been accorded a level of dignity and respect which they have never received before. The operators of delegate agencies are often politically well fixed because they provide a substantial number of jobs in the community.

What we're faced with is not merely a benign situation in which an errant agency through no bad intent runs afoul of the guidelines. In many instances the wrongdoings and shortfalls are calculated to bring about the political empowerment or financial enrichment of those who profit from the wrongdoing.

The GAO report focuses on financial management. Based upon my personal observations and experience, this report and its recommendations will stand in a vacuum if the governance problems are not also considered. Head Start grantees cannot correct financial mismanagement at the delegate level if they face obstruction by the politics of an unnecessarily complicated governance structure. Without the authority to quickly access records or take appropriate action on personnel issues when mismanagement has been identified, Head Start grantees cannot safeguard the financial security of this country's most effective and proven program to support at risk children and families.

In an article entitled "Life Way After Head Start," the New York Times Magazine chronicled the research findings of the High Scope Perry Preschool—the precursor to Head Start—over the course of more than 4 decades. Looking at the school participants and non-participants side by side, the results are nothing less than staggering. Considering a variety of factors from social service requirements to wealth creation, the analysis suggests a return on investment of 17:1 for the Perry Preschool. The need to ensure Head Start's success goes beyond a moral obligation and has implications for our country's future prosperity. We should not allow any policy or practice to stand in the way of ensuring this program's success.

#### RESPONSE TO QUESTION OF SENATOR ALEXANDER BY MAYOR A.C. WHARTON

*Question.* You made reference to the GAO recommendations and the effects you believe they will have on ensuring program accountability. You have also made specific additional recommendations that would focus on the local level, either the grantee or local governments. How do you see Congress supporting the efforts of communities and organizations like yours to implement the recommendations made by the GAO?

*Answer.* While the statutory preference accorded existing grantees should remain, there should be exceptions carved out in those instances where there is clear evidence of financial impropriety. Similarly, local governments serving as grantees should also have the authority to move much more expeditiously in terminating contractual arrangements with delegate agencies in whose operations there is clear evidence of financial impropriety or irregularity.

Specifically, the shared governance provisions which call for policy council approval of the termination of delegate agency contracts or employees of delegate agencies should be modified to allow the immediate suspension or termination of such agencies or employees with any due process provisions to take place promptly following the adverse action.

I would also suggest that the extent of due process to be accorded any employee or agency should be tailored by the grantee, and once approved by the Administration for Children and Families (ACF) as a part of the grant agreement, it should be final and binding.

Clarification is also needed in defining exactly who or what body is the "grantee." In Shelby County, Tennessee, for example, the Office of Shelby County Mayor and the Shelby County Commission are listed as grantees. Accordingly, the executive branch may find itself in disagreement with the local legislative body or a signifi-

cant number of members thereof, thereby creating the possibility of gridlock when it comes to terminating failing employees or agencies.

Senator ALEXANDER. Thank you, Mayor Wharton, and thank you for coming here today.

Senator Ensign, would you like to introduce Yvonne Gates?

Senator ENSIGN. Thank you, Mr. Chairman, I would. I welcome one of our esteemed County Commissioners to the panel and before this committee. She is a terrific public servant in Southern Nevada, former Chairman of the Clark County Commission and a person who represents most of the areas that take advantage of the Head Start program. She has been very active on these programs including, the oversight and pointing out a lot of the problems that we have had with our Head Start grantee. We have worked with Commissioner Gates on many occasions and are jointly working together to try to come up with some solutions that will make a big difference and actually serve kids instead of, as the Mayor was just talking about, serve the particular interest of individuals feathering their own nests.

So I welcome Commissioner Gates here and look forward to her testimony, I look forward to working with you, Mr. Chairman in the future on trying to fix the problems that we have going on in Southern Nevada.

Senator ALEXANDER. Thank you, Senator Ensign.  
Commissioner Gates?

Ms. GATES. Thank you, Mr. Chairman and members of the committee. Good morning. I am Yvonne Atkinson Gates and I am a County Commissioner representing 8,000 square miles. It is almost as large as the State of New Jersey. I wish to thank Senator Ensign for inviting me here to appear before you today.

Clark County's population is now over 1.5 million and we have 118,782 children under the age of 5. Unfortunately, 22,468 of that total includes children living in poverty. As a growing community, Las Vegas attracts many immigrants who are interested in developing a better way for their families and for their lives. Like many cities in the southern part, many of those newcomers, however, are poor and have language barriers where English is not their native tongue.

Presently, our school system has a majority of the students of a minority background. As such, it faces a dual challenge of assimilating many of these students into the American culture while at the same time addressing many of their limited English language skills. No Child Left Behind is more than an educational mantra, but rather a larger goal of our society. We believe that Head Start programs, with this focus on the youth and their families, is a key tool in providing the necessary foundation for their lives. Children coming from these poor families need additional compensatory education. We believe that the sooner we begin this process, the greater likelihood is that the children will experience future successes.

Children are society's greatest resources, as they represent our future and our collective hope for a better world. The promise of the Head Start program is to erase inequities among our citizens and to give all of our children an opportunity and a level playing field in achieving their academic achievements.



In my community, a Head Start provider is a Community Action Agency and has been funded to enroll approximately 1,723 children providing Head Start at 15 sites. As a local elected official, I have worked with my colleagues on the County Commission, the Clark County School District, the City of Las Vegas, Henderson nonprofit agencies, and faith-based groups to build state-of-the-art Head Start programs and early childhood development centers in our community.

I have provided you with a review and a short package showing several of these centers, which were funded by community partners using Federal Community Block Grant funds, city and county general funds, private loans, and land contribution and long-term leases. Included in this packet are also several personal testimonies about the importance of Head Start programs and its participants as well as their families.

With the growth of the Federal budget deficit, we must identify new ways to enhance program accountability to serve our community service development system. Our goal should be to reward and enhance performers toward specific goals rather than the continuance of funding Head Start providers who are unable to document their successes.

I wish to commend the GAO Accounting Office for their recent review of the Head Start program. Their insight relating to the weaknesses of the Federal oversight process can help us together build a stronger Federal and local review system so that these Federal programs can achieve its promise of preparing our children for their future. This GAO study seems to indicate that much of the weakness of this program occurs at the Federal level, where inadequate Federal monitoring and oversight, combined with the lack of clear and sufficient sanctions allows the continuation of funding for Head Start providers who continue to come up short.

To improve in oversight, the Administration for Children and Families, ACF, needs to be given the support and the necessary staff resources to take a more proactive role. ACF needs to engage in more direct intervention to assist substandard performers achieve targeted benchmarks, levels, and in cases such as a lack of performance, to take the necessary hard step in closing and providing opportunities for others to utilize these resources rather than to keep funding a poor current performer.

We need to recognize that should Head Start programs be defunct by ACF, it will create a critical and immediate community challenge as ACF and others will need to seek new providers to continue the operation of these programs so that the children and their families are not negatively impacted by the program service interruption, recognizing that these provider relationships may have been forged over decades. Identifying and selecting new providers will take time and must be acknowledged that breaking up is hard to do.

To diversify program delivery, Congress may wish to consider restricting and prohibiting the ACF from allocating all of its Head Start funding to one organization in a single large metropolitan area. Utilizing multiple agencies can provide an immediate back-up should a current grantee no longer be able to effectively deliver the service.

Our goal should be to expand local oversight of the chosen grantee. I know as a County Commissioner that my office frequently has received and fielded calls from disgruntled parents who think that we have a direct resolve in their issue with the Federal Head Start grantee as they do not recognize that the Federal local grant does not flow through the county. We believe that local government needs to be more actively engaged in the local review and evaluation process for the use of these Federal programs. Local government is closer to the people and we have an opportunity to provide technical and mentoring assistance to our local nonprofit partners, and additionally to help provide other resources to expand the scope of service for the operation of these programs.

As shown in my handout, Mr. Chairman and members of the committee, a number of the Head Start and early childhood development centers were a direct result of local funding commitment to this Federal program reflecting a keen awareness of the importance that preschool education can make a difference for our children.

Additionally, the Federal Government may wish to require Head Start grantees to work with local governments and potentially require local government oversight review in an annual review process. As the grant manager for other Federal funds, State agencies are also uniquely qualified to serve in this facilitory role as they currently supervise and administer many other Federal grants, including the Department of Health and Human Services.

In assisting this reform initiative as part of the reauthorization of Head Start programs, we must be careful not to overreact to this GAO study and to use it as an exercise to terminate or reduce Federal funding for this critical human development program because of its current weakness shared by both the Federal and local level. Our children are too important to this Nation's future to be caught up in Federal deficit reduction efforts.

As fundamentally as their future successes are critical to our Nation's competitiveness on the world stage, where other countries have discriminated toward its citizens due to gender, Americans continue to be a shining light in the heel of all of our citizens have an opportunity to succeed based on their ability and hard work. This is the meritocracy envisioned by Thomas Jefferson, where people's ability would be only limited to their ultimate life successes rather than preconditioned race, sex, or economic status.

