

Taking Money from Children: Financial Abuse & Mismanagement in the Head Start Early Childhood Program



***A Summary of Media Reports (2003-2005)
Compiled by the U.S. House Committee on Education and
the Workforce Majority Staff***

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SUMMARY

High quality early childhood education is essential to closing the achievement gap that currently exists in the United States between disadvantaged children and their more affluent peers. The federal Head Start early childhood program – the mission of which is to prepare poor and disadvantaged children for kindergarten – has a critically important role to play in achieving this objective. Taxpayer funding for the federal Head Start early childhood program has nearly doubled since Republicans assumed control of the U.S. House of Representatives in 1995, increasing from \$3.6 billion annually in FY 1996 to nearly \$7 billion under the FY 2005 omnibus spending bill signed by President George W. Bush in December 2004.

Disturbing evidence exists that an unacceptable share of Head Start funding never reaches the disadvantaged children the money is intended to serve, and is instead lost to financial abuse, mismanagement, impropriety, or outright theft within the Head Start system. There is also evidence these abuses may be taking place at the expense of children served by the many law-abiding, quality grantees within the Head Start system – grantees who too often are put in the position of being forced to defend the actions of the “bad apples” in the program. As Congress prepares to reauthorize the Head Start program, legislators of both parties have a responsibility to confront this evidence on behalf of children and taxpayers alike to ensure that future funds are used effectively to support Head Start families.

Between January 2003 and the first months of 2005, media accounts in numerous U.S. cities and communities alleged serious financial abuses and irregularities by local individuals and/or entities entrusted with the responsibility of managing federal Head Start funds meant to serve poor and at-risk children. Other reports involving financial mismanagement suggested that many Head Start grantees have good intentions, yet lack strong fiscal controls and the skills needed to effectively manage complex, multi-million dollar non-profit organizations. The incidents identified in these media reports collectively involve the use of tens of millions in federal Head Start funds that were intended to serve more than 10,000 disadvantaged U.S. children.

While some lobbying organizations and political figures have dismissed individual episodes of financial abuse or irregularity as “isolated incidents,” these media accounts collectively suggest the problem may not be “isolated.” Indeed, there appears to be little ability on the part of the federal Head Start bureaucracy to independently verify that the abuses reported by the media in the past two years are in fact “isolated incidents” and not the symptoms of a more widespread accountability problem – a problem some top officials at the U.S. Department of Health and Human Services (HHS) have warned about and asked Congress to help them change. In 2003, congressional education committee leaders asked the Government Accountability Office (GAO) to examine the financial controls that exist in the Head Start system. The results of the GAO’s investigation are expected to be publicly released on March 18, 2005.

Financial abuse in the Head Start system cheats not only children and taxpayers, but also the many law-abiding local Head Start grantees nationwide who find themselves in the position of being asked to defend indefensible practices by other grantees. The following is a summary of major financial abuses reported by local media outlets between 2003 and the first months of 2005, compiled by the majority staff of the House Committee on Education and the Workforce. The Committee will play the lead role for the U.S. House of Representatives in reauthorizing Head Start during the 109th Congress. A key priority of the Committee is to ensure appropriate financial controls are in place to safeguard federal Head Start dollars and to restore public confidence in this important school readiness program.

HEAD START BACKGROUND

Since 1965, Head Start (P.L. 105-285) has provided comprehensive early childhood services to low-income preschool children (ages four and five) and their families. These services are intended to prepare children to enter kindergarten and to improve the conditions necessary for their success in school and life. Generally, Head Start operates a part-day program during the school year, although a growing number of grantees offer full-day programs. Funds are awarded to approximately 1,600 grantees who serve nearly 910,000 children. Authority to operate Head Start expired in fiscal year 2004, but it continues to receive funding from Congress. In fiscal year 2005, Head Start received a record funding level of nearly \$7 billion (\$6.899 billion) in federal appropriations.

FUNDING HISTORY (in millions)

Program	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Head Start	\$3,569	\$3,981	\$4,347	\$4,658	\$5,267	\$6,200	\$6,538	\$6,668	\$6,775	\$6,899

Source: Congressional Research Service

HEAD START FINANCIAL ABUSE: A CHRONICLE OF SHAME (2003-05)

Numerous reports of financial and administrative mismanagement by Head Start grantees were documented in the American press from 2003 to the beginning months of 2005. While some characterized the abuses individually as “isolated incidents,” serious potential abuses were documented by the media in more than a dozen cities nationwide in 2003 alone.

