



ADMINISTRATION FOR
CHILDREN & FAMILIES

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Program Performance Summary Report

To: Authorizing Official/Board Chairperson

Mr. John Gioia

Contra Costa County Community Services

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Concord, CA 94520 - 5242

From: Responsible HHS Official

Date: 11/24/2023

Mr. Khari M. Garvin

Director, Office of Head Start

From July 24, 2023 to July 28, 2023, the Administration for Children and Families (ACF) conducted a monitoring review of Contra Costa County Community Services Head Start and Early Head Start programs to determine whether the previously identified findings had been corrected. The Office of Head Start (OHS) would like to thank your governing body, policy council, staff, and parents of your program for their cooperation and assistance during the review. This monitoring report has been issued to Mr. John Gioia, Authorizing Official/Board Chair, as legal notice to your agency of the results of the program review.

Based on the information gathered during this review, we have closed the previously identified findings which are included in this report. For any previous findings that are not included in this report and remain open, the recipient will receive a future follow-up review to determine the compliance status of those findings.

Please contact your Regional Office for guidance should you have any questions or concerns.

DISTRIBUTION OF THE REPORT

Copies of this report will be distributed to the following recipients:

Ms. Cynthia Yao, Regional Program Manager

Ms. Marla Stuart, Chief Executive Officer/Executive Director

Ms. Marla Stuart, Head Start Director

Ms. Marla Stuart, Early Head Start Director

Glossary of Terms

Compliant	No findings. Meets requirements of Head Start Program Performance Standard.
Area of Concern	An area for which the agency needs to improve performance. These issues should be discussed with the recipient's Regional Office of Head Start for possible technical assistance.
Area of Noncompliance	An area for which the agency is out of compliance with Federal requirements (including but not limited to the Head Start Act or one or more of the regulations) in one or more area of performance. This status requires a written timeline of correction and possible technical assistance or guidance from the recipient's program specialist. If not corrected within the specified timeline, this status becomes a deficiency.
Deficiency	<p>As defined in the Head Start Act, the term "deficiency" means:</p> <p>(A) a systemic or substantial material failure of an agency in an area of performance that the Secretary determines involves:</p> <ul style="list-style-type: none"> (i) a threat to the health, safety, or civil rights of children or staff; (ii) a denial to parents of the exercise of their full roles and responsibilities related to program operations; (iii) a failure to comply with standards related to early childhood development and health services, family and community partnerships, or program design and management; (iv) the misuse of funds received under this subchapter; (v) loss of legal status (as determined by the Secretary) or financial viability, loss of permits, debarment from receiving Federal grants or contracts, or the improper use of Federal funds; or (vi) failure to meet any other Federal or State requirement that the agency has shown an unwillingness or inability to correct, after notice from the Secretary, within the period specified; <p>(B) systemic or material failure of the governing body of an agency to fully exercise its legal and fiduciary responsibilities; or</p> <p>(C) an unresolved area of noncompliance.</p>

Performance Summary

Service Area	Applicable Standards	Grant Number(s)	Primary Review Finding Status(s)	Timeframe for Correction	Follow-up Compliance Level
Program Management and Quality Improvement	1302.102(b)(1)(i-iv)	09CH010862	DEF	N/A	Corrected
Monitoring and Implementing Quality Health Services	1302.102(d)(1)(ii)	09CH010862	DEF	N/A	Corrected
Program Management and Quality Improvement	642(c)(1)(E)(ii)	09CH010862	ANC	N/A	Corrected
Monitoring and Implementing Fiscal Infrastructure	75.303(a)	09CH010862	DEF	N/A	Corrected



Program Management and Quality Improvement

Ongoing Monitoring and Continuous Improvement

The recipient does not use data to identify program strengths, needs, and areas needing improvement; evaluate progress toward achieving program goals and compliance with program performance standards; and assess the effectiveness of professional development.

Special 02/25/2022 DEF 1302.102(b)(1)(i-iv) Timeframe for Correction: 120 days

1302.102 Achieving program goals. (b) Monitoring program performance. (1) Ongoing compliance oversight and correction. In order to ensure effective ongoing oversight and correction, a program must establish and implement a system of ongoing oversight that ensures effective implementation of the program performance standards, including ensuring child safety, and other applicable federal regulations as described in this part, and must: (i) Collect and use data to inform this process; (ii) Correct quality and compliance issues immediately, or as quickly as possible; (iii) Work with the governing body and the policy council to address issues during the ongoing oversight and correction process and during federal oversight; and, (iv) Implement procedures that prevent recurrence of previous quality and compliance issues, including previously identified deficiencies, safety incidents, and audit findings.

