



**OHIO DEPARTMENT OF EDUCATION
MINISTERIAL DAY CARE ASSOCIATION
STATE HEAD START EXPANSION PROGRAM
FRANKLIN COUNTY**

SPECIAL AUDIT

FOR THE PERIOD AUGUST 1, 1998 THROUGH JULY 31, 2001



Mary Taylor, CPA
Auditor of State

**MINISTERIAL DAY CARE ASSOCIATION – PHASE II
CUYAHOGA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Susan Tave Zelman, Ph.D.
Superintendent of Public Instruction
Ohio Department of Education
25 South Front St., Mail Stop 707
Columbus, Ohio 43215

Pursuant to your request, we conducted a Special Audit and performed the procedures summarized below, and detailed in our "Supplement to the Special Audit Report," for the period August 1, 1998 through July 31, 2001 (the Period). These procedures were performed solely to determine whether children allegedly serviced by Ministerial Day Care Association (MDCA) and funded by the Head Start State Expansion Program (the Program) during 1998–1999, 1999–2000, and 2000–2001 grant years were enrolled and in attendance, and whether Program expenditures were within approved budgets.

This engagement was conducted in accordance with the Quality Standards for Inspections established by the President's Council on Integrity and Efficiency (January 2005). The procedures and associated findings are detailed in the attached Supplement to the Special Audit Report. A summary of our procedures and significant results is as follows:

1. We determined whether children for which the Ohio Department of Education (ODE) provided MDCA Program funding for the Period were enrolled and in attendance.

Significant Results – For the three combined grant years MDCA received \$21,224,518 from ODE based on representations from MDCA that they would provide Program services to a combined total of 5,162 children during the Period. These were not required to be separate and distinct children but instead a certain number of children throughout each grant year. MDCA provided Program services through its direct service centers and via contracts with private and home providers. Based on examination of documentation supporting MDCA's rosters of children enrolled as reported to ODE, we determined that MDCA could support only 3,415 combined total children enrolled and in attendance. We calculated per child funding amounts per grant year and multiplied them by the number of children for which MDCA was unable to document enrollment and attendance and concluded MDCA received \$7,068,089 for those children.

For the 1998-1999 grant year, MDCA also received \$290,100 in funding to provide Program services to 100 additional children. MDCA could not support that it achieved its original funded enrollment thus making this additional funding unwarranted. MDCA also received a one-time funding adjustment of \$168 per child for the 1,754 children reported to ODE on MDCA's December 1998 Head Start Child Count Report. MDCA could not support that 882 children reported to ODE were enrolled and in attendance making \$148,176 in funding unwarranted.

We issued findings for recovery against MDCA totaling \$7,506,365 for public monies illegally expended and in favor of ODE.

2. We determined whether MDCA Program expenditures were within approved Program budgets.

Significant Results – Although MDCA reported to ODE that the full amount of each grant award was spent in its entirety during each of the program years, we were unable to reconcile the quarterly performance reports to MDCA ledgers because no complete ledgers, worksheets or other accounting records were provided by MDCA or their accountants. By not providing these records, MDCA cannot demonstrate that expenditure reports submitted to ODE are based on its accounting records.

3. On November 14, 2007, we held an exit conference with the following individuals:

Matthew M. DeTemple – ODE Chief Legal Counsel
Sandra Miller – ODE Office of Early Learning and School Readiness Executive Director

The attendees were informed that they had until November 30, 2007 to respond to this Special Audit Report. ODE did not provide a written response to the Special Audit Report.



Mary Taylor, CPA
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August 9, 2007

Supplement to the Special Audit Report

Background

Ministerial Day Care Association (MDCA) is a 501(c)(3) non-profit organization that offers child development programs to low income families of Cuyahoga County. MDCA received federal grants passed through either the Council for Economic Opportunities in Greater Cleveland or the Ohio Department of Education (ODE). MDCA also received State Head Start Expansion Grants from ODE.

The State Head Start Expansion Program (Program) was a comprehensive child development program that served children from three years of age to compulsory school age and their families. It was a child-focused program and had the overall goal of increasing the school readiness of young children in low-income families. The Program was initiated to provide state funding to serve additional eligible children who were not already participating in federal Head Start programs.

In September 2000, ODE requested that the Auditor of State (AOS) conduct a special audit of alleged falsifications of enrollment rosters by MDCA for the 1997-1998 program year and transactions between MDCA and a private vendor for the purchase of a computer system.