Among the financial abuses reported by the media in 2003, 2004, and early 2005:

- **Baltimore, Maryland.** On December 31, 2004, the *Baltimore Sun* reported that “the director of the Ashland Head Start program in Gardenville [MD] was indicted” on “charges that she stole \$355,777 from the organization over a four-year period.” A Baltimore grand jury indicted the individual on December 15, 2004, “charging that she had diverted money into an unauthorized bank account from June 30, 2000, to July 21 of this year,” the paper reported. (“Head Start official indicted in 4-year theft of \$335,777,” *Baltimore Sun*, December 31, 2004)
- **Baton Rouge, Louisiana.** “The director of a Head Start program in Louisiana has resigned and the federal government is investigating possible fiscal irregularities in the \$1 million program in the latest such incident nationwide,” the *Baton Rouge Advocate* reported in May 2004 (Shields, Gerard; “Agency target of probe,” *Baton Rouge Advocate*, March 27, 2004). “The Pointe Coupee review was sparked after parents complained about being short on supplies, and fringe benefits for some workers were reduced. . . The Pointe Coupee matter is the latest fiscal issue to surface nationwide for Head Start. The program has been rocked by a series of incidents in the past year in more than a dozen cities. Millions of dollars meant for ‘disadvantaged’ children were reportedly misused or squandered.”
- **Charleston, South Carolina.** The Berkeley-Dorchester Economic Development Corp., which operates approximately 20 Head Start centers in the Charleston area, “has come under close federal scrutiny in the past year, including an FBI investigation and federal grand jury review. The nonprofit agency has been accused of accepting more funding than its enrollment allows and paying for building renovations that were never completed. Two audits, one by the U.S. Department of Health and Human Services and the other by a private accounting firm, concluded last year that the EDC may have mismanaged as much as \$10.5 million in taxpayer money over the past five years.” (Hardin, Jason; “Area Head Start operator suspended by feds,” *Charleston Post and Courier*, November 11, 2004) “Independent auditors. . . concluded that, since 1998, Berkeley-Dorchester EDC has received \$7.4 million more in grant money than its enrollment allowed. They also identified more than \$3 million in other irregularities, including building renovations that were paid for but never completed.” (Reeves, Steve; “FBI to investigate Lowcountry agency,” *Charleston Post and Courier*, October 25, 2003)

- Charleston, West Virginia.** The entity that operates the McDowell County Head Start program, “one of the oldest Head Start programs in the nation,” has been cited by authorities for “deficiencies” that include accepting more money for Head Start children than it actually appears to spend, “improperly recording the development of children in the program,” and maintaining “unacceptable accounting procedures.” (Broadwater, “McDowell’s Head Start may lose federal funding,” *Charleston Gazette*, November 19, 2004). “Overdraft fees totaling \$1,118 for one fiscal period are cited, as well as a lack of control over multiple credit cards. . . One employee had a card with a credit line of \$25,000, [HHS determined]. . . [and] though the agency was awarded \$6,147 for each of the 320 children enrolled in Head Start, it spent less for some. Only \$1,347 was spent on each of the 87 students at sites in McDowell County Schools.” On May 19, 2003, the Associated Press reported that Sandra Hunt, a former employee of the McDowell County agency, “was charged in December [2002] with taking \$39,000 in federal funds from the Council of Southern Mountains in Wilcoe. The agency administers the county’s Head Start program, which is designed to help low-income children get a better start in public school.” (“Woman sentenced to 5 months in prison for taking federal funds,” May 19, 2003)
- Charleston, West Virginia.** Paul R. Skaff Jr., the former director of the Multi-County Community Action Against Poverty (CAP) program, “is paying \$500 each month in restitution after pleading guilty to one count of embezzlement and one count of uttering in October. He misappropriated \$55,000 awarded to the organization to buy a school bus for a Head Start program. Skaff, who was sentenced to five months in federal prison, admitted he used the agency credit card for a personal trip to the Kentucky Derby and prepared a false invoice for computer repairs.” (Associated Press, “Multi-CAP officials say accounting problems corrected,” July 14, 2003)
- Cleveland, Ohio.** “A Cleveland Head Start provider accused of defrauding the state of nearly \$4 million has refused to turn over enrollment documents to the state auditor investigating the agency,” the *Cleveland Plain Dealer* reported in 2003 (Hiaasen, “Day-care agency fighting auditor’s investigation,” *Cleveland Plain Dealer*, July 16, 2003). In 2002, the paper reported, the Ohio state auditor found that the provider “listed about 600 children who could not be verified – children who either did not attend Head Start programs or did not exist” in its 1997 enrollment records. One former worker “said in a deposition that she helped prepare Head Start enrollment records that listed children who were not in the program or were ineligible.” Another “said the enrollment records often didn’t correspond with food-voucher records she maintained.”
- Cleveland, Ohio.** “Ohio’s largest Head Start agency has repeatedly failed to enroll the number of children it has been paid to serve and has erroneously reported children eligible for the program, the agency’s financial statements show. In addition, a recent government review of salaries of Head Start