Senator ALEXANDER. Ms. Gates, if we could wrap up in about one—

Ms. GATES. I am. I am just finishing, Mr. Chairman.

Senator ALEXANDER [CONTINUING]. Thank you.

Ms. GATES. Let us work together to build a Head Start program, achieve its original promise as a compensatory educational program to help our most vulnerable and youngest Americans and their families achieve the Jeffersonian meritocracy.

Thank you, Mr. Chairman and members of the committee.

[The prepared statement of Ms. Gates follows:]

PREPARED STATEMENT OF YVONNE ATKINSON GATES

Mr. Chairman, and members of the committee, good morning, my name is Yvonne Atkinson Gates, and I am a Clark County Commissioner representing an 8,000 square mile area as large as the State of New Jersey, located in southernmost part

of the State of Nevada. Clark County is also the home of the City of Las Vegas, a world renown tourist destination and Nellis Air Force Base, one of the key fighter pilot training facilities for the defenders of the free world.

I wish to thank Senator John Ensign for inviting me and giving me the opportunity of appearing before you today to talk about the importance of the Head Start Program to our community.

Clark County's population is now over 1.5 million and we have 118,782 children under the age of 5 years of age. Unfortunately, 22,468 of that total include children who come from poverty households. As a booming growth community, Las Vegas attracts many immigrants who are interested in developing a better life for their families. Like many cities in the southwest, many of those newcomers are, however, poor and have a language barrier where English is not their native tongue. Presently, our school district has a majority of students from minority backgrounds. As such, it faces the dual challenge of assimilating many of these students into American cultural life while at the same time addressing, for many, their limited English language skills.

"No Child Left Behind" is more than an educational mantra, but rather the larger goal of our society. We believe that the Head Start program with its focus on the youth and their families is a key tool in providing the necessary foundation for their life success. Children coming from these poor families need additional compensatory education. We believe that the sooner we begin this process, the greater likelihood that these children will more quickly assimilate into American society.

Children are every society's greatest resource, as they represent our future and our collective hope for a better world. The promise of the Head Start Program is to erase inequities among our citizens and to give our children, **all** our children, a level playing field for their future academic success.

In my community, our current Head Start provider is a community action program agency and it has a funded enrollment of 1,723 children, providing Head Start services at 15 sites. This Head Start program is a key lifeline for these children as 804 children have no health insurance and 511 children are receiving dental care and 1,532 have received preventative dental care.

As a County Commissioner, I have worked with my colleagues on the County Commission, the Clark County School District, and the Cities of Las Vegas and Henderson, nonprofit agencies, and the faith based nonprofits to help build state-of-the-art Head Start/Early Childhood Development Centers in our community. I have provided for your review a short package showing several of these centers which were funded by our community partners using Federal Community Development Block Grant funds, County and City General Funds, private loans, and land contributions and long term leases. Included in this package are also several personal testimonies about the importance of the Head Start programs to program participants and their families.

With the growth in the Federal budget deficit, we must identify new ways to enhance program accountability of our service delivery systems to ensure that our children, and their families, receive top value for the investment of our tax dollars in their pre-development education. Our goal should be to reward and enhance performance toward specified goals, rather than continuance of funding to Head Start providers unable to document their successes.

I wish to commend the United States Government Accountability Office for their recent review of the Head Start Program. Their insights relating to the weaknesses of the Federal oversight process can help us together to build a stronger Federal and local review system so that this Federal program can achieve its promise of preparing our children for their future lives of promise and achievement in what is an ever diverse and competitive world environment.

This GAO study seems to indicate that much of the weakness of this program occurs at the Federal level, where inadequate Federal monitoring oversight combined with the lack of clear and sufficient sanctions allows the continuation of funding to Head Start providers who continue to come up short. This GAO study provides a unique opportunity for the Federal Government to get its own house in order. While clear weaknesses have been identified relating to the 1,700 Head Start grantees nationwide, this Federal report gives us a unique opportunity to step back and develop new systems to measure accountability and to better control the administration of Federal funds at both the Federal and local levels.

To improve this Federal oversight, the Administration for Children and Families (ACF) needs to be given the support and the necessary staff resources to take a more proactive role. Rather than letting program problems continue to fester, ACF needs to engage in more direct intervention efforts to assist substandard performers achieve the targeted benchmark levels, and in cases of continued lack of performance, to take the hard steps of closing and providing opportunities for others to uti-

lize these funds rather than continue, by inertia, to keep funding the current poor performers.

As part of this reform effort, the Federal Government may wish to re-think how Federal funds should be disbursed to run this important program. As an alternative to the current Federal grantor/local nonprofit agency grant recipient relationship, we would propose that this funding relationship be modified whereby State and local governments potentially be selected to serve as local administrators, and that the review and evaluation process be expanded to include more local stakeholders.

We need to recognize that should a Head Start program be defunded by ACF, that this will create a critical and immediate community challenge as ACF and others will need to seek new providers to continue the operation of these programs so that the children and their families are not negatively impacted by program service interruptions. Recognizing that these provider relationships may have been forged over decades, identifying and selecting new providers will take time and we must acknowledge that "breaking up is hard to do." To diversify program delivery and to reduce the government tendency to utilize fewer grantees for their own ease in monitoring and program administration, Congress may wish to consider restrictions prohibiting the ACF from allocating all its Head Start funding to a single organization within a single large metropolitan area. Utilizing multiple providers can provide an immediate backup should a current provider no longer be able to effectively deliver the service.

Our goal should be to expand local oversight of the chosen grantees. I know as a County Commissioner that my office frequently has had to field calls from disgruntled parents who think that we can directly resolve their issues with a Federal Head Start grantee as they do not recognize that this is a Federal/local grant that does not flow through the County.

We believe that local government needs to be more actively engaged in the local review and evaluative process for the use of these Federal programs. Local government is closer to the people, and we have the opportunity of providing technical and mentoring assistance to our local nonprofit agency partners, and additionally may be able to provide other resources to expand the scope of services for the operations of these programs. As shown by my handout, a number of these new Head Start/Early Childhood Development Centers were the direct result of that local funding commitment to this Federal program reflecting our keen awareness of the importance that preschool education can make for our children.

Additionally, the Federal Government might wish to transfer these Head Start funds to local governments as a block grant, which would provide for local oversight of these monies. Local governments currently administer a number of block grant programs, and provided that sufficient administrative monies are available to cover staff and monitoring costs, the Head Start program might be transferred to this local level whereby local government, rather than a more distant Federal Agency, has day to day oversight monitoring responsibilities for the Head Start program, and serves as the immediate contracting grantee for the program.

As the grant managers for other Federal funds, State Agencies are also uniquely qualified to serve in this facilitator role as they currently supervise the administration of many other Federal grants, including those from the Department of Health and Human Services. Secondly, being geographically closer to the grant recipients, they may have increased opportunities to provide critical oversight, technical assistance, and mentoring assistance to enable those nonprofit grant recipients to achieve full compliance with all the applicable Federal regulations as the Head Start program is but one of many grants that States make available to these nonprofit grant recipients, for which the States are already responsible.

In assessing this reform initiative as part of the reauthorization of the Head Start program, we must be careful not to overreact to this GAO study and use it as an excuse to terminate or reduce Federal funding for this critical human development program because of current weaknesses shared at both the Federal and local levels. Our children are too important to this Nation's future to be caught up in Federal deficit reduction efforts, as fundamentally their future successes are critical to our Nation's competitiveness on the world stage.

Where other countries have discriminated toward others due to gender discrimination, America continues to be a shining light on the hill as all our citizens have an opportunity to succeed based on their abilities and hard work. This is the "meritocracy" envisioned by Thomas Jefferson, where a person's abilities would be the only limit to their ultimate life success, rather than pre-conditions of race, sex, and economic status.

Let us work together to help the Head Start Program achieve its original promise as a compensatory educational program to help our most vulnerable youngest Americans and their families achieve this Jeffersonian "meritocracy."

Senator ALEXANDER. Thank you very much, Commissioner Gates. Dr. Golden?

Ms. GOLDEN. Thank you. Mr. Chairman, Senator Dodd, and members of the subcommittee, my name is Olivia Golden and I am a Senior Fellow at the Urban Institute. I am honored to appear before you today.

My perspective on Head Start and on tough and effective management has been shaped by a range of experiences as a researcher and a practitioner at the Federal, State, and local levels, as you heard from Senator Dodd. I spent 8 years at HHS, including 3 as Assistant Secretary for Children and Families, and in 1993 was a member of the bipartisan Advisory Committee on Head Start Quality and Expansion, which included staff from both parties of this committee. The Advisory Committee's unanimous final report provided a rigorous blueprint for quality, including strengthening Federal oversight capacity.