The recipient did not implement a system of ongoing oversight that ensured effective implementation of the program performance standards, including ensuring child safety and other Federal regulations. The recipient's system of ongoing oversight did not ensure its subrecipient--First Baptist Head Start--maintained compliance with Head Start regulations, including safeguarding Federal funds and maintaining safe environments. A review of the recipient's First Baptist Head Start whistleblower investigation findings from December 2021, along with a review of several licensing violations submitted to California Community Care Licensing (CCL), found the recipient's system of oversight did not lead to sustained compliance in both program and fiscal operations to prevent recurring concerns.

A review of the recipient's policies and procedures found that while the subrecipient, First Baptist Head Start, had internal ongoing monitoring procedures in place, the recipient was unable to produce documentation supporting effective oversight of subrecipient monitoring. In interviews, the executive director, division manager, department fiscal officer, and the chairperson of the Contra Costa County Board of Supervisors (Board) stated the monitoring of the subrecipient was based on trust. The Board chair stated that given First Baptist Head Start's excellent reputation in the community and the lack of concerns identified at the recipient level, the subrecipient did not warrant additional scrutiny. The department fiscal officer stated the recipient accepted a self-attestation of compliance in the form of a questionnaire completed by the subrecipient.

A review of monitoring forms completed by recipient staff found they did not include evidence of ongoing health and safety monitoring prior to the whistleblower complaint from September 2021. A review of a statement submitted by the recipient found it had not identified cleanliness concerns at First Baptist Head Start during a June 2021 observation nor were there any findings in the recipient's 2021 self-assessment, completed in May 2021; however, the recipient's internal investigation of the First Baptist Head Start whistleblower complaint substantiated allegations of inadequate janitorial services and unclean environments. In interviews, the management team stated in-person health and safety monitoring of the subrecipient's classrooms had not occurred since 2019, prior to the pandemic, although those classrooms were fully operational and serving children in person.

The recipient did not consistently provide support, conduct monitoring, or provide oversight of centers and classrooms to ensure safe environments for children. There were two supervision incidents and five child maltreatment incidents that occurred at recipient and subrecipient operated centers. For at least three of the incidents, the recipient did not report to the responsible Health and Human Services official immediately or as soon as practicable, with one incident reported 5 months after it occurred. In interviews, recipient management staff said there was a need for additional training, coaching, resources, and support to promote the well-being of teaching staff and ensure continuous supervision and the use of positive guidance. Although investigations were conducted and details were gathered regarding each incident, the recipient did not use the data to guide corrective actions. The recipient did not address identified issues timely nor did it fully implement procedures to prevent the recurrence of previously identified issues. In addition to the programmatic concerns, the subrecipient continued to contract with a janitorial provider that was found to be in violation of the recipient's conflict-of-interest policies. In interviews, the department fiscal officer stated the recipient's processes did not address all Head Start requirements, including conflicts of interest. In an interview, the department fiscal officer stated the delay in implementing corrective action regarding the conflict of interest was due to staff turnover and lengthy approval processes. A review of policies and procedures found the recipient had not implemented sustained internal controls for fiscal oversight.

Additionally, the recipient's complex organizational structure within a county administrative structure hindered the timely monitoring, effective reporting, and systems-building required to address issues, including those at the subrecipient level. In an interview, the Board chair stated the Board had not received formal training since 2019 and members of the Board family and human services subcommittee met only once per year with the executive director. A review of Board meeting minutes found reporting to the Board contained limited information about Head Start operations. Interviews with the county administrator, acting director of the employment and human services division (EHSD), and program-

level management found reports to the Board were funneled through several departments, from the Community Services Bureau to EHSD, and then to the County Administrators Office, before ultimately arriving on the Board consent item list, along with up to 150 other items for approval. Further, in an interview, the county administrator stated individuals responsible for fiscal oversight and reviewing contracts at the county level did not have adequate background experience in Head Start.

Through an internal investigation, the recipient substantiated several ongoing fiscal and programmatic concerns at the subrecipient level. These concerns that had gone unaddressed and unnoticed by the recipient's oversight process for undetermined amounts of time demonstrated the insufficient monitoring of subrecipient centers and fiscal practices.

The recipient did not implement a system of ongoing oversight that ensured effective implementation of the program performance standards, including ensuring child safety and other Federal regulations; therefore, it was not in compliance with the regulation.

Follow-up

Corrected

Timeframe for Correction: N/A

The recipient implemented a system of ongoing oversight that ensured effective implementation of the program performance standards.