In June 2002, the AOS issued a special audit report containing its findings. Among the findings was that MDCA was unable to provide documentation that a large number of children for which MDCA received funding had attended either MDCA's direct service sites or a private provider's site which MDCA had entered into a contract for services. The report contained findings for recovery of approximately \$2.6 million for funding for which MDCA was unable to provide documentation that children were in attendance and \$1.2 million in funding which MDCA received but did not compensate private providers.

The report also noted MDCA failed to verify Program income eligibility requirements for children who were provided Program services by private providers. MDCA's verification of eligibility for children serviced by private providers consisted of reviewing the day care vouchers issued by Cuyahoga County for the children of families receiving certain public assistance. MDCA did not review any required eligibility documentation such as IRS tax form 1040's, W-2 forms, pay stubs, or written statements from employers. According to ODE, the receipt of county day care vouchers was not solely an appropriate standard to determine a child's Program eligibility.

Based on the findings noted in the special audit, ODE had concerns that the same conditions existed in subsequent grant years. In August 2002, at ODE's request, the AOS initiated a second special audit of MDCA.

In September 2002, the AOS issued a subpoena to MDCA establishing a deadline in October 2002 for MDCA to deliver the requested records. No records were provided by MDCA prior to the deadline. In October 2002, court proceedings were initiated to enforce the subpoena. After protracted legal proceedings, MDCA agreed to allow AOS to complete an inventory of available records and permit AOS to remove certain records off-site to conduct the audit. In April 2004, AOS completed an on-site inventory of available records; however, MDCA would not allow AOS to remove the records off-site. In August 2004, MDCA and AOS agreed to have AOS staff on-site to conduct the audit. Additional records were received and correspondence between AOS and MDCA occurred throughout the audit.

Supplement to the Special Audit Report

Issue No. 1 – Determine whether children for which the Ohio Department of Education (ODE) provided MDCA Program funding for the Period were enrolled and in attendance.

Procedures

1. We obtained enrollment rosters from MDCA which allegedly supported the number of children MDCA reported to ODE on the December 1998, 1999, and 2000 Head Start Child Count Reports. We reviewed teachers' roll books, monthly attendance registers, class record books, private provider billings, children files and other documentation to verify the existence and attendance of children included on the enrollment rosters. This information was entered into a database and used for comparison purposes.
2. We determined whether children reported by MDCA on enrollment rosters met age eligibility requirements.
3. We determined whether children at private provider¹ locations listed on the enrollment roster had, at a minimum, a Cuyahoga County day care voucher to support income eligibility².

Results

The State Head Start Continuation Program (Program) required grantees to submit a "December Head Start Child Count Report" to ODE to support funded enrollment. The purpose of this report was to determine the actual number of children receiving Program services as of the first full week of December.

Assurances by MDCA contained in the approved Program Continuation Application required MDCA to operate the Program in accordance with federal Head Start regulations including the Head Start Act and the Code of Federal Regulations (CFR) 45 Parts 1301 – 1306, and 1308. The federal Head Start eligibility requirements are found in 45 C.F.R. Section 1305. Of particular relevance were those provisions defining enrollment, enrollment opportunities, and funded enrollment; establishing age eligibility requirements, and requiring a grantee to maintain funded enrollment.

In July 2004, MDCA's attorney provided AOS with child rosters to support each of the grant years' December Head Start Child Count Report. The 1998-1999 roster contained 1,784 names, the 1999-2000 roster contained 2,012 names, and the 2000-2001 roster contained 1,969 names.

During the Period, the mix of Program children serviced directly by one of MDCA's centers and through contracts with private providers varied by grant year. Additionally, the private providers' billing methods and frequency, as well as the standard amount MDCA paid private providers varied by grant year. The methods and frequencies also differed from those examined during the special audit of MDCA for grant year 1997-1998. The methods, frequency, and amounts of the current period did not allow AOS to calculate an attendance figure for basing funding calculations similar to that during its special audit of MDCA for grant year 1997-1998. As such, AOS devised the following standard for determining the attendance as the basis for calculating funding during the Period.

¹ The AOS did not report pervasive financial eligibility noncompliance in its special audit report of grant year 1997-1998 issued June 13, 2002. As such, financial eligibility testing of children serviced at MDCA direct service centers was not included in the scope of this special audit. It was reported that MDCA applied an erroneous standard, receipt of a Cuyahoga County day care voucher, to determine financial eligibility for children serviced by private providers. As such, financial eligibility of those children was included in the scope of this special audit.

² ODE does not recognize the Cuyahoga County day care voucher as adequate documentation of Program financial eligibility, however, due to the lack of any other available information; we used this criterion as a minimum standard for financial eligibility.

