

Report in Brief

Date: July 2020

Report No. A-02-17-02003

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Audit

The Administration for Children and Families (ACF), within HHS, requested that we audit Sharon Baptist Head Start (Sharon Baptist) after ACF identified instances of noncompliance with Federal requirements in a January 2014 monitoring review.

Our objective was to determine whether Sharon Baptist complied with Federal requirements applicable to related-party rent and related-party receivable transactions.

How OIG Did This Audit

We obtained and reviewed relevant documentation supporting related-party leases and a related-party receivable (a court-ordered judgment for restitution against a former Sharon Baptist board chairperson who pleaded guilty to embezzling funds). For the related-party leases, we evaluated the less-than-arm's-length relationship and determined the amount of allowable rent expense. For the related-party receivable, we reviewed the activity and collection efforts.

Sharon Baptist Head Start Claimed Unallowable Rent and Failed To Return Embezzled Funds

What OIG Found

Sharon Baptist did not comply with Federal requirements applicable to related-party rent and related-party receivable transactions. Specifically, Sharon Baptist claimed rent expense to which it was not entitled under Federal regulations on one of its properties, totaling \$36,264 during our audit period, as well as an additional \$489,564 during the period February 1, 2003, through January 31, 2012. Additionally, Sharon Baptist has not returned to the Federal Government \$171,000 in embezzled funds.

What OIG Recommends and Sharon Baptist Comments

We recommend that Sharon Baptist (1) refund to the Federal Government the \$36,264 in unallowable rent expense charged to its direct Head Start grant during our audit period, (2) work with ACF to determine the portion of the \$489,564 in rent expense from prior periods that should be refunded and refund the appropriate amount, and (3) refund to the Federal Government the \$171,000 in embezzled funds.

In written comments on our draft report, Sharon Baptist concurred with our findings; however, it did not indicate concurrence or nonconcurrence with our recommendations. Sharon Baptist stated that it never attempted to conceal its relationship with related parties and believed that funds it received were unrestricted and could be used to supplement program operations.

After reviewing Sharon Baptist's comments, we revised our report to clarify Sharon Baptist's position on its attempts to recover embezzled funds. We maintain that our findings and recommendations, as revised, are valid.