A review of the Community Service Bureau (CSB) Monitoring Policy and Plan and CSB Monitoring Tools/Handbook found the recipient developed policies and procedures to ensure ongoing monitoring of program performance standards, including ensuring child safety, and the provision of comprehensive services. Additionally, in an interview, the quality assurance team described a multi-layered monitoring system and the utilization of new monitoring tools. The program developed health and safety monitoring tools, in the form of checklists and observation forms, that are completed on a regular schedule and submitted into the CLOUDS live data system for real-time monitoring of implementation.

A review of the recipient's CLOUD data system found the program generated reports and used data to understand program compliance with the performance standards as well as determine the status of the monitoring system. The recipient implemented a system to review and use ongoing data in the form of weekly monitoring data review meetings, quarterly monitoring reports, and semi-annual monitoring roll-up reporting. In an interview with the recipient's quality assurance team and review of meeting documentation, it was confirmed that weekly monitoring meetings were held and required the review of weekly, quarterly, and semi-annual data.

A review of training documents confirmed the recipient had provided training on the revised monitoring policies and procedures and monitoring tools to all management and center staff.

A review of the fiscal policies and procedures found the recipient modified the monitoring policies and procedures to include additional fiscal monitoring at the agency level, as well as additional requirements in the monitoring of Head Start Delegate sub-recipients. The procedures required the use of Appendix 15, Self-Monitoring Tool, to monitor the agency's compliance with its policies and procedures. A review of the EHSD Self-Monitoring Tool, dated 6/30/2023 found the agency implemented fiscal self-monitoring, with a first review period of February 2023- May 2023.

The recipient revised the Head Start Delegate fiscal monitoring to include quarterly onsite fiscal reviews. In an interview, the CFO and Division Director described the policy to ensure that the Head Start sub-recipient would be subject to quarterly onsite fiscal monitoring. A review of the EHSD Fiscal Monitoring of Subrecipients confirmed the agency updated the policy to specifically differentiate the fiscal monitoring of Head Start sub-recipients. A review of monitoring documentation found the recipient had implemented the updated monitoring procedures, monitoring the current subrecipient for four consecutive quarters.

The recipient implemented a system of ongoing oversight that ensured effective implementation of the program performance standards. This area of deficiency is corrected.

Program Governance

The recipient does not maintain a formal structure of program governance to oversee the quality of services for children and families and to make decisions related to program design and implementation.

Special 02/25/2022 ANC 642(c)(1)(E)(ii) Timeframe for Correction: 120 days

Sec. 642 Powers and Functions of Head Start Agencies (c) Program Governance- Upon receiving designation as a Head Start agency, the agency shall establish and maintain a formal structure for program governance, for the oversight of quality services for Head Start children and families and for making decisions related to program design and implementation. Such structure shall include the following: (1) GOVERNING BODY-(E) RESPONSIBILITIES- The governing body shall(ii) adopt practices that assure active, independent, and informed governance of the Head Start agency, including practices consistent with subsection (d)(1), and fully participate in the development, planning, and evaluation of the Head Start programs involved.

The recipient did not ensure its governing body adopted practices that ensured active, independent, and informed governance of the Head Start

agency, including fully participating in the planning and evaluation of the Head Start programs involved.

The Contra Costa County Board of Supervisors (Board) approved program and financial decisions without engaging in active and informed oversight of the Head Start and Early Head Start programs. In an interview, the Board chair stated the Board was not fully informed about the Head Start program, and that county departments held primary responsibility for informing the County Administrator's Office (CAO) and the Board about any program-level concerns. The Board chair stated she had been unaware of concerns regarding a subrecipient prior to receiving a whistleblower complaint about fiscal, governance, and management concerns at First Baptist Head Start. The employment and human services division provided program-level reports, including those related to Head Start, to the CAO. The CAO then provided the information to the Board and asked for action through a consent agenda. In an interview, the executive director stated he did not communicate directly with the Board, except for an annual meeting with the Board's family and human services subcommittee.

A review of Community Service Bureau (CSB) reports to the CAO from February 2021 through January 2022 found that although required Head Start financial, enrollment, and attendance information was included, there was very little programmatic information included in the report and no programmatic update was provided for March 2021. For example, though the recipient's continuation application was due to the Regional Office in October 2021; there was no mention of its submission or updates on the application planning process included in reports to the CAO and the Board. Additionally, there were no references to fiscal and programmatic concerns or corrective action regarding First Baptist Head Start, apart from an acknowledgment of an internal review taking place at the subrecipient noted in the September 2021 CSB report to the CAO.