executives concluded that several top administrators at the agency, the Council for Economic Opportunities in Greater Cleveland, receive unreasonable compensation. The \$243,929 paid in 2004 to Jacqueline Middleton, the council's executive director, was far above a new federal compensation cap of \$162,100, according to the U.S. Administration for Children and Families, which oversees Head Start. . . Middleton's salary and perks, which have totaled more than \$200,000 in each of the past four years, stunned Cuyahoga County Commissioner Tim Hagan. He wants to know how the agency's board, which approved Middleton's compensation, justified such pay for an executive director of a nonprofit agency that receives nearly all its money from taxpayers." (Vinella, Susan; "Head Start not enrolling number of kids it's paid to," *Cleveland Plain Dealer*, March 13, 2005).

- **Cleveland, Ohio.** Between 1998 and 2001, the *Cleveland Plain Dealer* reported recently, the head of a large organization of child care centers that operates Head Start programs in the Cuyahoga County area received pay that "amounted to about a quarter of the public money that the centers received each year. Her salary ceased to be public information when her nonprofit centers became a private for-profit company in 2002, but public money to the centers has remained steady. She owns a house in Aurora and another in Arizona. A Mercedes Benz and a Hummer are registered in the names of her centers. Observers say her salary is high, compared even to the salaries of administrators who coordinate large regional programs. Her defenders say she is no different from other small-business operators, reaping the rewards of an enterprise in which she has invested years of work. Either way, say critics of the system, the real issue is the rules governing the federal programs that support day care, which make pay levels like Smith's possible." (Ewinger, James; "Head Start funds pay six-figure salary," *Cleveland Plain Dealer*, March 7, 2005) A March 8, 2005 correction note regarding the story "may have left some with the impression that all of her six-figure salary comes from Head Start money. Her salary comes from a mix of federal Head Start and Cuyahoga County programs, plus a small amount from parents who make too much to qualify for public assistance. Her exact salary is no longer a public record now that the nonprofit centers have become a private for-profit company."
- **Columbus, Ohio.** In December 2004, a crisis management team took over a Columbus nonprofit agency – the Columbus Metropolitan Area Community Action Organization (CMACAO) – "that is accused of dubious spending and management practices," and "federal Head Start auditors were examining books and interviewing board members" in response to local media revelations that CMACAO "awarded contracts to trustees, including a \$414,000 unbid construction job; spent thousands for boardroom furniture; and collected administrative fees of nearly 70 percent from Head Start grants meant to provide services that preschools say children never saw." (Carmen, Barbara; "New team takes over at CMACAO; Feds scrutinizing financial records at anti-poverty agency," *Columbus Dispatch*, December 17, 2004). "[M]oney that might have

gone to pay for more children to attend Head Start, or to improve their education, was instead spent on perks for board members and executives,” the *Dispatch* reported. “In May 2001, for example, five CMAAO Head Start employees spent more than \$14,800 – nearly \$3,000 each – to attend five days of National Head Start Association training in Orlando, Fla., near Disney World, according to board minutes. In 2002, four managers attended a weeklong leadership laboratory near Vail, Colo., at a total cost of \$11,552 in Head Start money.” (Carmen; “Undermining Head Start; ‘mismanagement’ plagues tax-funded preschool program for children in poverty,” *Columbus Dispatch*, November 28, 2004)