As a result of reforms put in place by HHS and the Congress, beginning with the 1993 Advisory Committee, the 1994 Head Start reauthorization, and the 1996 publication of tough 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, a point that Dr. Caccamo also made. This emphasis on accountability paid off in clear results in the late 1990s. As GAO's report indicates, a historically unprecedented 144 grantees were terminated or relinquished their grants between 1993 and 2001.

GAO's report provides useful next steps for Federal oversight that build on these earlier reforms. Before turning to the suggestions I would like to make for implementing GAO's recommendations, though, I would like to highlight two themes from the research that are explained in much more detail in my written testimony.

First, and I think this came through in several questions earlier, Head Start serves extremely vulnerable children and families who experience multiple and complex problems. And second, Head Start programs make a positive difference for these very disadvantaged children and their families. Research demonstrates both Head Start's positive results for children and the generally high quality of local programs—and I just want to note in reference to Chairman Alexander's earlier question that, interestingly, the research suggests a very high level of consistent quality, much more than in those other education systems you described. So there is a lot of consistency in the good quality of Head Start programs when researchers go out and look.

To me, these themes underline the importance of accountability in Head Start. Federal oversight has got to live up to the crucial importance of Head Start's mission.

Let me turn now to five suggestions for strong Federal oversight detailed in my written testimony. These suggestions draw on my experience raising the bar on accountability during the 1990s. They are lessons both about what works and about what is perennially 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 focused and hands-on Federal oversight.

So lesson one, the foundation for strong Federal oversight and for results for children is the tough, rigorous, and research-based requirements in the performance standards. As a result of the Advisory Committee recommendations and the 1994 reauthorization, we thoroughly revamped and strengthened the performance standards in 1996, bringing them in line with the latest research. These rigorous standards are especially important because emerging research indicates a link between strong and effective implementation of the standards, on the one hand, and results for children on the other.

Lesson two, terminating grantees and aggressively negotiating relinquishments are important and realistic 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 included in the 1994 reauthorization and the 1996 regulations. As GAO indicated in its 1998 report, HHS moved quickly and aggressively to use that authority. My own experience was that personal and hands-on involvement was very important. In one example, I flew out to Denver to speak with parents and board members at a grantee about the gravity of our monitoring findings so they could make a more informed decision about relinquishment.

Lesson three, and this is a point that came up, I know, in Senator Dodd's questions, continuity for successful grantees is just as important as turnover for unsuccessful grantees. For a Head Start program to do a truly excellent job at linking children to services in a community takes time, it takes consistency, it takes relationships among partners developed over many years. So that means that strong technical assistance to get to programs at the beginning, keep successful programs on track, is a critical partner to strong monitoring in the Federal oversight strategy. That also means that recompetition should be limited to unsuccessful programs.

Two more quick lessons. Lesson four, the Federal oversight strategy needs to integrate fiscal accountability with program results at every stage.

And finally, the oversight strategy must include a focus on Federal staff, both in the central office and in the regions, including training, professional development, and their ability to make consistent decisions.

In conclusion, for 40 years, the Head Start program has played a critical role, as you have heard, from the Nation's most impoverished and vulnerable children, continuing to evolve and innovate in response to family needs. For Head Start to continue this success requires an equally strong, innovative, and vigorous Federal oversight role.

I want to say thank you to the members of this committee for your consistent and historic support for the program and I look forward to any questions that you may have.

Senator ALEXANDER. Thank you, Dr. Golden. It is very helpful to have your perspective, given your involvement for such a long period of time.

[The prepared statement of Ms. Golden follows:]

## PREPARED STATEMENT OF OLIVIA A. GOLDEN

Mr. Chairman, Senator Dodd, and members of the subcommittee, 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.<sup>1</sup> 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 8 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 8 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 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 decisionmaking 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.

<sup>1</sup>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.

### 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.”<sup>2</sup>

**Second, Head Start programs overall make a positive difference for these very disadvantaged young children and their families.** Both past and recent research, such 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).<sup>3</sup>

- 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.<sup>4</sup>

- 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 re-

<sup>2</sup>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.

<sup>3</sup>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.

<sup>4</sup>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.



searchers conclude that this “disparity . . . may represent a missed opportunity to assist low-income children in becoming school-ready.”<sup>5</sup>

### **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:

#### **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;
- 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 indepth site visits. They found evidence that “full implementation [of the performance standards] contributes to a stronger pattern of impacts.”<sup>6</sup>

#### **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

<sup>5</sup>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.

<sup>6</sup>Administration for Children and Families (June 2002), p.6.

Reauthorization. As a result, the 1996 revision of the performance standards provided a framework and a tight time limit—no more than 1 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 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.”<sup>7</sup> 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 responses 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 decisionmaking 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 decisionmaking—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

<sup>7</sup> U.S. General Accounting Office. 1998. *Head Start: Challenges in Monitoring Program Quality and Demonstrating Results*, p. 3.

- 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;
- use multiple approaches to strengthen Federal staff capacity.

For more than 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 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 subcommittee'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.

#### RESPONSE TO QUESTIONS OF SENATOR ENZI BY OLIVIA GOLDEN

Thank you for the opportunity to testify before the subcommittee and for the opportunity to answer these additional questions.<sup>1</sup>

*Question 1.* You made reference to the GAO recommendations and the effects you believe they will have on ensuring program accountability. You have also made specific additional recommendations that would focus on the local level, either the grantee or local governments. How do you see Congress supporting the efforts of communities and organizations like yours to implement the recommendations made by the GAO?

*Answer 1.* Both GAO's report and my testimony focused on Federal accountability: how the Federal Government can best ensure that local Head Start programs live up to the high standards that are key to the success of Head Start. In my testimony, I provided five broad themes that I recommended Congress and HHS keep in mind as they implement GAO's recommendations. I appreciate the opportunity to address the implications of these themes for local as well as Federal quality and accountability.

First, I emphasized the critical role that Head Start's tough, research-based performance standards have played in the program's success. I stressed that Congress should ensure a continued commitment to those standards. In addition, to support local grantees in meeting these standards, Congress could examine whether they consistently have the tools to do so, including both the knowledge and resources. Key provisions in the statute for achieving these aims are the quality set-aside and the technical assistance set-aside, discussed more fully below. Clearly, the effectiveness of these set-asides, particularly the quality set-aside, which is a percentage of expansion dollars, depends not only on the authorizing statute but also on the level of appropriations. Congress may want to review the evidence from the last several years to determine whether the absence of resources dedicated to quality has made it more difficult for programs to meet the performance standards.

Second, I emphasized in my testimony that when local Head Start programs do not succeed in meeting the standards, a hands-on Federal role is key to terminating them. At the hearing, local witnesses argued, in at least two of the three examples, that Federal involvement was "too little, too late." Whether this is an issue of Federal resources, training and skills of Federal staff, or priorities is hard for an outside observer to know. But the Congress may want to focus on enhancing training, skills, and possibly staffing levels for the Federal functions that directly support Head Start grantees, including but not limited to monitoring.

Third, I emphasized the critical role of Federal technical assistance in ensuring continuity for good Head Start programs. In addition to the broad availability of technical assistance to all programs, I suggested targeting high-quality and immediately available technical assistance to programs identified as at risk through GAO's proposed early-warning system. At the hearing, the testimony of the local witnesses seemed to me to support this idea of immediate, high-quality technical assistance as soon as problems are identified. (For example, in the case of Shelby County, Tennessee, the Mayor was the grantee yet apparently perceived that he was not able to get timely and helpful Federal assistance in enforcing accountability on his delegate agencies.) These observations about the role of high-quality, responsive,

<sup>1</sup>The views expressed in this response are those of the author and should not be attributed to the Urban Institute, its trustees, its employees, or its funders.

and timely technical assistance in accountability and performance suggest the continuing importance of the technical assistance set-aside in the Head Start statute.

*Question 2.* A common theme in this hearing is that the Head Start program is a direct Federal to local program. That's been the model for the program since its inception, roughly 40 years ago. Have we come to a point where a State or local role would be appropriate, such as allowing States to compete for Head Start grant funds?

*Answer 2.* The goal of Head Start is to help children get ready for school, through a strong classroom program, active parental involvement, and comprehensive services that help children learn. To achieve that goal, as noted in the question, the community-level focus of Head Start has been a central feature of the program's design since its inception. A Head Start program that is strongly grounded in the local community will be able to recruit extremely disadvantaged families who may be suspicious of other institutions, engage parents in their children's education and well-being, and develop linkages with other local programs and institutions that ensure Head Start children and families get the services they need, such as family support, health, and mental health services. For all these reasons, I believe that Head Start's community-based, Federal to local, design is a key programmatic strength.

