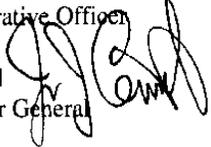


Office of Inspector General
U.S. House of Representatives
Washington, DC 20515-9990

MEMORANDUM

TO: James M. Eagen, III
Chief Administrative Officer

FROM: James J. Cornell 
Acting Inspector General

DATE: August 30, 2005

SUBJECT: Audit Report – Improvements Were Needed in the House Child Care Center
(Report No. 05-CAO-05)

This is our final report on the House of Representatives Child Care Center (HRCCC). The objectives of the review were to: 1) evaluate the internal controls employed by the Child Care Center that ensure the health and safety of the children currently enrolled, and 2) review the accuracy of fees collected for fiscal year 2004. In this report, we identified opportunities for improving the internal controls related to the health and safety of the children in the HRCCC as well as the fiscal management of the HRCCC. We made specific recommendations for corrective actions.

In response to our June 30, 2005 draft report, your office concurred with our findings and recommendations. The August 15, 2005, management response is incorporated in this final report and included in its entirety as an appendix. The corrective actions taken by your office are appropriate and fully responded to the recommendations.

We appreciate the courtesy and cooperation extended to us by your staff. If you have any questions or require additional information regarding this report, please call me or Ken Eichelman at (202) 226-1250.

cc: Speaker of the House
Majority Leader of the House
Minority Leader of the House
Chairman, Committee on House Administration
Ranking Minority Member, Committee on House Administration
Members, Committee on House Administration

Improvements Were Needed in the House Child Care Center



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Executive Summary

Summary Results of Review

- ✍ The House of Representatives Child Care Center (HRCCC) continues to experience high demand, meet accreditation standards, and address improvement opportunities.
- ✍ The HRCCC needed to develop and implement additional written policies and procedures to ensure the administrative and financial goals of the organization are achieved.
- ✍ The HRCCC has excellent overall security readiness; however, additional safety issues with respect to background checks, decorative plants, and evacuation drills needed to be addressed.
- ✍ Advisory Board decisions that impact HRCCC management, teachers, and parents needed to be documented and appropriately disseminated.
- ✍ During our review, the CAO staff initiated corrective actions as problems were identified.