- **Honolulu, Hawaii.** “The director of Oahu Head Start, which provides preschool services to low-income families, has been placed on leave while independent auditors investigate allegations of a misuse of federal money for the program,” the *Honolulu Advertiser* reported in 2003 (Viotti, Vicki; “Head Start chief put on leave while finances undergo audit,” *Honolulu Advertiser*, October 11, 2003). The official “was put on leave after three letters alleging ‘fiscal and managerial improprieties’ were sent to the lieutenant governor’s office,” the paper reported.
- **Jamestown, North Dakota.** The former executive director of Community Action Region VI, a nonprofit agency that coordinates Head Start programs in the Jamestown area, was “accused of taking more than \$50,000 from another nonprofit agency he helped create for needy people,” the Associated Press reported on June 6, 2003 (“Former regional Community Action official accused of theft,” Associated Press State and Local Wire, June 6, 2003). Local authorities said the man “used about \$34,000 of the money to help pay off Community Action’s debt, and took at least \$18,000 for himself,” the AP reported.
- **Kansas City, Missouri.** The executive in charge of the Kansas City Head Start operation was revealed by the *Kansas City Star* to have been earning a salary in excess of \$300,000 annually and driving a luxury sport-utility vehicle leased, in part, with federal Head Start funds meant for disadvantaged children. The agency, KCMC Child Development Corp., “came under fire last year for paying [the executive] a \$300,000-plus annual salary and bonus and providing him with a Mercedes SUV.” (Smith, DeAnn and Margolies, Dan; “Head Start provider says it must bow out,” *Kansas City Star*, December 13, 2004) The executive “resigned effective April 1 after questions were raised about his salary, which totaled more than \$814,000 in fiscal years 2000, 2001 and 2002. The agency repaid the federal government almost \$450,000 in questioned salary costs” for the executive, the *Star* reported (Smith, DeAnn; “Head Start spending detailed,” *Kansas City Star*, May 13, 2004). The executive, Dwayne Crompton, testified on behalf of the Head Start lobbying community against President Bush’s Head Start reform efforts at a 2003 congressional hearing.
- **Las Vegas, Nevada.** Head Start programs run by the Las Vegas-area Economic Opportunity Board have been “under scrutiny” by the U.S. Department of Health and Human Services since a board member, the Rev. Chester Richardson, “went

to HHS earlier this year asking for an investigation of a 'serious case of fraud, waste and mismanagement' in the child-care assistance and Head Start programs," including a \$300,000 deficit in the EOB's Head Start program. Richardson's complaint "also mentions 'over 25 credit cards being used by staff that are paid by federal funds. . .However, not one Board member has ever seen a credit card bill.'" (Pratt, Timothy; "Documents show problems have dogged EOB for years," *Las Vegas Sun*, March 23, 2004)

- **Little Rock, Arkansas.** A local Head Start operator "has funneled at least \$123,000 to a Huntsville day-care center since 2000, records show," the *Arkansas Democrat-Gazette* reported in November 2003 (Webb, Rachel; "Head Start gave funds to day care, files show," *Arkansas Democrat-Gazette*, November 25, 2003). "Over the past three years, Northwest Arkansas Head Start Human Services has given money to Northwest Arkansas Child Care Inc., through \$57,000 in fund transfers, \$41,000 in U.S. Department of Agriculture money and a \$25,000 loan in May, records [show]. . .Federal Head Start officials have said the no-interest loan, which has no repayment plan, was likely illegal."
- **Lubbock, Texas.** On August 28, 2003, the U.S. Justice Department announced that the former executive director of the Tom Green Community Action Council, Inc., operator of approximately 15 Head Start centers in western Texas, had pled guilty to falsifying vouchers and using federal funds intended for Head Start children to instead operate a Mexican food restaurant known as Henry's Diner in San Angelo, TX. DOJ indicated the program's executive director, J.D. Cortez, had embezzled more than \$805,000 over two years by operating several schemes that involved the diversion of federal Head Start funds. (U.S. Department of Justice press release, August 28, 2003) In 2004, the DOJ received guilty pleas from two associates of Mr. Cortez, who collectively admitted to helping him steal or embezzle more than \$111,000 in federal funds. One associate "admitted that she was instructed by Cortez to falsely inflate her invoices for research on grants and submit false invoices for the research and for supplies that she never bought." Another asserted that Cortez instructed him to "submit fraudulent vouchers. . .falsely showing that between April 1, 2001 and November 1, 2002, approximately \$60,000 worth of equipment, supplies and services had been provided to various Head Start facilities when in fact, the equipment, supplies and services had been supplied to Cortez' restaurant, Henry's Diner." (Press release, U.S. Department of Justice's U.S. Attorney's Office, Northern District of Texas, June 23, 2004)
- **Madison, Wisconsin.** Two men were indicted in 2003 for conspiring to "embezzle, misapply and steal more than \$1 million from a nonprofit agency," the Indianhead Community Action Agency (ICAA), that "administers community action programs" including Head Start ("Men accused of conspiracy in thefts from nonprofit agency," Associated Press, June 5, 2003). The two "are also accused of aiding and abetting the agency's former lead financial specialist in her scheme to embezzle, misapply and convert the money for their own use," the AP