Given this community-based design, strongly underlined in the performance standards, I do not think that State Agencies would be appropriate applicants for Head Start grants. In addition, as I suggested earlier in these responses and in my testimony, other key elements of quality supported by the research are the strong and consistent Federal performance standards and the strong Federal monitoring and technical assistance infrastructure. Thus, the current Federal to local design builds in the elements that research suggests are most important for quality: close connection to the family and community on the one hand, along with high, research-based standards implemented through technical assistance and monitoring on the other.

However, I think that many kinds of partnerships between State Agencies and local Head Start programs are key to enhancing child and family well-being. Many of these partnerships already exist and others can be encouraged through the mechanism of the State collaboration grants, as described below. For example, in those States that fund early childhood activities for infants, toddlers or preschoolers, including pre-kindergarten programs, a range of partnerships are possible: Head Start programs may compete for these State grants, or may share materials and training opportunities with other local providers, or may develop strategies for funding programs together that can reach more children or reach children for a longer school day or year than any of the programs could do alone. In addition, State Medicaid programs and other health care services for low-income children and families are key partners for Head Start as well as for other early childhood programs.

*Question 3.* As you all know, each State operates a collaboration office. What role do you see those offices playing in helping to improve the accountability process and more successfully integrating programs with a common interest across State and local boundaries?

*Answer 3.* Through the bipartisan commitment of the Congress in the 1994 reauthorization, I am very proud that while I was at HHS, we were able to follow the recommendation of the Advisory Committee on Head Start Quality and Expansion and expand the State collaboration grants from just over 20 States to all States. The State collaboration offices have an important role to play in improving results for children, particularly at a time when States have shown considerable interest in investing in programs for young children and when there are promising examples of collaborations that link Head Start, child care, and other early childhood education programs for the benefit of children. Drawing on the lessons from these examples as well as promising experiences in related fields, I would suggest several particularly useful areas for the State collaboration offices to focus on:

a. In terms of accountability, one promising role for the collaboration offices is to work with States that fund early childhood programs toward strong, rigorous, research-based quality standards across multiple programs—for example, incorporating the Head Start performance standards into State approaches to funding model infant-toddler or pre-K programs.

b. A related role is to expand joint training opportunities, where staff in multiple early childhood programs, including Head Start and state-funded programs, receive high-quality training in the development and education of young children, parent involvement and family support, or management topics that are shared across the different settings.

c. The collaboration offices should be exploring a whole range of strategies for helping all programs reach for and achieve high standards of quality. For example, they may be able to identify ways to more fully involve the State's higher education system in preparing the early childhood workforce, working with Head Start and state-funded programs to place students in internships, and providing quality assessments that help programs figure out where they are strong and where they could improve.

d. In terms of integrating systems, one way for the collaboration offices to improve the quality of care for all children is to work toward statewide memoranda of understanding that can connect both Head Start programs and state-funded child care and early childhood programs to other services that all need, such as health and mental health services funded by Medicaid or other State programs.

I very much appreciate the opportunity to testify as well as the opportunity to answer these additional questions. Please feel free to e-mail me (at ogolden@ui.urban.org) or call (202-261-5699) if I can provide any additional information.

Senator ALEXANDER. We will now go to questions from the Senators and we will try to limit those to 5 minutes to have the maximum amount of time for that.

Mayor Wharton, let me go back to you because, let us assume for a moment that, as Dr. Golden says, a lot of work has been done to try to create what Mr. Caccamo said was a thorough sort of Federal review. But what you are really telling us is a little different. You are saying that between Washington and Memphis there may be a pretty good review, but when it gets down to Memphis and somebody has to do something about it, it is hard to get it done.

Now, let me make sure I understand this. The grant in the case of Shelby County, it is a lot of money. It is about \$12 million, is—

Mayor WHARTON. Twenty-two million.

Senator ALEXANDER [CONTINUING]. Twenty-two million. How many children are affected?

Mayor WHARTON. About 3,100.

Senator ALEXANDER. Thirty-one-hundred children.

Mayor WHARTON. It should be 10,000 if we could ever get straightened out down there.

Senator ALEXANDER. The grantee was not the county government but was a separate entity, is that right?

Mayor WHARTON. If I do not—thank you, Mr. Chairman. If I do not make anything else clear here, I hope I will be able to make this distinction, because as I read reports throughout the Nation, there is a blurring of identity there. Shelby County Government was the grantee, not to be confused with your various delegate agencies who signed contracts with the grantee.

Senator ALEXANDER. OK. So when you came into office 3 years ago—

Mayor WHARTON. Three years ago.

Senator ALEXANDER [CONTINUING]. You found that your government to which you were elected had a responsibility with the Federal Government to manage this program for low-income children and you found a lot of problems. What I think is important for us to understand is precisely why it was so hard for you to fix the problems and what we can change in the law to make it easier for local officials like you to fix the problems.

Mayor WHARTON. Sure. Out of the roughly 3,000 enrollees, children, 2,095 were in the hands of an agency known as Head Start, Incorporated.

Senator ALEXANDER. That is a delegate agency.

Mayor WHARTON. That is correct. It was a delegate agency which, in turn, had other, I guess I could call them sub-delegates or whatever you wish, but a very complicated structure and a very powerful structure politically. Again, any time you are spending \$20 million in some impoverished communities, you develop power, and the individuals used it to the hilt.

When I had the goods on a particular director, it wasn't enough for me to say, you have violated this, you have violated that. I had to go through the policy council.

Senator ALEXANDER. Now, for example, what were the goods? I mean, what was done wrong?

Mayor WHARTON. Well, simply not accounting for the funds. Where are they? Some of these matters are still in court and various investigative processes, so I don't want to prejudice anything that might come out of that, but, for example, one entity, I am still trying to find \$90,000 worth of playground equipment. The program had some, I have forgotten how many millions issued in bond funds to build three Head Start centers. They built one. I don't know where that money is and I take it I will never find out where it is.

Senator ALEXANDER. I interrupted you. You were about to say that when you saw you needed to do something and you were willing to take on the political challenge, you then had to do what to get something done?

Mayor WHARTON. I had to go to the policy council, which is called for in the regulations here. And again, I have no problem with shared governance. But to go to the council, many of whom had very close relationships, very cozy, with the prior administration of this delegate agency. I was an outsider. The folks who were running that program had much more influence than I did and the difficulty was getting the votes to get them out.

Senator ALEXANDER. Were there other hoops that you had to jump through? You described hoops in your testimony.

Mayor WHARTON. Once you get through that, I had to come back to the actual county commission. I had terminated them one, but Atlanta told me that, no, you have now got to go back to another political body and get seven of the 13 votes before you can take over that program. Had I not gone ahead and just exercised self-help and pulled the financial operation then—I basically said, stay out there, but I am taking the books away from you and brought them in-house—we would have had much more waste than we have uncovered already. So it was to go through the policy council and then through an elected county commission before I could get to the process of getting them out of there.

Senator ALEXANDER. You have got other things to do as the mayor of the largest county in the State. How much of your time did this take in relationship to other projects or problems you were working on?

Mayor WHARTON. Without quantifying it in any numerical sense, I would say an inordinate amount of time, and let me say this. Shelby County Government, as you well know, counties in the State of Tennessee are responsible for funding all public education, half of my budget. It is one of my preeminent responsibilities to en-

sure that what goes into our public schools are children who are ready to learn. I don't mind focusing on that, but I should not have to spend all the time on where did you buy the gas, where is the credit card, where did you buy the car tires, where did you get the bus, where is this, and that is what I was spending my time on, not the processes that were going on in these little classrooms. Too much time, Senator, to answer your question.

Senator ALEXANDER. Thank you, Mayor Wharton.

My time is up, but I would like to conclude with this observation. I used a little earlier the higher education model, which is a model that we are familiar with whereby we give thousands of institutions a great deal of autonomy and then expect them to produce a result rather than, for example, turn it over to the States or some intervening management agency.

I have—let me just say this to my colleagues. I have skepticism about how well in the end a Federal Washington-based agency can manage 20,000 classrooms, 1,700 agencies, and many more delegate agencies, and I think it is critical that we find a way to, if we are going to have autonomy for so many different agencies to spend so many Federal dollars, that once that autonomy is centered somewhere, that that person, such as the mayor or the county commissioner or whomever it is, have the authority to be accountable and to do what we expect to be done. Thank you.

Senator Dodd?

Senator DODD. Thank you, Mr. Chairman. Does the chairman of the committee want to go? Are you all right?

Thank you very much. Let me thank all of you for being here today and sharing your thoughts with us. It is very, very helpful.

Let me, if I can—by the way, I mentioned earlier—I forgot to mention Ed Ziegler's name. I was talking about the person in Connecticut who was responsible as the author of Head Start 40 years ago, and Ed is still very much involved in these issues and writes extensively on them. We couldn't have a hearing about Head Start and not mention the significant contribution of Dr. Ziegler along the way.

Let me, is it Dr. Caccamo?

Mr. CACCAMO. Yes.