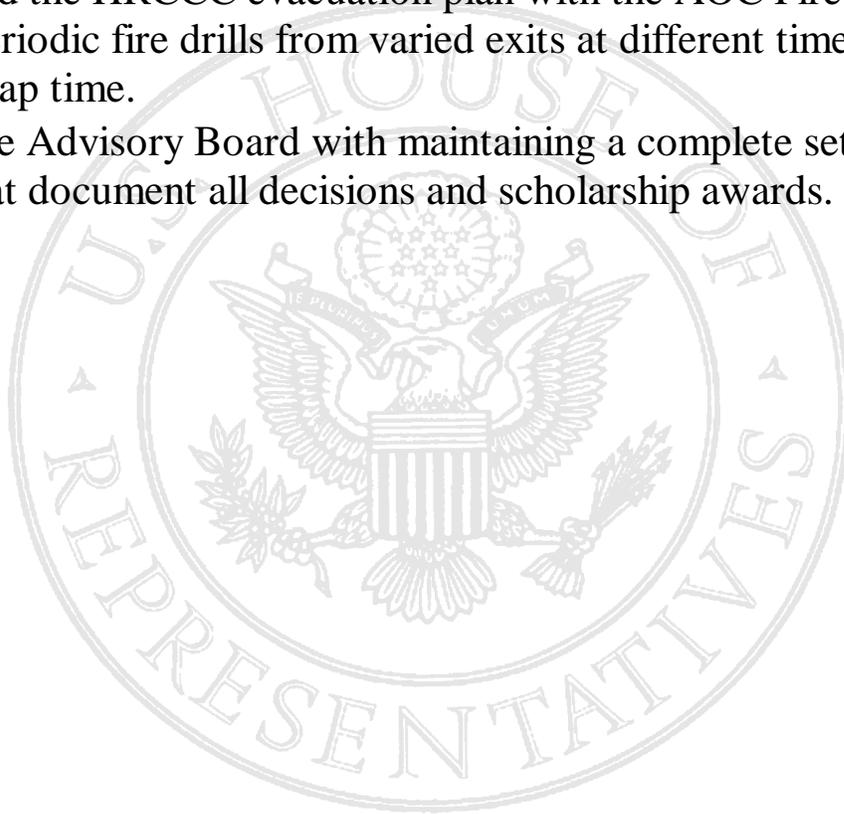
Report Recommendations Summary

The CAO has:

- ✍ Developed and implemented additional policies and procedures to cover the financial and administrative functions of the HRCCC.

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- ✍ Required background checks on all HRCCC staff to be conducted every 3-5 years, and included a check of state child abuse registries for all states in which employee has lived.
- ✍ Coordinated the HRCCC evacuation plan with the AOC Fire Marshal and required periodic fire drills from varied exits at different times of day, including nap time.
- ✍ Assisted the Advisory Board with maintaining a complete set of meeting minutes that document all decisions and scholarship awards.



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Executive Summary

Chief Administrative Officer's Comments

In the CAO's August 15, 2005 response the CAO concurred with the findings and recommendations presented in the draft report. The CAO has developed and implemented additional policies and procedures to cover the financial, administrative, and safety functions of the HRCCC. These policies and procedures are part of a comprehensive Administrative Operations Manual that addresses the administrative operations of the HRCCC. In addition, the manual provides internal controls to ensure that the HRCCC financial, administrative, and safety goals are met. The CAO assists the Board in maintaining a complete set of Advisory Board minutes that are kept in a binder located in the Deputy Director's office. The CAO has taken actions to address all of the recommendations.

OIG Comments

The CAO's office has agreed with all findings and has completed agreed to actions on the recommendations. We consider these recommendations closed.

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Results of Review

Finding 1: Financial Controls Need to be Strengthened

Condition: The CAO did not have written policies and procedures in place to ensure the financial goals of the organization are achieved.

Criteria: Written policies and procedures are a key component of a strong and consistently applied system of internal controls. The HRCCC Admission Agreement states “monthly tuition is due on the first work day of each month...a late fee of \$25 may be assessed if payment is not made within five days after it’s due.”

Cause: Policies had not been written by either the CAO or the HRCCC to cover the issues identified.

Effect: Some tuition payments were not received, were only partially received, or were not properly recorded to include the date and purpose of the payment. Fees were not assessed for late payments, one family was paying their tuition with cash, and some families consistently paid less than the standard amount without adequate evidence of scholarships. Also, the financial position of the HRCCC was not monitored to ensure that monthly revenues covered expenditures.

Agreed Upon Action Plans Completed by the CAO: The CAO completed an analysis of the collections and expenditures of the HRCCC and hired a temporary

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employee to collect underpayments of tuition and establish a complete system of records using the EZ-Care System. In addition, the CAO has developed and implemented additional policies and procedures to cover the financial functions of the HRCCC, provide for internal controls, and help ensure the HRCCC goals are met.



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Results of Review

Finding 2: Administrative Controls Need to be Strengthened

Condition: The HRCCC was not keeping the waiting list up to date and had not established a policy on how to address allegations of child abuse.

Cause: Policies had not been written by the HRCCC to cover the issues identified.

Criteria: 40 USCA §184g requires that children be admitted to the HRCCC in the following order: 1) House employees, 2) Senate or legislative branch employees, 3) Federal agency employees. The National Association for the Education of Young Children (NAEYC) accreditation guidelines recommend that programs have written policies and procedures to be followed if a staff member is accused of abuse or neglect of a child.