reported. The financial specialist “made out 76 fraudulent checks from ICAA between June 1, 2001 and March 31 of this year totaling more than \$1 million.”

- **Norwalk, Connecticut.** “A federal agency has called on Norwalk Economic Opportunity Now [NEON] to strengthen its fiscal management after an investigation into its financial policies,” the *Stamford Advocate* reported in August 2004. “The Administration for Children and Families concluded that NEON’s practice of developing its budget is defective and spending is not monitored. . . The review also said the anti-poverty [organization’s] procedure for awarding contracts is weak because it does not use a bidding process, and contracts are given to vendors who have personal relationships to NEON employees. . . The subsequent federal agency investigation, conducted in April and May, focused on the unauthorized spending of \$58,000 in federal funds, officials said.” (Jockers, Ryan; “Feds call NEON’s fiscal management into question,” *Stamford Advocate*, August 12, 2004)
- **Rapid City, South Dakota.** “A Rapid City woman pleaded innocent to stealing more than \$185,000” from Rural America Initiatives, an organization that provides early Head Start services and other services, between 2002 and 2003, the Associated Press reported (“Woman pleads innocent to embezzlement,” Associated Press State and Local Wire, May 9, 2003). The woman was “charged in federal court with two counts of embezzlement from an organization receiving federal funds.”
- **San Antonio, Texas.** In September 2004, the *San Antonio Express-News* revealed that an official audit by the U.S. Department of Health and Human Services’ independent Office of the Inspector General (OIG) found significant financial abuse at a San Antonio-based Head Start operation run by the national vice-chair of the National Head Start Association (NHSA), Blanche Russ-Glover. Among the abuses chronicled in the independent audit: federal Head Start funds meant for children and teachers were instead being used to pay excessive salaries to top executives; Head Start was being billed for expenses other programs should be paying for; and unjustified car allowances were being provided to local executives using federal Head Start funds. The *Express-News* reported that federal Head Start funds were also apparently being used to pay for a Cadillac automobile driven by Russ-Glover. (Tedesco, “Review rips Head Start teacher-exec wage gap; Feds say local provider used flawed studies to set pay scales,” *San Antonio Express-News*, September 16, 2004) “The recent federal review in San Antonio determined Parent/Child Inc., a nonprofit agency that serves 6,700 children, overpaid its top employees with public funds and shortchanged its teachers. The review also found Parent/Child Inc. was billing Head Start to pay for portions of salaries that should have been paid for from other programs, and key executives received car allowances ‘that were not based on actual vehicle usage,’” the paper reported. (Tedesco, “Officials lash out at huge pay gap; GOP lawmakers rip ‘abuses’ seen in audit of S.A. Head Start agency,” *San Antonio Express-News*, September 17, 2004) In November

2004, in response to revelations by the media and federal auditors, San Antonio city officials asked that Russ-Glover take a pay cut. "Russ-Glover is among the highest-paid Head Start executives in the country, while many of her teachers earn less than their peers," the paper reported. (Tedesco, "Pay cuts could be looming for local Head Start honchos; Director's salary would decrease to \$188,600," *San Antonio Express-News*, November 10, 2004)