Senator DODD. Doctor, let me, if I can, ask you to maybe address a little bit more the issue of the boards. I happen to agree with you as to your recommendations about the board involvement. It is not a question of increasing the size of the membership but rather the type of individuals that serve on the board and the training and the skills that they ought to have in order to be an effective board, it seems to me. I wonder if you might share with us anything about the training of the KCMC board itself, what your experience has been there, and also what might be an effective on-the-ground management training for senior management within the Head Start agencies themselves.

It seems to me, again, going back to the questions that I raised with the previous panel, if you had to pick out one area to really work on, assuming for a second the broader question of block granting Head Start and so forth, but how can you make this more effective in dealing with the front end of the issue, and that is getting the right people in place?



And by the way, Mayor, I think your suggestion about the family council and the board, separating out the roles, make some sense to me for the very reasons you identified. The family council members are more inclined to be interested in whether or not children are getting the kind of learning they need. I am not as aware about all this. I was sort of surprised to hear that they would also be asked to be involved in the minutiae of financial management. But if that is the case, I think your suggestion makes some sense.

But if you might comment on what your experience is regarding board training.

Mr. CACCAMO. Yes, Senator. I think it is critical. Board members have to understand that when they say "yes" to being on a board that they take on a great deal of responsibility, fiduciary and programmatic responsibility. It is critical that they do that.

And, you know, if you look at local public schools, one of the things that happens in local public schools is there is some limit to the length of time people can spend on boards. Those particular school districts, at least in our area, do a great deal of board training. They have board retreats where they talk about fiduciary responsibility, where they talk about how to read a budget, where they talk about ethics and ethical leadership around performance of that school board.

I think those same kinds of things should be done at the local Head Start. They have not been, or weren't, and I think part of the problem, and I think Mayor Wharton said it very well about the political influence that you begin to build as you spend years engaged in organizations like that.

The executive director, very, very excellent in programmatic work. I don't think you will find a Head Start in this Nation that would take Kansas City and place it in second. We do fabulous work with our children. All of that work is done with a great deal of community partners. All of the fiscal stuff is done sort of without many partners, behind closed doors, which adds to, I think, the responsibility of the board having to be well trained.

So I think it has to be done. I think there are great models in every community about board training and I think it has to be a requirement that boards undergo some training around their programmatic and fiduciary responsibilities.

Senator DODD. Sort of a Sarbanes-Oxley approach to corporate governance is what we are sort of looking at here, I suppose, what I hear you saying.

Mr. CACCAMO. Yes.

Senator DODD. Let me jump to you, Dr. Golden, if I can. I am going to get to the recompetition issue because I think it is an important question.

First of all, let me ask you three questions regarding it and have you address those. What would be an appropriate time frame for citing of a deficiency before a grant is recompeted? I would be interested in your views on that.

What do you think the criteria ought to be for the recompetition of the Head Start grants?

And what types of training and technical assistance can really make Head Start agencies—make a difference in Head Start agen-

cies with regard to the systems management, sort of going back to the same question I asked Dr. Caccamo.

Ms. GOLDEN. OK. Well, on the first two points about deficiencies, I think what is key is to know what is in the law and the rules now and then to think about whether what you need is more aggressiveness by HHS and more effectiveness, or whether you need additional statutory change.

The framework that is in the law right now from the 1994 reauthorization and the regulations we did after that says no more than a year, and at the most, if an agency has got a deficiency, you can give them a year. If it is a threat to children's health and safety or the fiscal problems are there, threatened Federal dollars, then you give them less.

And the definition in the law—I mean, again, Senator, the dilemma Senator Alexander has highlighted, the definition in the regulations is pretty clear, but it doesn't go into so much detail that it would apply just like a cookie cutter. It says that if an agency can't substantially accomplish the purposes, you can't do early childhood successfully, you can't do health care, or if you are not using—if you are misusing the dollars.

What it takes to implement that effectively, I think, is, first of all, really good fact finding. You need Federal reviewers that have the skill and the capacity and the travel money to get out there and look.

Second, it needs good training and analytic skills for the reviewers because they have to look at these list of things and try to figure out what is going on. So Assistant Secretary Horn's suggestions there, I think, are appropriate in terms of improving his capacity to do that.

But then it circles back to your technical assistance question in the end, it seems to me, because once you have looked, you have seen a problem, the question is not just how many days have you let go by, but have you done something? Have you gotten in there the intensive help to try to make a difference?

And so I agree completely with your earlier points that I think were also made by others, that training and technical assistance are key both in prevention and in getting into some of those problematic grantees and turning them around, and I would list as key areas, I share the perspective on the board governance that has been highlighted by everybody here.

I would also say what affects the core of Head Start's ability to provide services is the quality of its teachers and its classrooms and their training. So you can't put programs or the Federal TA system in the position of stealing the money away for governance from the dollars required for training and TA in the classroom.

And then the third piece I would put in is the ability of a community program to link to all the rest of the services that children need, mental health or health care. I think some of the excellent programs we have heard about do that well. To do that, they have to have training both to understand the programmatic and to understand the fiscal implications, because it can be complicated in accounting terms to do all that together.

Senator DODD. Very good, and my time is up. I know Dr. Horn talked about a 240-day process in his testimony, and I will leave

it to a later time to get into that with you on why particularly that length of time. I am curious if you know any—

Ms. GOLDEN. Well, I assume that that must be cases that they play out in the legal system. As the example I gave in my testimony, I think that if you lay out the evidence, particularly given, as you have heard, people often are very invested in the way they are doing things now, you very often—a grantee will choose to relinquish because they understand that what you have said to them is, we are going to terminate it. Here is the evidence we have got. You, the parents on the board whose children are in here, didn't get up in the morning wanting to be running a program that we are going to be taking you through the court. So I assume that he may have been giving an example of one that played out all the way without that kind of negotiation.

Senator DODD. Thank you all very, very much. Again, Mr. Chairman, thank you for holding the hearing.

Senator ALEXANDER. Thank you, Senator Dodd.

Senator Enzi?

The CHAIRMAN. Thank you, Mr. Chairman, and I am glad that Senator Dodd mentioned Sarbanes-Oxley because he and I are both on the Banking Committee, as well, and about 3 years ago, we had the opportunity to take a look at what was happening with corporations in the United States, board governance. Corporations, of course, were doing some things with private money, manipulation, and we were absolutely appalled and we took drastic action.

Now we are talking about some things where Federal money is being used with nonprofit organizations and we are rising to the defense of bad governance. That surprises me a little bit. We are not talking about eliminating a program, we are talking about making a program work, making a program better, making sure that the money that goes into the program is being used for what we intended for it to be.

I think we ought to be equally appalled with some of the things that we are finding out about what is happening with Head Start money and try and figure out some ways to make sure that we put some rules in place that do that.

Senator DODD. I agree with that.

The CHAIRMAN. As a former mayor, I really sympathize with what Mayor Wharton is saying. I would ask if you could speak specifically to some suggestions that Congress might provide for support to local government to take more decisive action if a Head Start program is in trouble. What things could we put into place that would have helped you?

Mayor WHARTON. Certainly, Senator. One thing I was able to do, and I would make this as a recommendation, when I took office, we only had one internal auditor in the entire country government. I hired six and sent two of those to a couple of the Head Start delegate agencies. Once those auditors visited both of those troubled agencies, they immediately said, listen, we simply cannot comply. Take us over.

If somehow Congress could as we as grantees submit our applications, and I suggested this in my testimony, once a grantee or an applicant specifies precisely how it intends to govern financially and that is signed off on, then we ought to be given full reign to

let it rip, to let it go, and that is what we did. So we were able to take two agencies out without any appeals or whatever because we audited them and they saw that they weren't living up and that ended it.

Second, I would suggest that the purchasing and all of those troubled areas, that it be required that they be held back from the delegate agencies on a centralized basis so that if the folks from Atlanta came in, they do not have to audit 12 fuel accounts, 12 fuel accounts. They come to me. I would be responsible for it, for doing the purchasing on the food or whatever and getting it out. That way, you have got one account that has to be audited.

So the premise, underlying premise of all my remarks is to separate a lot of these, quote, "business," close quote, business activities from the basic purpose of Head Start, which is nurturing, family support, instruction, all of those things. Our agencies are getting in trouble more, they are causing shame to the program more on the financial and business side than they are on the original purpose of Head Start from an instructional and child care standpoint.

So two things—three things, actually, when it comes to shared governance.

Now, someone asked the question or made an observation that they were not aware that board members actually get into financial decisions. That may be true technically, but it is the director of a given agency who is making those financial decisions and bad decisions and doing wrong in instances. But you then have to go to the policy council when you get ready to get rid of that delegate agency, or actually to terminate that individual.

Now, that is the most troublesome difficulty there. You still have to ask—I was elected with 62 percent of the people, but when I catch somebody doing wrong, I have to go out and go through two or three levels and ask, is it okay if I get this guy out of here? He is stealing from us. And if he has got more sway than I do, he gets to stay.