Although the Board chair, the acting director of EHSD, and the county administrator shared the Board had been kept up to date on concerns regarding First Baptist Head Start, the recipient was unable to provide documentation of these updates. Further, a review of the First Baptist Head Start and CSB Corrective Action Plan did not indicate Board approval or involvement in corrective action.

In separate interviews, the Board chair and division manager confirmed the Board had not received governance training since 2019, and Head Start decisions were brought to the Board as consent items for approval, which did not require discussion. The Board chair further stated there may be as many as 150 consent items agency-wide that were presented at a given meeting. A review of Board meeting minutes from February 2021 through January 2022 confirmed all Head Start approvals, such as approvals for funding applications and hiring approval for the new Head Start director, were approved through consent versus discussion. The recipient did not provide meaningful information sharing between the Head Start program and the Board, hindering the Board's ability to provide sufficient program-level oversight and input.

The recipient did not ensure its governing body adopted practices that ensured active, independent, and informed governance of the Head Start agency, including fully participating in the planning and evaluation of the Head Start programs involved; therefore, it was not in compliance with the regulation.

Follow-up

Corrected

Timeframe for Correction: N/A

The recipient ensured that the governing body adopted practices that assure active, independent, and informed governance of the Head Start agency, including fully participating in the planning and evaluation of the Head Start programs.

Office of Head Start (OHS) interviews with board members and review of governing body documents confirmed that the Contra Costa County Board of Supervisors (Board) revised its governing structure to improve its oversight of the Head Start Program including the creation of an advisory committee to review, inform, and make recommendations on Head Start specific actions. The Board voted and approved Resolution No. 2023/274 entitled, Resolution of the Board of Supervisors Establishing the Formal Governance Structure for the Contra Costa County Head Start Program, on July 13, 2023. A review of the Resolution No. 2023/274 noted that the program governance structure outlined in the resolution will be in full effect and prevail over any policy conflicts that may exist with the provisions of the 2019-2021 Contra Costa County Community Services Bureau (CSB) Policies and Procedures Manual. It also indicated that this policy supersedes the Head Start Agency Governance Policy No. 22-60 and binds the Board to its legal and fiscal responsibilities, which included the development of a Head Start Oversight committee to the existing governing structure.

Resolution No. 2023/274 Section III: Policy of the Board of Supervisors outlined the Board's responsibilities and aligned with the Head Start Acts requirements for governance responsibilities. It also identified the monthly reports required for Board review and action. Section III(B) established the Head Start Oversight Committee and its purpose to advise and make recommendations to the Board on key responsibilities related to program governance and improvement of the Head Start program. It specified that the Board does not delegate to the Committee any of the Board's legal and fiscal responsibilities under the Head Start Act or Performance Standards.

A review of the monthly Board agendas, minutes, and packets from July 2022 through July 2023, found the Board received reports that included program and fiscal reports. For example, the Board meeting minutes dated August 9, 2022, found that the Board received the Head Start Program Performance Summary and was presented with the CSBs Quality Improvement Plan (QIP) to authorize board approval and signature. A review of the Board meeting materials also found they were presented with a Head Start update dated February 28, 2023. A review of the remaining Board packets found the Board received summary information of monitoring activities related to recipient and subrecipient operations. In addition to the Board packets, the Board also received, via email, the monthly Policy Council packets which included more detailed reports. In an interview with members of the Board, it was confirmed that they received monthly program and fiscal reports and held

ongoing discussions with the CSB management to inform them of corrective actions and progress with the QIP.

The Board resolution identified under Section III(A)(4) that the Board will receive, at a minimum, an annual governance training and newly seated Board members would receive training within three months after taking office. In interviews with the Executive Director and Board members, it was confirmed that the most newly seated Board member received governance training within three months from being seated. A review of the recipients' planning calendar found that the annual Board training was scheduled for September 2023. As of the time of the review, the annual governance training was scheduled but had not yet occurred.

The recipient ensured the governing body adopted practices that assure active, independent, and informed governance of the Head Start agency, including fully participating in the planning and evaluation of the Head Start programs involved. This area of noncompliance is corrected.



Monitoring and Implementing Quality Health Services

Safety Practices

The recipient does not implement a process for monitoring and maintaining healthy and safe environments.

Special **02/25/2022** **DEF** **1302.102(d)(1)(ii)** **Timeframe for Correction: 120 days**

1302.102 Achieving program goals. (d) Reporting. (1) A program must submit: (ii) Reports, as appropriate, to the responsible HHS official immediately or as soon as practicable, related to any significant incidents affecting the health and safety of program participants, circumstances affecting the financial viability of the program, breaches of personally identifiable information, or program involvement in legal proceedings, any matter for which notification or a report to state, tribal, or local authorities is required by applicable law.