Supplement to the Special Audit Report

AOS calculated an actual child head count by starting with MDCA's rosters and retaining, removing, and adding children based on examination of available records such as attendance records, roll books, private provider billings, and any other documentation which supported the enrollment and attendance of the children listed. AOS retained, removed, or added children to the roster based on the following criteria:

Retained:

- Children who attended at least one day in December.
- Children who attended at least one day in November.³
- Children in direct service classes, for which MDCA could not provide attendance records for the months of November and/or December.
- Children attending private or home provider locations for which billings were not provided or did not identify which child was a voucher child.⁴
- Children attending private or home provider locations receiving Cuyahoga County public assistance day care vouchers, for which MDCA made a payment to the provider prior to January.
- Children listed as non-voucher on providers' first billing, but subsequently listed on providers' second billing as a voucher child for which MDCA made a payment.

Removed:

- Children repeated on the roster.⁵
- Children three years old after September 30 of the year under review.⁶
- Children listed as attending a provider but MDCA did not pay the provider for that child.
- Children for which attendance during November or December was not supported by available attendance documentation or provider billings.
- Children listed as non-voucher on providers' billing and MDCA paid the provider only \$50.⁷

Added:

- Children of eligible age, for which a provider received payment as a voucher child on the billings prior to January.

1998-1999 Grant Year - December 1998 Head Start Child Count Report

For the 1998-1999 grant year, MDCA requested and received \$6,276,930 to service 1,654 children. The December 1998 Head Start Child Count Report signed by Verneda Bentley, MDCA executive director, and submitted to ODE asserted an enrollment of 1,754 children.

Two pages of the original 1998 roster were inadvertently copied twice and the children listed on those pages were counted twice. AOS brought the error to the attention of MDCA employees, who provided a second 1998 roster which did not contain the copy error. MDCA employees numbered the children by hand on the second version which totaled 1,690 names. AOS questioned the number of children being only 1,690 and not the 1,754 reflected on the report. MDCA could not explain the variance.

³ According to federal regulations incorporated into the approved grant applications by reference, vacancies must be filled within 30 calendar days. As a result, AOS retained children on the roster who were not in attendance during the head count period, but were in attendance at least one day in November.

⁴ Here and throughout this report a voucher child is one whereby it has been noted by MDCA, a private provider or a home provider that the child's family receives a Cuyahoga County day care voucher. Conversely, a non-voucher child is one whereby it has not been noted by MDCA, a private provider or a home provider that the child's family receives a Cuyahoga County day care voucher.

⁵ AOS retained one entry per child and removed multiple entries for the same child.

⁶ Program regulations state that to be Program eligible a child must be three years old by the date used to determine eligibility for public school in the community in which the Program is located. AOS used Cleveland Municipal School District, where MDCA is located. Cleveland Municipal School District followed Ohio Revised Code Section 3321.01 which states in part, "No child shall be admitted to a kindergarten or a first grade of a public school in a district in which all children are admitted to a kindergarten and the first grade in August or September unless the child is five or six years of age, respectively, by the thirtieth day of September of the year of admittance,..."

⁷ MDCA's contracts with providers stipulated a once a year payment of \$50 for non-voucher children.

Supplement to the Special Audit Report

During the 1998-1999 grant year, MDCA operated and maintained attendance records for two direct center locations. The remaining sites were private or home providers which had contracts with MDCA. MDCA agreed to pay the providers \$600 per year, made in two payments of \$300, for each voucher child serviced and a one time payment of \$50 for non-voucher children. MDCA's contract with the providers did not require the provider to submit a "head count" for the first full week of December 1998. Instead, the provider submitted bills for children in attendance prior to December for the first payment and after January 1999 for the second payment.

The results of our examination of available documentation supporting the roster for MDCA's 1998 December Head Start Child Count Report are summarized in the following table:

December 1998 Head Start Child Count	Total
MDCA Roster (2nd copy provided 2/8/04):	1,690
Removed:	
Children Repeated on Roster	(197)
Children Ineligible Due to Age (DOB prior to 10/01/95)	(68)
Children on Roster but Private Provider was not reimbursed	(121)
Children NOT in attendance November or December 1998	(196)
Non-voucher Children	(262)
Additions:	
Children not on Roster but Received Service	26
Actual Head Count:	872

ODE provided \$6,276,930 in funding to MDCA to provide Program services to 1,654 children for the 1998-1999 grant year. Using the number of children to be serviced from the approved grant application and the amount of funding, we calculated a funding amount per child to be \$3,795 for the 1998-1999 grant year. Applying our calculated funding per child to the supported child count, MDCA should have received \$3,309,240 to service 872 children during the 1998-1999 grant year. MDCA received \$2,967,690 in funding for which they were unable to provide documentation that children were enrolled and in attendance.