- **Stockton, California.** In February 2005, the *Stockton [CA] Record* reported that local officials were stunned to learn that a local Head Start operation with a \$24 million annual budget has gone without required county oversight for more than 20 years. "Members of the San Joaquin County Board of Supervisors were surprised Tuesday to learn the county hasn't been overseeing its \$24-million-a-year Head Start program for more than two decades," the paper reported. "The federally funded Head Start program in San Joaquin County provides care for about 3,000 poor children in 65 locations and employs about 575 people. Its programs are designed to help children prepare for kindergarten and range from free medical care to play time. The lack of county involvement came to light in January, when the federal agency contacted county officials after a November deadline to file a grant proposal wasn't met. Under the current contract, the county is tasked with overseeing the program funded by the U.S. Department of Health and Human Services agency. For unknown reasons, that oversight hasn't taken place in years." (Carroll, Melanie; "No Head Start oversight; S.J. supervisors discover county hasn't been managing \$24M program," *Stockton Record*, February 23, 2005)
- **Washington, D.C.** A three-year investigation by the Senate Governmental Affairs Committee found evidence that federal funds, including Head Start funds, "are being wasted on bogus degrees from unaccredited institutions that the federal government does not even recognize," according to Sen. Susan Collins (R-MA), who chairs the committee. During a three-year investigation into reputed 'diploma mills,' the committee "discovered three checks from federal Head Start program grantees in three different states made out to Kennedy-Western University." (Press release, Senate Governmental Affairs Committee, May 11, 2004) "We have discussed this matter with the Department of Health and Human Services, which acknowledges that it has not imposed controls on the training for which Head Start dollars can be used. While training is a very important component of Head Start, training at diploma mills is unacceptable," Collins said.

EXAMPLES OF ANNUAL FUNDING AND ENROLLMENT FOR SELECTED HEAD START GRANTEES

Head Start Grantee	Annual Federal Head Start Funding	Head Start/Early Head Start Funded Enrollment
Berkeley-Dorchester Economic Development Corporation (Charleston, South Carolina)	\$10,321,895	1,658
Columbus Metropolitan Area Community Action Organization (Columbus, Ohio)	\$15,294,885	2,264
Community Action Region VI Agency (Jamestown, North Dakota)	\$2,034,911	234
Council of Economic Opportunities of Greater Cleveland (Cleveland, Ohio)	\$32,887,854	2,873
Council of Southern Mountains (McDowell County, Wilcoe, West Virginia)	\$1,995,536	320
Economic Opportunity Board of Clark County (Las Vegas, Nevada)	\$12,596,265	1,723
Honolulu Community Action Program, Inc. Oahu Head Start (Honolulu, Hawaii)	\$11,449,231	1,650
Indianhead Community Action Agency (ICAA) (Madison, Wisconsin)	\$2,130,885	
Multi-County Community Action Against Poverty Program (Charleston, West Virginia)	\$3,914,097	761
Norwalk Economic Opportunity Now (NEON) (Norwalk, Connecticut)	\$1,437,412	257
Pointe Coupee Community Advancement, Inc. (New Roads, Louisiana)	\$1,005,670	167
Tom Green County Community Action Council, Inc. (Lubbock, Texas)	\$5,289,469	848

Source: U.S. Department of Health & Human Services

LOBBYING GROUPS FIGHT TO DENY PRESS, PUBLIC INFORMATION ABOUT HEAD START EXPENDITURES

During the autumn of 2003, House Education and the Workforce Committee leaders requested that the U.S. Department of Health and Human Services provide detailed information about how federal Head Start dollars were being used at the local level. The Committee leaders requested information about Head Start salaries, travel expenses and other significant expenditures made with federal Head Start funds that are intended to help teachers prepare disadvantaged children for kindergarten. HHS officials agreed to comply with the request.

The National Head Start Association in January 2004 went to court in an effort to have its members excused from complying with the HHS survey. The NHSA sought a temporary restraining order to prevent HHS from requiring NHSA member organizations to complete the survey. According to the court, the NHSA contended in its request that the survey "exceed[ed] HHS's authority to require information from grant recipients."

Education and the Workforce Committee leaders strongly criticized the lobbying organization for its action, noting it was difficult to understand why Head Start lobbyists would want to make it difficult for the public to have the information HHS had requested. Committee leaders noted that the American public has a right to know the billions of dollars they are investing annually in Head Start "are being used to help teachers prepare disadvantaged children for kindergarten, not to lease Mercedes SUVs for local executives."