The recipient did not report to the responsible Health and Human Services (HHS) official immediately or as soon as practicable, significant incidents affecting the health and safety of program participants. The recipient did not report three child health and safety incidents to the Regional Office immediately or as soon as practicable.

A review of documents found a discipline incident occurred on September 13, 2021, at the First Baptist Head Start Belshaw Center. A food service employee reported the incident to the site supervisor. The program's division manager stated she learned of the incident a few days later during a meeting with the subrecipient's new executive director and reported it to the Regional Office on September 20, 2021, 5 business days after the incident.

On September 22, 2021, a parent at the Ambrose Head Start Center voiced concerns to the site supervisor, questioning why their child was upset. The center's investigation determined the teacher assistant was non-nurturing and aggressive toward the child. Specifically, the teacher assistant did not help the child with their shoes and forcefully grabbed a book out of the child's hands. The recipient did not report the incident to the Regional Office until February 16, 2022.

On December 29, 2021, an associate teacher at the Contra Costa College Center allegedly used inappropriate words in the presence of children. A parent confronted the associate teacher and reported the incident to the site supervisor; however, the incident was not reported to the Regional Office until February 16, 2022.

In follow-up interviews, the recipient's managers stated they understood the requirements for reporting to child care licensing and to the Regional Office. The managers also stated that some of the incidents were reported to the Regional Office late due to internal ongoing investigations and pending review by state Community Care Licensing Division (CCL). A review of the reporting procedures indicated if the bureau director determined an incident had occurred, the bureau director or designee would notify the Regional Office as soon as possible but not later than 3 days. The program did not follow its procedures.

The recipient did not report to the responsible HHS official immediately or as soon as practicable, significant incidents affecting the health and safety of program participants; therefore, it was not in compliance with the regulation.

Follow-up

Corrected

Timeframe for Correction: N/A

The grant recipient reported to the responsible Health and Human Services (HHS) official immediately or as soon as practicable any significant incidents affecting the health and safety of program participants as required by applicable law. The program created policies and procedures, strengthened monitoring, and provided staff training.

The recipient adopted policies and procedures to ensure timely reporting of incidents affecting the health and safety of program participants. In an interview, the recipient Head Start Director and Division Manager stated the recipient had developed a child health and safety injury and reporting workflow process and a child health and safety reporting timeline, to ensure incidents would be reported to the ACF Regional Office (RO) within 7 calendar days of occurrence. The document included language indicating who was responsible for making a report and how the report was to be made. The recipient also implemented an incident reporting policy for both the directly operated program and their subrecipient, which detailed follow-up steps and actions for different types of incidents. A review of the policies and procedures confirmed the Head Start Interim Director and Division Manager's statements. A review of the document Reportable Health Safety Incidents found the recipient had implemented their revised policies and procedures and begun tracking all reportable incidents for timely submission to both OHS and Child Care licensing.

The recipient revised reporting monitoring procedures. The Division Manager and monitoring support unit stated the program developed an internal monitoring form that included a section for documenting when a report was submitted to management, licensing, and the RO. The report was reviewed by the division managers daily. Based on the review of the recipient's procedures, and an interview with the Division Manager, it was confirmed the recipient's monitoring systems, including a sample of the incident alert system which tracked all reportable incidents and timely reporting had been implemented.

The recipient provided staff training. The Head Start interim director and Division Manager stated all staff, including upper-level management,

were trained on reporting requirements for child health and safety incidents. A review of staff training agendas for September 14, 2022, September 27, 2022, and January 11, 2023, found staff were trained on updated policies and procedures, reporting mandates and the monitoring process for health and safety incidents.

The grant recipient reported to the responsible HHS official immediately or as soon as practicable any significant incidents affecting the health and safety of program participants as required by applicable law. This area of deficiency is corrected.



Monitoring and Implementing Fiscal Infrastructure

Ongoing Fiscal Capacity

The recipient does not plan and implement a fiscal management system that supports the organization’s ongoing capacity to execute its budget over time and meet the needs of its organization.