Similar to the 1997-1998 grant year, MDCA received an additional \$290,100 for 1998-1999 grant year to service 100 children above its original funded enrollment of 1,654. As noted, MDCA failed to achieve its original funded enrollment of 1,654 and as a result received \$290,100 in excess funding.

In May 1999, ODE approved MDCA's Amendment Application to expend an additional \$294,672 ODE allocated to MDCA in Head Start Program Quality Improvement Funds for FY 1999. These funds were based on a per child amount of \$168 for each of the 1,754 children indicated on MDCA's December 1998 Head Start Child Count Report submitted to ODE. After applying the \$168 to the 872 children documented, MDCA should have only received \$146,496. As a result, MDCA received \$148,176 in funding for which they were unable to provide documentation that children were enrolled and in attendance.

1999-2000 Grant Year - December 1999 Head Start Child Count Report

For the 1999-2000 grant year MDCA requested and received \$7,252,790 to service 1,754 children. The December 1999 Head Start Child Count Report signed by Verneda Bentley, MDCA executive director, and submitted to ODE asserted an enrollment of 1,754 children.

Supplement to the Special Audit Report

For the 1999-2000 grant year, MDCA operated four direct center locations and the remaining sites were private provider sites. MDCA used no home providers during the 1999-2000 grant year. MDCA agreed to pay the private providers \$900 per year, made in three payments of \$300, for each voucher child serviced and a one time payment of \$50 for non-voucher children. MDCA did not require the provider to submit a "head count" for the first full week of December 1999. Instead, the provider submitted bills for children in attendance prior to October for the first payment, prior to December for the second payment, and after January 2000 for the third payment.

The results of our examination of available documentation supporting the roster for MDCA's 1999 December Head Start Child Count Report are summarized in the following table:

December 1999 Head Start Child Count	Total
MDCA Roster (Provided 7/30/04):	2,012
Removed:	
Children Repeated on Roster	(121)
Children Ineligible Due to Age (DOB prior to 10/01/96)	(125)
Children on Roster but Private Provider was not reimbursed	(83)
Children NOT in attendance November or December 1999	(228)
Non-voucher Children	(334)
Additions:	
Children not on Roster but Received Service	_____ 105
Actual Head Count:	_____ 1,226

ODE provided \$7,252,790 in funding to MDCA to provide Program services to 1,754 children for the 1999-2000 grant year. Using the number of children to be serviced from the approved grant application and the amount of funding, we calculated a funding amount per child to be \$4,135 for the 1999-2000 grant year. Applying our calculated funding per child to the supported child count, MDCA should have received \$5,069,510 to service 1,226 children during the 1999-2000 grant year. MDCA received \$2,183,280 in funding for which they were unable to provide documentation that children were enrolled and in attendance.

2000-2001 Grant Year - December 2000 Head Start Child Count Report

For the 2000-2001 grant year MDCA requested and received \$7,694,798 to service 1,754 children. The December 2000 Head Start Child Count Report signed by Verneda Bentley, MDCA executive director, and submitted to ODE asserted an enrollment of 1,754 children.

During the 2000-2001 grant year, MDCA had seven direct center locations and the remaining sites were private or home providers which had contracts with MDCA. MDCA agreed to pay the providers \$1,000 per year, made in three payments of \$333.33, for each voucher child serviced and a one time payment of \$50 for non-voucher children. MDCA did not require the providers to submit a "head count" for the first full week of December 2000. Instead, the provider submitted bills for children in attendance prior to October for the first payment, prior to December for the second payment, and after January 2001 for the third payment.

Supplement to the Special Audit Report

The results of our examination of the roster supporting MDCA's 2000 December Head Start Child Count Report are summarized in the following table:

December 2000 Head Start Child Count	Total
MDCA Roster (Provided 7/30/04):	1,969
Removed:	
Children Repeated on Roster	(98)
Children Ineligible Due to Age (DOB prior to 10/01/97)	(146)
Children on Roster but Private Provider was not reimbursed	(82)
Children NOT in attendance November or December 2000	(210)
Non-voucher Childen	(214)
Additions:	
Children not on Roster but Received Service	98
Actual Head Count:	1,317

ODE provided \$7,694,798 in funding to MDCA to provide Program services to 1,754 children for the 2000-2001 grant year. Using the number of children to be serviced from the approved grant application and the amount of funding, we calculated a funding amount per child to be \$4,387 for the 2000-2001 grant year. Applying our calculated funding per child to the supported child count, MDCA should have received \$5,777,679 to service 1,317 children during the 2000-2001 grant year. MDCA received \$1,917,119 in funding for which they were unable to provide documentation that children were enrolled and in attendance.