U.S. District Judge John D. Bates apparently agreed, rejecting the NHSA's request on January 20, 2004, just days after the request was filed, finding that "the public's interest in transparency is predominant."

"The public has a strong interest in the effective and transparent administration of federal grant programs," Judge Bates wrote. "That interest may well be served by confirming HHS's authority to review the administrative expenditures of Head Start grant recipients."

Then-Secretary of Health and Human Services Tommy Thompson responded to the congressional request on May 13, 2004, in a letter sent to Capitol Hill. The inquiry "brought additional management issues to light" with respect to Head Start, Thompson said in the letter. Committee leaders welcomed the Secretary's cooperation with the request, while noting the information HHS provided as a result of the survey seemed to raise more questions than it answered.

The results of the HHS inquiry revealed a wide disparity in Head Start spending practices by the nation's largest Head Start grantees. While many local grantees appear to be working to ensure federal Head Start funds are spent directly on preparing disadvantaged children for kindergarten, Republicans noted, others appear to be spending unusually large percentages of their Head Start funds on meeting and

conference travel, and/or billing Head Start for lavish salary and compensation packages for their top executives. HHS asked Head Start grantees to self-check and confirm the data in the report before it was transmitted to Congress.

A summary of the findings reported to Congress by HHS in May 2004:

- **Disparities in travel expenditures.** Executives of 25 local Head Start grantees collectively spent \$8.9 million on meeting and conference travel in fiscal year 2002. While many grantees spent only a small fraction of their annual budgets on travel, others spent between 20 and nearly 40 percent of their annual budgets on such travel, billing it to Head Start as training or technical assistance expenses.
- **High salaries & compensation for executives.** More than a dozen local Head Start executive directors nationwide received a larger annual salary in fiscal year 2002 than the U.S. Secretary of Health and Human Services, whose agency oversees the entire Head Start program. (The Secretary currently receives an annual salary of approximately \$171,900.) While some local grantees used Head Start funds to pay only a small fraction of the salary and compensation packages for their executives, other grantees billed Head Start for much or nearly all the annual amount. In at least three cases, Head Start executives received an annual compensation in excess of \$230,000, and 69% or more of that compensation was charged to Head Start.
- **New questions about executive perks.** The HHS report did not disclose the value of other “hidden” perks executives may be receiving, such as the use of vehicles leased with Head Start funds meant for disadvantaged children.
- **New questions about executive travel.** The HHS report did not disclose the locations to which grantees traveled.
- **New questions about administrative compensation.** The report to Congress disclosed only a partial picture of the extent to which federal Head Start funds are used by local grantees to pay administrative salaries, because it provided information only on the salaries and compensation of the top-ranking Head Start executives at each operation. The report did not identify grantees that are paying large federally-funded salaries to a number of individuals with a range of different titles, for example.

On November 25, 2003, along with Senators Judd Gregg (R-NH) and Lamar Alexander (R-TN), Boehner and Castle requested that the independent Government Accountability Office (GAO) review current Head Start accounting practices and make recommendations, if needed, to improve the fiscal management and accountability of local grantees. GAO’s final report is expected to be released on March 18, 2005. The recommendations in the study will be carefully considered by Congress and could

significantly influence legislation to reauthorize the Head Start program during the 109th Congress.

Also as a result of the media reports on alleged Head Start financial mismanagement and abuse, the FY 2005 omnibus appropriations bill signed by President Bush in December 2004 included language adopted with bipartisan consent in Congress stipulating that the salaries and benefits of Head Start executives cannot exceed a certain amount comparable to the salaries and benefits commonly provided to other workers using federal funds. The inclusion of this language – which passed Congress and became law without controversy – may signal an emerging bipartisan consensus in Congress in favor of requiring greater accountability and safeguards in the Head Start program to protect children, parents, taxpayers, and law-abiding grantees.

CONCLUSION

There is evidence that a significant share of the nearly \$7 billion being invested annually by American taxpayers in the federal Head Start program never reaches or benefits the disadvantaged children that money is intended to serve. Such abuse cheats not only children and taxpayers, but also law-abiding Head Start grantees at the local level. As Congress prepares to reauthorize the Head Start program, legislators of all political parties and ideologies have an obligation to raise questions about these reported abuses, and a responsibility to take steps to prevent such abuses from taking place in the future.