Special 02/25/2022 DEF 75.303(a) Timeframe for Correction: 120 days

75.303 Internal controls The non-Federal entity must: a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in Standards for Internal Control in the Federal Government, issued by the Comptroller General of the United States or the Internal Control Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The recipient did not establish a system of internal controls over assets acquired with Federal funds, ensure that Federal funds were used only for authorized purposes, or ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

In several interviews, the recipient's executive director, deputy director, and the department fiscal officer were asked to describe the internal controls used to determine if costs reimbursed to its subrecipient were in compliance with cost principles; that procurements were free of real or implied conflicts of interest based on free and open competition; that employee and contractor relationships were free of conflicts of interest; and individuals contracted to provide services to the Federal award were qualified to perform their contracted roles. The recipient's senior officials were unable to articulate the internal controls used or provide documentation that reimbursements made to the subrecipient for costs incurred were in compliance with Federal statutes, regulations, and the terms and conditions of its award.

The recipient did not implement sufficient internal controls to confirm the subrecipient, First Baptist Head Start, recorded significant undocumented accrued liabilities at the end of the contractual year. The subrecipient had a process of holding contractual funds from one contractual year to the next. A review of the subrecipient's audit for the period ending June 30, 2018, found an audit finding related to deficiencies in internal controls over financial reporting that included a significant amount of expenses being accrued at the end of the contract year. The subrecipient changed auditors and subsequent audits did not have any findings. During interviews and follow-up discussions, the recipient's accounting staff confirmed the subrecipient followed the same accrual process for Fiscal Year 2020-2021 that was cited in the prior audit finding, obligating approximately \$180,000 in Federal funds without appropriate supporting documentation for all costs. A sampling of documents for the Fiscal Year 2021 year end found dummy invoices from S & L Enterprises, a company belonging to the subrecipient's assistant director's brother, were used as the basis to accrue \$31,471.05 of the estimated \$180,000. The recipient's accounting staff confirmed the assistant director stated these were invoices that did not represent services provided, but only prepared to obligate contractual funds so the funds could be kept by the subrecipient once the contract ended. The recipient did not have internal controls in place to prevent the subrecipient from taking these actions.

The recipient also did not have sufficient internal controls to identify conflicts of interest occurring at the subrecipient. For example, the subrecipient's assistant director conducted business with family members to provide janitorial, vehicle, and health services for the First Baptist Head Start program. The recipient investigated the subrecipient from September 27 through November 4, 2021, to examine allegations of conflicts of interest and mismanagement of Head Start funds. During interviews, the county certified public accountant, who conducted the investigation, stated the subrecipient's assistant director had agreed to use Head Start funds to pay three companies with whom she had a family relationship: D & J Janitorial, Inc.(son), health consultant services (sister), and vehicle services from S & L Enterprises (brother). A review of a consolidated general ledger from the subrecipient from 2019-2021, showed \$164,785.58 expensed for D & J Janitorial, Inc. services; \$2,246.00 expensed for health services; and \$4,663.29 expensed for vehicle services from S & L Enterprises. A review of a document provided by the recipient's departmental accounting consultant found \$221,274.77 of subrecipient bank payments for the period January 1 through December 9, 2020, were made to D & J Janitorial, Inc. In an interview, the recipient's executive director stated the subrecipient was still utilizing D & J Janitorial, Inc. services at Head Start facilities until a new vendor was selected.

Additionally, the recipient did not establish internal controls to ensure payments to an employee of its subrecipient were allowable as compensation. The subrecipient did not have a formal policy or clear documentation that outlined a process for compensating Head Start employees for additional job activities. A review of the recipient's investigation of the subrecipient found the First Baptist Head Start's assistant director received additional compensation in the amount of \$26,144. This additional compensation was provided because the assistant director assumed the role of the executive director position when that position was vacant. The recipient's department fiscal officer stated the subrecipient did not have a written compensation policy for employees to be paid for additional job activities. In response to a request for Board action (Board minutes, committee, or closed session) in lieu of a written policy, a statement was provided indicating approval was given in a closed session on September 21, 2020; however, no details supporting the calculations to determine the amount was provided. A review of the statement found the assistant director was unable to take off from work and would be paid for 25 days (200 hours) for her 2019 vacation days. A

review of the subrecipient's Employee Handbook, updated in August 2020, confirmed an employee could not exceed 96 hours of leave within a calendar year; therefore, it could not be carried forward.

The recipient's system of oversight and internal controls also did not ensure the subrecipient separated payments for the comprehensive insurance coverage for employees of First Baptist Head Start from that of First Baptist Church. During an interview, the recipient's accounting staff confirmed the subrecipient used the same insurance policy for employees of both entities. During an interview, the recipient's accounting staff confirmed insurance coverage was for both parties and the church would annually provide reimbursement to the Head Start fund account for its portion of the premiums. A review of documentation showed the church reimbursed the Head Start program \$26,863 on June 29, 2021, for church employees' 2020 insurance. In a follow-up interview, the recipient's accounting staff could not confirm if this was a retroactive payment, as it appeared to be. As part of the recipient's Corrective Action Plan, dated November 9, 2021, the insurance agency was to separate out the policy for each entity. A review of documentation provided from the insurance agency found the separation had not yet occurred. The recipient did not have internal controls or exercise sufficient oversight to ensure costs were appropriately charged or allowable.