So keep shared governance. But I think we need to pull it back. Parents want to know, again, are you challenging my child? Are you enhancing her cognitive abilities? Are you teaching her to be a brave little child and to try new things? They don't want to come to a board meeting and hear—we have arguments that go into the night of whether you should have bought the computers over there, whether the gasoline ought to come from here. These are the kinds of things we are asking parents who come to find out what you are doing for their child, and yet they come to a meeting and listen for 3 hours on where you bought the gasoline. That is the kind of thing that we need to pull out of this shared governance model and that would give us—let me get in my defense role, if you might. When you focus on grantees.

The CHAIRMAN. My time has run out.

Mayor WHARTON. When you focus on grantees, don't chop us off until you have given us the authority to chop those off who got us in trouble. That is all I would ask.

The CHAIRMAN. Thank you, and I wish I had time to ask Commissioner Gates a couple of questions similar to that, and I will in writing, so I appreciate it. Thank you.

Senator ALEXANDER. Thank you. Senator Clinton has waited patiently. Senator Clinton?

Senator CLINTON. Thank you very much, Mr. Chairman, both Chairmen, for having this hearing today. I would ask unanimous consent that I could submit an opening statement to the record.

Senator ALEXANDER. Without objection.

[The prepared statement of Senator Clinton follows:]

#### OPENING STATEMENT OF HILLARY RODHAM CLINTON

Thank you to all the witnesses for being here today. I appreciate your time and energy in coming here today.

The topic we are discussing today—accountability for Head Start programs—is a critically important one. But before I speak to that, I want to make sure we do not lose the forest for the trees. We are talking today about a program that for 40 years has provided the only Federal comprehensive early childhood intervention for needy families. And while we can split hairs on the exact implications of each and every impact analysis conducted, the bottom line is that all of the research points in the same direction—Head Start works. It is a cost-effective, long-term investment for our society and it improves outcomes for poor children and their families.

Most recently, Steven Barnett and Jason Hustedt conducted an overarching analysis of Head Start's benefits—both long and short term. Their conclusion on short term research is, and I quote, “studies have generally shown that programs for children at risk, including Head Start, result in increases of 0.5 standard deviations in IQ and achievement.” This study also cites a rigorously designed, random assignment analysis by Abbott-Shim, Lambert, and McCarty, which found that Head Start participants benefited substantially compared to non-participants in the areas of vocabulary, phonemic awareness and health-related outcomes. This study also found that parents of Head Start children reported more positive health and safety outcomes than parents of children not in Head Start.

A 2001 article in the highly respected *Journal of Economic Perspectives*, which analyzed everything we know about early childhood intervention programs, starts off by saying “This review of the evidence concludes that these programs have significant short and medium-term benefits, and that the effects are often greater for more disadvantaged children. Some of the model programs have produced exciting results in terms of improving educational attainment and earnings and reducing welfare dependency and crime.” It goes on to say “a simple cost-benefit analysis suggests that Head Start would pay for itself in terms of cost savings to the government if it produced even a quarter of the long-term gains of model early childhood programs.”

The most recent, highly respected analysis of the longer-term effects of Head Start, which was published in the *American Economic Review*, found unambiguous evidence of the success of this program.

In short, this paper found that “whites who attended Head Start are, relative to their siblings who did not, significantly more likely to complete high school, attend college, and possibly have higher earnings in their early twenties. African-Americans who partici-

pated in Head Start are less likely to have been booked or charged with a crime.”

Now, I am never one to suggest that we rest on our laurels. If there are steps we can take to improve Head Start—to make it more efficient and more responsive to the families it serves—then we should talk about that through a bi-partisan, thoughtful, reauthorization process.

But I have been and remain very deeply concerned about the Administration’s position on Head Start. In the 2006 budget—once again—we saw an attempt to turn this successful program into a block grant. In fact, the President’s entire budget increase for Head Start—\$45 million—is dedicated to supporting block grants in nine States. And while all of this talk today is about strengthening performance, the Administration has proposed cutting training and technical assistance resources in half. Frankly, those decisions make it hard to trust this Administration when it talks about Head Start. It signals that the Administration’s true intention is at odds with the will of this committee, which in October of 2003 unanimously passed a bill that rejected the Administration’s block grant approach.

I also think it is at odds with the facts to suggest that there is limited accountability for Head Start programs. In fact, quite the opposite is true. There are—quite literally—1,800 program requirements, which evaluate the program on virtually every factor imaginable. For example, there are 553 requirements for early childhood development and health services; 206 on family and community partnerships; and 1,038 program design and management requirements. Head Start managers have a number of tools to keep them in compliance, including an annual self-assessment, monthly financial reports to the board, an annual financial audit, and an annual program information report. They have to participate in a triennial Program Review Instrument for Systems Monitoring.

If all of these measures fail, HHS is supposed to provide technical assistance and compliance expectation. And finally, HHS may defund agencies that are performing poorly.

In short, during the Clinton Administration we set up a gold standard for Head Start. We have an extensive monitoring system. And when you demand that programs meet 1,800 requirements, you should not be surprised when a small proportion of them fail to achieve perfection. And as you can clearly see from the GAO report [see chart], relinquishments and terminations of poorly performing agencies were much higher during the Clinton Administration. Between 1993 and 1999, there were 101 relinquishments and 24 terminations. Between 2000 and 2003, there have been a total of 18 relinquishments, and 3 terminations. So, I would hope that the first step would be to rigorously utilize the oversight systems that are in place.

Senator CLINTON. I want to thank the witnesses. This is one of the best hearings that I think I can say I have attended. I think the thoughtfulness and the extraordinary interest in this program and the recognition of the success of the program really stands in very good stead, because what we are looking for are solutions to some problems as opposed to some of the conversations about Head Start which really seem to overlook the years and years of research

about the success of this program. So I want to thank each of the witnesses.

As I listened, I think that we are all saying the same thing. We are trying to figure out how to get to the point where the role of parents, which was one of the very critical ingredients in early design of Head Start, is maintained but without the kind of lack of training and the problems with governance that have been so well outlined here by the witnesses.

I think that the Mayor's very strong argument that what we really want to do is build on the strength of Head Start, make it even stronger, help people, you know, focus on what is important and not get into trouble over what—the bottom line is really not that important. I mean, you know, somebody else should be really overseeing this.

I wanted to ask Dr. Golden, as you listen to this, because I know you have had so many years of experience in evaluating programs, terminating programs—I love your very gentle way of saying you go make the presentation and they relinquish the program, and there was a lot of that during the Clinton administration where we, I think, ended up terminating 27 and creating the circumstances for relinquishment of 117.

Really two questions. One, as you listened to the other witnesses, how would you address their very legitimate concerns? I mean, Commissioner Gates, who has one of the fastest-growing places in the world, I think, with Clark County, the Mayor's very specific examples, and Dr. Caccamo's comments, as well.

We tried to do this in the reauthorization and the regulations. Clearly, there is more than can be fine-tuned and done. So my first question is, what more can we and should we do?

But second, in the testimony from Secretary Horn, I think that we heard that there have been cutbacks in the funding for technical assistance and there has been a movement to try to block grant Head Start, which I think would be a real mistake for a lot of the reasons why Head Start has worked. But I understand the frustrations of local leaders who themselves feel on the line. So how do we get the Federal Government to do a better job working with responsible leaders like the three witnesses who are here?

Ms. GOLDEN. Well, it is interesting, because, of course, I have been listening to these three and Dr. Caccamo and I, I think, both share the fact that KCMC was so exciting and such an example that it just feels tragic that it fell apart in this way, and in hearing the Mayor's and the Commissioner's examples.

I guess I would say a couple of things. The first is that I think we all share the view that not only the underlying purpose, but the core standards of Head Start are critical, that the research supports them and that the experience we have all had about what it takes to reach these impoverished children and make a difference in their lives. So that, I think, is shared.

Second, listening to the descriptions of what might be important, it makes me want to study these three examples. Perhaps the Congress might do some fact finding across a broader array to figure out—I am curious whether any of the three programs had a visit by a senior HHS official, had extensive technical assistance to go through the tangle. I don't know whether in the Mayor's example

whether anything does need to change in the regulations or whether you just didn't get the help you needed to operate in a strong way.

And so I think the question of what it needs to change in a regulatory way versus how much of this is about technical assistance, I think is an important question. So a commitment to the standards, a commitment to strong onsite involvement and technical assistance seems to me key.

And then, I guess, the other piece for me is that in all of these examples, I do share your view, Senator Clinton, that parent involvement substantively is part of what we know makes Head Start work and I think that was shared also by all of the panelists. So figuring out if there is a way to strengthen that through the training and the board involvement and make sure that that is happening in a way that supports the programs rather than undercutting them.