FINDING FOR RECOVERY

Assurances by MDCA contained in the Head Start Continuation Amendments submitted by MDCA and approved by ODE,⁸ states in pertinent part that, "Applicant shall operate this program in accordance with federal Head Start regulations, including: the Head Start Act; Code of Federal Regulations (CFR) 45 Parts 1301-1306, and 1308; all applicable statutory provision and rules adopted by the State Board of Education; and in accordance with the representations in this grant application."

45 C.F.R. Section 1305.7 (b) states, "A Head Start grantee must maintain its funded enrollment level. When a program determines that a vacancy exists, no more than 30 calendar days may elapse before the vacancy is filled. A program may elect not to fill a vacancy when 60 calendar days or less remain in the program's enrollment year."

1998-1999 Grant Year

MDCA's Program application represented that it would provide Program services for a funded enrollment of 1,654 children. On its December 1998 Head Start Child Count Report, MDCA asserted that its Program enrollment was 1,754 children. Based on examination of documentation supporting MDCA's roster of children that comprised the 1,754 children reported, we determined that MDCA could support only 872 children enrolled and in attendance for the months of November and December 1998. We calculated a per child funding amount and multiplied it by 782 children for which MDCA was unable to document enrollment and attendance and concluded MDCA received \$2,967,690 for those children. In addition, MDCA received funding to serve an additional 100 children. As noted, MDCA failed to achieve its original

⁸ The Head Start Continuation Amendment for the 1998-1999 grant year was approved by ODE in June 1998 and the Head Start Continuation Amendment for the 1999-2000/2000-2001 grant years was approved in July 1999. Assurances in both Amendments required MDCA to follow the regulations, statutory provisions and rules identified here.

Supplement to the Special Audit Report

funded enrollment of 1,654 and as a result received \$290,100 in unwarranted funding.

Also during the 1998-1999 grant year, ODE allocated an extra \$294,672 in one-time funding to MDCA based on 1,754 children reported on the December 1998 Head Start Child Count Report. As noted, MDCA was able to provide documentation to support enrollment and attendance for only 872 children during the months of November and December 1998. We used ODE's per child funding amount of \$168 and multiplied it by the 882 children for which MDCA was unable to document enrollment and attendance and concluded MDCA received \$148,176 for those children.

1999-2000 Grant Year

MDCA's Program application represented that it would provide Program services for a funded enrollment of 1,754 children. On its December 1999 Head Start Child Count Report, MDCA asserted that its Program enrollment was 1,754 children. Based on examination of documentation supporting MDCA's roster of children that comprised the 1,754 children reported, we determined that MDCA could support only 1,226 children enrolled and in attendance for the months of November and December 1999. We calculated a per child funding amount and multiplied it by 528 children for which MDCA was unable to document enrollment and attendance and concluded MDCA received \$2,183,280 for those children.

2000-2001 Grant Year

MDCA's Program application represented that it would provide Program services for a funded enrollment of 1,754 children. On its December 2000 Head Start Child Count Report, MDCA asserted that its Program enrollment was 1,754 children. Based on examination of documentation supporting MDCA's roster of children that comprised the 1,754 children reported, we determined that MDCA could support only 1,317 children enrolled and in attendance for the months of November and December 2000. We calculated a per child funding amount and multiplied it by 437 children for which MDCA was unable to document enrollment and attendance and concluded MDCA received \$1,917,119 for those children.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the Ministerial Day Care Association and in favor of ODE in the total amount of \$7,506,365.

Supplement to the Special Audit Report

Issue No. 2 – Determine whether Program expenditures made by MDCA were within approved Program budgets.

Procedures

1. We obtained MDCA's originally approved Program budget and any approved budget amendments for each Program year during the Period.
2. We obtained MDCA's quarterly Program expenditure reports during the Period and attempted to trace the reported amounts to MDCA's general ledger or other accounting records.
3. We compared MDCA's actual Program expenditures during the Period to the final amended budget.

Results

MDCA reported on the Head Start Quarterly Performance/Expenditure Reports that the full amount of each grant award was spent in its entirety during each of the program years. We were unable to reconcile the quarterly performance reports to MDCA ledgers because no complete ledgers, worksheets or other accounting records were provided by MDCA or their accountants.

By not providing these records, MDCA cannot demonstrate that expenditure reports submitted to ODE are based on its accounting records.



Mary Taylor, CPA
Auditor of State

**OHIO DEPARTMENT OF EDUCATION MINISTERIAL DAY CARE ASSOCIATION
STATE HEAD START EXPANSION PROGRAM**

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 28, 2008**