Finally, the recipient did not implement sufficient oversight to ensure vehicles purchased with Head Start funds were licensed appropriately to secure fixed assets. A review of First Baptist Head Start's audit for the period ending June 30, 2021, found five vehicles valued in total at \$70,779 were titled to the subrecipient as Head Start vehicles. In an interview, the business systems manager stated the recipient's vehicle policy was to fund the subrecipient to purchase vehicles to avoid the lengthy county purchasing process. It was unclear if the recipient tracked equipment purchases or fixed assets for First Baptist Head Start, as interviews with recipient management found they were unaware the subrecipient had titled vehicles purchased with Head Start funds under its name.

Interviews with the recipient's Head Start executive director, deputy director, and department fiscal officer confirmed the recipient had not made changes to its internal control processes to ensure these issues did not reoccur. A review of the recipient's written policies and procedures confirmed changes had not been implemented.

The recipient did not establish or implement a system of internal controls and oversight over assets acquired with Federal funds or ensure Federal funds were used only for authorized purposes and did not ensure its subrecipient was in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award; therefore, it was not in compliance with the regulation.

Additional fieldwork may be required to determine the total amount of potentially unallowable costs charged to Head Start. The Office of Head Start will notify you in advance of a special review if one is required. This matter also may be referred to the Office of Administration, Administration for Children and Families, to determine whether a disallowance is appropriate.

**Follow-up
Corrected**

Timeframe for Correction: N/A

The recipient established a system of internal controls over assets acquired with Federal funds, ensured that Federal funds were used only for authorized purposes, and ensured compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

In OHS's interview with the Board and Fiscal Department staff, it was stated that the recipient improved fiscal monitoring and oversight of its subrecipients fiscal activities. A review of Board Resolution No. 2023/499 entitled, Resolution of the Board of Supervisors Establishing the Internal Controls that Apply to the Contra Costa County Head Start Program Funds, Assets, and Equipment found that the Board approved policies to improve internal controls on July 13, 2023. The Resolution No. 2023/499 established the internal control policies that apply to CSBs Head Start Program and described the internal controls procedures and the Boards resolve to comply with the Committee on Sponsoring Organizations (COSO) framework. Section II(A) of Resolution No.2023/499 stated that the recipient will maintain fiscal integrity through implementation of internal controls by ensuring a system of budget management, control over current operations, and fiscal management. In addition to expectations that the management adhere to internal control policies and procedures, the Board resolution Section II(C) outlined the monitoring provisions it will implement, such as through monthly monitoring reports to the governing board that include summaries of financial statements, results of subrecipient monitoring activities, and results of self-monitoring activities. The resolution also included expectations that bi-monthly reports to the newly established Head Start Oversight Committee of the Board would include fiscal reports and activities.

OHS reviewed the Contra Costa Office of the County Administrator Administrative Bulletin Number 600.3 dated June 27, 2023, Section: Purchasing, described updated purchasing policy and procedures. The procedures included expectations for purchase of materials and supplies, service contracts as well as other procurement policies. The procedures identified the necessary documentation related to shipment receipts, e.g., date and time of inspection, shipment details, packing slips or invoices. It also described procurement policies and procedures for purchases and service contracts at or below \$25,000, above \$25,000/below \$100,000, and purchases over \$100,000. In addition, the procedures included steps for sole/single source justification and cooperative purchasing contracts including documentation and approval requirements. For service contracts exceeding \$200,000, the procedures required the approval of the Board of Supervisors, following the review by the Office of County Counsel and the County Administrator. It established the minimum standards of conduct for all procurement activities to ensure compliance with policies including federal and state grant requirements.