I guess I did share the concern you expressed about the idea of cutting the training and technical assistance overall as a Head Start strategy, and I think the one thing I would say, you mentioned the block grant question. I think what we are learning more and more from the research is that what makes early childhood programs work for children is high-quality standards. As the Mayor said, it is the standards about what happens in the classroom, that Head Start has rigorous standards that are tied to the research, and that it is much more consistent in enforcing them than the State pre-K or child care programs.

So that what we have from Head Start that works for kids is very high quality standards and a generally high quality and rigorous monitoring, although as we have been seeing, one that needs to be consistently supported. So I would go for the focus on the high standards and the rigorous enforcement coupled with the training, technical assistance, and support that enables local leaders to do what they need to do to meet those standards.

Senator CLINTON. Mr. Chairman, I thank the witnesses, and if I could maybe suggest that—I am so impressed by the extraordinary thoughtfulness of each of them that perhaps if they would have the time, the questions that Dr. Golden asked to really get into the meat of it. I mean, did you get the help you needed? Could there have been faster response from the Federal Government? How do we streamline that? I see you nodding, Commissioner Gates. Would you want to say something real quickly?

Ms. GATES. I couldn't agree with you more. That was exactly the problem that happened in Clark County. The Federal Government came in too late. By that time, the problem had escalated and escalated and it was unresolvable. If local government, being the county, if they had taken our suggestion and let us come in and help them, they probably would not have been as tragic as it was or as it has been. So early intervention is really key and important, and local involvement is probably the most central point that I am hearing from the Mayor, as well. You have to have that local control because what happens to this program really hurts the whole community.

Senator CLINTON. Thank you, Mr. Chairman.



Senator ALEXANDER. I think a good way to end the hearing will be to ask each of you if you have 60 seconds that you would like to offer as a valedictory, as a last word, and then invite you each, as you go back to your homes, within the next week—we will keep the record open to write us with any specific followups to the discussion that you have heard today, following up Senator Clinton's suggestions.

Senator Ensign?

Senator ENSIGN. Thank you, Mr. Chairman.

Senator ALEXANDER. Did I look over Senator Roberts? I guess I did. I am sorry.

Senator ROBERTS. Normally, that is pretty tough to do, but—

[Laughter.]

Senator ALEXANDER. I apologize. Senator Roberts?

Senator ROBERTS. I would be happy to yield to Senator Ensign. I have a tirade. You probably have a speech.

[Laughter.]

Senator ROBERTS. It all depends, Mr. Chairman. Do you want the tirade first and the speech second?

Senator ALEXANDER. Let us go to Senator Ensign.

[Laughter.]

Then we will let the tirade lift us up as we go out.

Senator ENSIGN. I appreciate that, Mr. Chairman. I, too, have enjoyed the hearing today. I think it is very valuable and I think all of us agree that the bottom line is how do we get the dollars to help the kids and to help their families.

As Commissioner Gates has briefly mentioned, we have had some serious problems in Southern Nevada. Northern Nevada is in the opposite situation. We have an agency up there that is functioning well and that is where I wanted to start with you, Commissioner Gates. What suggestions specifically do you have for us after going through the bad experience that we have had in Southern Nevada, and comparing that to what we do have Northern Nevada as a little different example? There are things that we do better in Southern Nevada than they do in Northern Nevada, but this happens to be one case that is just the opposite.

What lessons can we learn from Nevada, as policy makers put in place changes to try to prevent these problems and help local governments like you, the Mayor and others prevent what was going on in Southern Nevada at an earlier stage? What specific suggestions can you give to us?

Ms. GATES. Mr. Chairman and members of the committee and Senator Ensign, I think three things that are probably the most critical that I would say.

No. 1, you can't have one agency be in charge of the whole caboodle. That is designed for disaster, because if there is a problem, then there is no one else to come in and take over and to help.

No. 2, I think local government being involved, and I know that the Mayor is involved, but we are not involved in Clark County. The granting agency is a nonprofit agency, and if we had an opportunity, because we consider ourselves partners because we provided so many facilities and built so many facilities that it was important for us to be involved, but when we went to seek and try to assist, then that assistance was turned down. I think it is important that

local government be involved in terms of providing assistance, providing fiscal assistance. That is very critical.

And the last thing that I would say is that if local government could, of course, have an opportunity, as the Mayor has suggested, to be in charge of the Federal portion of the moneys, overseeing the moneys or at least having some kind of leadership role in making sure that those dollars are spent properly, that would also be critical.

So those are the three things that I would suggest as a government agency who really is concerned about the health and education of all of these children here in Clark County.

Senator ENSIGN. Mr. Chairman, when we are talking about the reauthorization of this program, I think that everybody is concerned that we measure the results. Measure what is working, the metrics of the program. I have talked at length about the importance of metrics in personal conversations with Chairman Enzi and also with the subcommittee chairman—that, first of all, I think we need to measure what percentage of the dollars are actually going to oversight? What percent of the dollars are administrative expenses? And what percentage of the dollars are getting to the children and getting to their actual education in the classroom, because that is the most critical piece to measure.

We need to ask, are the reforms that we want to put in place going to make things worse? Are we going to spend more money trying to chase the bad money, because frankly, we have had some bad actors in this program. We had some bad actors in Southern Nevada. It sounds like they had some bad actors in Memphis, Tennessee. As they have said, you cannot legislate morality. You cannot legislate moral people being involved in these agencies. Are you putting into place based on programs that are not working, something else that later on, 3 years from now, we are going to have another hearing and discover that the changes we made to solve the problem aren't working, either.

In other words, I think we have to be careful as we are going forward to make sure that the oversight is improved and we have as much light shining on it as possible. That is the problem that we saw with the EOB, is that they seemed unaccountable to anybody. It sounds like with the Mayor that you didn't know where the money was. You don't even know how to get to the money. But at the same time, we have to make sure that we aren't spending so much money going after bad actors and that we are spending so much money in the bureaucracy that the dollars aren't getting to the classroom. If anybody would like to comment on that.

Mayor WHARTON. May I? With respect to your observation on not spending a lot more money that could more probably be directed to outcomes for the children, I don't think that is necessary, quite frankly. As indicated by the example I gave just a few minutes ago with respect to the two delegate agencies that I was able—that they relinquished or whatever the phrase is here, that was strictly local and I simply sent an auditor down there and there it was.

The key is not more Federal money, but more local authority. I am not asking—oh, certainly, programmatically, when it comes to teaching these children and assessing these families and teaching literacy for the families, yes, we need more money. But on this side

of catching folks doing wrong, I am not asking for more money for that. All I am asking for is to give me some finality, some authority that when I get you, you are gone. It weakens us as a government when I see what is happening and I can't do anything about it.

So no, this is not a call for, give us more money, particularly at the local level. Just give us more power to straighten things out.

Ms. GATES. And I would echo those comments, as well.

Ms. GOLDEN. And I think I would just take them one step further to say that I think it is very useful for the committee to reflect on that balance, on the fact that—and I think Chairman Alexander highlighted it at the beginning, that it is both about making sure there is integrity, fiscal integrity, and about the results for children, that they are learning.

Perhaps in my 60 seconds at the end, I will highlight the fact that there is a lot of really useful research going on now that the committee may want to look at it in its reauthorization that highlights what we know about the impact that we are having on school readiness and what kinds of standards and how it works. So there is a lot of knowledge about that now to add to the committee's reflections.

Senator ENSIGN. Thank you, Mr. Chairman. I wish I had time to stay around for Senator Roberts' tirade. I was kind of looking forward to it.

[Laughter.]

Senator ALEXANDER. Well, I hope he will forgive me for jumping over him. Senator Roberts?

Senator ROBERTS. Thank you, Mr. Chairman.

Jim, again, thank you for taking the time out of your busy schedule to be with us. This comes with good timing for bad news again.

Yesterday, the Kansas City Star printed an article—it has been an ongoing series of articles for several years about the financial abuses of the Kansas City Head Start program, which, I might add, as Ms. Golden indicated, all of these should be synonymous with integrity. That is an oxymoron in this particular case.

I want to point out that this center is not in Kansas, it is in Missouri, and it is in Clay County, Platte County, and Jackson County, but we have a very fine Head Start program in Wyandotte County just across the river and this example basically infected and contaminated all of our efforts.

The article is alarming. It details the corporate credit card abuses of the former executive director of the program. To quote the story, the former executive director's charges range from items as small as a car wash, and let me point out that those car washes cost \$12,000, to flights overseas, and I could go down the list. It would make your head swim. I am talking about Godiva chocolates, wedding and anniversary gifts, trips to the Caribbean, cowboy boots. In all, the executive director of the Head Start program used his corporate credit card more than 1,000 times—1,000 times—on purchases that totaled more than \$165,000. If there was a case of avarice and greed and incompetence and remarkable arrogance, I don't know where there is any better case. He got paid \$814,000 over a 3-year period.

Now, what was the reaction? Federal auditors never looked at the credit card charges at KCMC in reviews done every 3 years.