OHS reviewed the Departmental Fiscal Policy revised January 1, 2023 and effective May 10, 2023 entitled Fiscal Monitoring of Subrecipient, which outlined the recipients fiscal monitoring activities and steps to resolve any fiscal monitoring findings. These steps included twenty standards in Pre-award, and Post-award stages, to comply with federal and other pass-through agencies. Examples of these standards included:

Standard 3: Evaluate risks posed by subrecipient applicants during RFP (Request for Proposal); Standard 5: Review subrecipient contract budget for reasonableness, allocability and allowability; Standard 10 Monitoring fiscal activities of the subrecipient to ensure subaward is used for authorized purposes, etc. A review of page 37 of the policy found a checklist entitled: Checklist to Review Budgeted Costs for Allowability, Allocability and Reasonableness and page 57 a template for Subrecipient Monitoring Plan. Section 25-130 found on page 60 the Guidelines to Review Subrecipient Monthly Financial Reports (Demands). The purpose of the policy was to ensure that demands include proper documentation, support, and approvals. It cited that in cases where subrecipient issues were detected, the fiscal monitoring of designated fiscal staff would occur including reviewing the monthly demands until noncompliance issues are resolved. This quality assurance method included reviewing the demand for completeness and accuracy.

From September 27 through November 4, 2021, the recipient investigated the whistleblower complaint and the fiscal concerns at First Baptist Head Start (FBHS), its subrecipient, which were identified in the OHS Program Performance Summary Report dated July 14, 2022. The results of the investigation were captured by the recipient's fiscal team and consultants in a report entitled FBHS Fiscal Activity Inspection Report. The report highlighted key findings of its investigation which substantiated some of the claims of misuse of funds and conflict of interest. The report provided recommendations of suggested corrective actions to be undertaken by the recipient. In a letter dated December 3, 2021, the recipient informed the FBHS Board of the allegations and key findings of the investigation. The recipient also informed the delegate that its delegate contract was expiring and up for renewal on January 1, 2022. CSB advised FBHS that it was publishing a Request for Proposals for the Head Start Program in January 2022 and that it would renew its contract through June 30, 2022. In OHS's interview with the Executive Director, it was confirmed that CSB put out a Request for Proposals but that FBHS did not apply. As a result, the recipient executed a new delegate contract with the YMCA of the East Bay and transitioned services from FBHS to YMCA of the East Bay on July 1, 2022.

Based on the review of the recipient's delegate contracts, subrecipients are contractually obligated to submit a monthly demand for payment, with supporting documentation, no more than 30 days following the last day of the month. In an interview, the recipient's Chief Financial Officer described that the internal procedure required a review of subrecipient demands, which included a review of invoices. A review of the FBHS demand found the subrecipient submitted for payment of June services for a total of \$202,264.49. The recipient implemented its review of supporting documentation and applied a credit to the invoice in the amount of \$116,087.50 for April-June 2022 advances. The recipient also identified a total of \$90,869.96 of unallowable expenses and deducted that amount from its payment to the subrecipient. A close-out operations demand was submitted to the recipient from FBHS on December 7, 2022, for a total of \$88,277.10 for contract expenses from July 1-September 30, 2022. A review by the recipient of the FBHS demands supporting documentation found calculation errors by the subrecipient by one cent. The subrecipient was issued a check on December 12, 2022, to pay the outstanding demands for a total of \$83,584.12 which accounted for the credit and adjustments of the June 2022 demand and the September 2022 close out.

A review of the recipient's February-March 2023 Self-Monitoring of Head Start Program Monitoring and Implementing Fiscal Infrastructure dated June 23, 2023, found the fiscal department described its monitoring objective was to ensure federal awards were expended only for allowable activities. It stated the fiscal department examined and monitored the accounts, records, and procedures of the recipient's fiscal unit monthly and moved to quarterly in April 2023. The report contained a summary of the fiscal review and findings and covered areas such as budget review, demand/invoice review, equipment, and Payment Management System (PMS) drawdowns. The report also provided suggested actions to correct the areas of noncompliance and improve internal controls. A review of an internal memorandum dated July 10, 2023 found the management's response to each of the findings contained in the June 2023 fiscal self-monitoring report. The recipient management team identified corrective actions and timelines, for example, to address the finding that each demand was not adequately documented by subrecipients, the CFD reached out to the Director of Financial Services of the subrecipient on June 16, 2023 to request additional documentation for monthly demand submissions. It also stated that additional review of documentation of subrecipients would be completed by the week of August 7, 2023.

The recipient implemented updated internal control and fiscal monitoring policies and procedures. The recipient adhered to the policies and implemented monitoring activities to ensure internal controls by conducting a review of subrecipient demands and supporting documentation to verify the allowability of costs charged to the federal award. It also conducted self-monitoring and addressed key findings identified in monitoring reports by reporting back on implemented corrections and/or improvements.

The recipient established a system of internal controls over assets acquired with Federal funds, ensured that Federal funds were used only for authorized purposes, and ensured compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. This area of deficiency has been corrected.

----- End of Report -----