Even after KCMC's controller pleaded guilty—he is in jail—in 2002 to bribery and money laundering, Federal officials acknowledged that auditors failed to scrutinize Crompton's credit card or travel expenses in review just 2 months later. Instead, auditors applauded the KCMC for exemplary service. They found the board and management well informed, including about agency finances.

But the board members said last year, 2 years later, that they had been unaware of Crompton's spending and the agency's financial woes beyond the fraud in December. The agency, millions of dollars in debt, gave up its Head Start grant. A Denver firm stepped in to operate the program, which serves 2,700 preschoolers in Jackson, Clay, and Platte County until the Federal Government finds a new agency. Jim is probably up on that in terms of where we are in that regard.

Now the Governor of Missouri is launching another investigation. It ain't over. It ain't over until it is over. This ain't North Carolina and Illinois. It ain't over. And so in Wyandotte County, we have to live with that right across the river, and I can't tell you how upset I am.

I have visited a center in Wyandotte County. When I visited, this is just about the time this story was breaking and people had come up to me and said, "Do you think this is going to endanger the program?" And I said, "Well, it sure as heck isn't going to help." So, consequently, I went in and I learned how to brush my teeth better and I read the book *Curious George* to the kids, and then the director and I danced to, "You Are My Sunshine."

[Laughter.]

I was not Fred Astaire. She was Ginger Rogers and the kids really got a good kick out of that.

But at the same time this scandal was actually brewing, and it is still not over, why, Mike Castle over on the House side, with very good intentions, says, why don't we delegate this? We can do it better in Delaware. We can handle it. And so we are into devolution and a pilot program, so on and so forth, which I oppose.

So I am upset about this and I am very glad that Jim came up to give his testimony. I guess my questions really center on the testimony, especially by Ms. Gates.

Ms. Gates, you said—I am just going to skip to the last—"Congress may wish to consider restrictions on prohibiting ACF from allocating all of its Head Start funding to a single organization within a single large metropolitan area." With your experience, in the Kansas City situation, do you think such an approach would have helped?

And Jim, what in the heck are we doing in Kansas City to get this thing back on track so that we don't have these kinds of problems in the future?

Ms. GATES. Mr. Chairman and Senator Roberts, I couldn't agree more. That has been the biggest problem in Clark County. We had one grantee. And if we had an opportunity to have more than one grantee, we probably wouldn't be in the situation that we are in today. Obviously, in your situation, you have experienced the same thing, but it was a little bit too late for the Federal Government to come in.

And second, the fact that there is no proper training, and just for your information, Mr. Chairman and members of the committee, I was once on that board as a County Commissioner and I got off of that board because of the internal problems that the Mayor talked about in terms of the funding and fights and so forth. It was better for me to be on the outside, although I still helped them.

But having one agency in charge of over \$20 million is problematic.

Senator ROBERTS. Jim?

Mr. CACCAMO. Yes, Senator. I go back and forth on this relative to Kansas City, about whether it should be broken up or be one agency. Please remember that what goes on for boys and girls, what goes on for parents and comprehensive services is very strong. We don't have programmatic problems. What we have is finance and government, and I am sorry that Senator Enzi left because I want to tell him that we are appalled by it. We are appalled. The juxtaposition of an executive director who could run such comprehensive programs for children and families against the use of the credit card and other governance and finance problems has appalled our community.

Now, to break it up might help, but keep in mind that programmatic, it is solid. I think there are other solutions in our community that I spoke to already that would help resolve the issue of financing government. If in Clark County there is another solution, I think the law ought to allow—ACF ought to allow for multiple. But I don't think there is a cookie cutter. The reason I think Head Start works for so many boys and girls and families is that there is community reflection in all of these programs, most of the time for the good.

Senator ROBERTS. Well, thank you, Jim, for your effort, and thank all of you for your testimony.

After my visit in this one center, a young lady came up to me, and I said we were singing "You Are My Sunshine." The sunshine in that center came from her eyes. She was a graduate of that program 20-some years previously and her daughter is in that program now and it is a success story. And you are right. We are all appalled. This is a case that has been most damaging. This particular example is a lot like asking for a neck massage from the Boston Strangler in regards to the program.

[Laughter.]

I am very upset about it and it has taken 3 years to get this dog-gone thing on track and it is not over because now the Missouri Governor is going to launch an investigation. I have the privilege of representing Kansas, but again, because of the border situation, it reflects on the entire program.

So I really appreciate your efforts for the clean-up, and Mr. Mayor, I certainly sympathize with your situation, and Mr. Chairman, thank you for your leadership.

Senator ALEXANDER. Thank you, Senator Roberts.

This has been an exceptionally good hearing, both from the Senators' participation and especially from the witnesses. We would like to thank each of you for coming, some of you from long distances, to be here today. We know you have busy schedules.

As I mentioned earlier, we are going to keep the record open for a week. You have heard the discussion. Maybe it raised some thoughts in your mind. We are looking at whether we should reauthorize Head Start in the next few months. We need to do that. We need to do that working together, and we want to improve accountability. We want to make it easier for the money we appropriate to help children and we need specific suggestions from you. You have already given us some ideas about how to do that.

Now, let us end the hearing. We will go right down the row. Why don't we start with you, Mr. Caccamo, and Mayor Wharton, Commissioner Gates, Dr. Golden. Sixty seconds, what would you like to leave us with?

Mr. CACCAMO. I think I can do it in less than that, although the people at home would be surprised.

[Laughter.]

Keep in mind that Head Start works. We have high performance standards, comprehensive services, parent engagement, and community involvement. Those are strengths and it works in most of our communities.

There are bad things, too, and the bad things in our case was the governance problem, financial problems, which I think came about because of lack of board attention. We will address that, Senator.

Senator ALEXANDER. Thank you, sir.

Mayor Wharton?

Mayor WHARTON. Thank you, Mr. Chairman, and thanks to you and the committee members for convening this hearing. I will go back to my basic points. More local control in dealing with errant agencies. Give us some finality there.

I would have a word of caution with respect to having more than one grantee, particularly in those instances where, in my case, I am responsible for funding public schools. I think what we should require is some cooperation or collaboration between the Head Start programs and our systems of public education. The Governor is getting ready to start a pre-K program, but nobody has called me to say, how can you fit that \$22 million you already get into that? I think if we start breaking it up, we may work against the purpose of integrating what is taught in Head Start with what goes on from pre-K on up. So I would caution against breaking it up.

Programs should be required to have some CIP program built in, not how they are going to correct what they have done wrong but how they are going to get better. That ought to be built into the program, a continuous improvement process or whatever.

And I think there should just, again, over and over, more local control in dealing with agencies that for whatever reason have not complied. Thank you.

Senator ALEXANDER. Thank you, Mayor Wharton.

Commissioner Gates?

Ms. GATES. Mr. Chairman, thank you. Again, I want to just reiterate that Head Start does work and it certainly works in Clark County. But I would add three things.

Early Federal intervention with proper training of staff is important.

Expand fiscal review and control by local government, making sure that local government is involved.

And then last, have the flexibility to have more than one grantee in a large metropolitan area, such as Clark County.

Senator ALEXANDER. Thank you, Commissioner Gates.

Dr. Golden?

Ms. GOLDEN. I think I would also make three points. I would start with the Head Start works point and just note that the more that school readiness and early learning are on our minds in this country, and we know from the research both that Head Start makes a difference and we know some things about how it makes a difference.

So the second point would be that how it makes a difference is through high and rigorous standards and strong enforcement and strong involvement of partners around those standards, so that is key.

And the third theme, which I have just heard throughout the conversation today, is really, I think, a theme about balancing, about making sure you have strong programs and strong fiscal integrity, that you have strong Federal oversight that doesn't squash but invites local partnerships, and I think that theme of how to balance those things in the service of the goals that we know we all have was really what came through to me most strongly.

Senator ALEXANDER. Thank you. That is very helpful. And for my 60 seconds, I think you took about the first 30 seconds of it because that balance that you speak of, I think, is critically important. It is too frequently the case when there is a problem and the Federal Government gets involved that we become overly prescriptive about how to fix things from here. There is no more wisdom here than there is in Memphis or Kansas City or anywhere else, often less. So we need our standards and we need to watch the money from here.

But at the same time, we are likely to get a better result if we have, as several of you have emphasized, clear accountability at the local grantee level, in other words, somebody in charge and somebody who can fix it if it goes wrong. And if you can help us keep that balance, we will be able to continue to have autonomous units around the country, which was the original idea, local control, parent involvement, good programming, hopefully better outcomes. The more we have learned about preschool education, the more we want, as several of you have suggested. More cognitive learning; we want to know whether that is happening. We want to know whether there are results as a result of the health screenings, those sorts of outcomes.

We want the money to go where it goes, but we don't want to squash the ability of local officials to take charge and produce good results.

Thank you very much. The hearing is adjourned.

[Whereupon, at 12:01 p.m., the subcommittee was adjourned.]