Effect: Without an accurate waiting list we could not ensure that children were enrolled in the HRCCC in the appropriate order and according to the priority required in 40 USCA §184g. If a staff member were accused of neglect or abuse, the HRCCC would not have policies and procedures to follow that have been reviewed by legal counsel and approved by the Board of Directors.

Agreed Upon Action Plans Completed by the CAO: The CAO hired a temporary employee who has already entered the waiting list in the EZ-Care System and has made

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phone calls to people on the list to determine if they want to remain on the list. CAO officials stated that in the future, an application for the waiting list will only be good for a year. Individuals will need to re-apply each year to remain on the waiting list. Furthermore, the CAO has developed and implemented written policies and procedures to cover the administrative functions of the HRCCC and provided appropriate internal controls.

Results of Review

Finding 3: Improvements to Safety Procedures Will Increase the Overall Safety of the

Children

Condition: Safety issues with respect to background checks, toxic plants, and evacuation drills were identified that need to be addressed to improve the wellbeing of the children and add to the HRCCC's otherwise excellent emergency preparedness planning.

Criteria: The National Health and Safety Standards require 1) centers shall check criminal records, 2) poisonous plants shall be prohibited,

and 3) a fire evacuation procedure shall be approved by a fire inspector and be practiced at least monthly.

Cause: The CAO was not aware of the need to address these additional safety issues.

Effect: Should an employee be arrested or charged with a crime after their original employment background check, this information may not be

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disclosed to the HRCCC. Two of the plants in the HRCCC were poisonous. Since the HRCCC does not regularly practice evacuations through all exits,

at various times of the day, they may not be able to get the children out quickly under various circumstances.

Agreed Upon Action Plans Completed by the CAO: The CAO established a policy to perform background checks of HRCCC staff every five years. The CAO has revised the HRCCC's evacuation policy. The toxic plants were removed from the facility. The CAO has 1) conducted background checks on all HRCCC staff according to their new policy, 2) developed and implemented written policies to require all plants to be evaluated before being brought into the HRCCC, and 3) coordinated the HRCCC evacuation plan with the AOC Fire Marshall and required periodic fire drills from all exits during varied time of day including nap time.

Results of Review

Finding 4: Improvement is Needed in the Advisory Board Operations

Condition: During our review we could not locate any documentation of the HRCCC Advisory Board's actions (2001-2005). In addition, when scholarships were awarded to families, the Board should have provided documentation of such awards and fully fund such scholarships.

Criteria: According to 40 USCA §184g, the HRCCC Advisory Board, appointed by the Speaker of the House of Representatives, is to provide advice to the Chief Administrative Officer on matters of policy relating to the administration and operation of the center.

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Cause: The officers of the Advisory Board changed on a regular basis, and no central repository for the records had been established.

Effect: Without documentation of the Board's minutes, there is no historical record of Board actions, decisions, or

awards of scholarships. In addition, during 2004 and 2005, the HRCCC did not receive \$11,578 in revenue from four families who were treated as having a scholarship while no funds had been transferred from the Board's scholarship account to the HRCCC.

Agreed Upon Action Plans Completed by the CAO: The CAO staff has provided space in a room where audio visual equipment is available to record the minutes of the Board meetings, and made these minutes available to the parents in the HRCCC facility. Also, the CAO is assisting the Board with 1) maintaining a complete set of Advisory Board minutes that document all decisions and scholarship awards and 2) establishing a mechanism to ensure the transfer of funds from the Board to the HRCCC to fund Board- approved scholarships when they are available.

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BACKGROUND

The HRCCC has been providing full-time, year-round childcare services for the children of the Members, staff, and House support personnel since 1987. According to 40 USCA §184g, the CAO is responsible for maintaining and operating the HRCCC. The HRCCC has an Advisory Board, appointed by the Speaker of the House, to provide advice to the CAO on matters of policy relating to the administration of the center.

SCOPE

Policies and Procedures related to health and safety issues and transactions for FY 2004 through March 2005.

OBJECTIVE

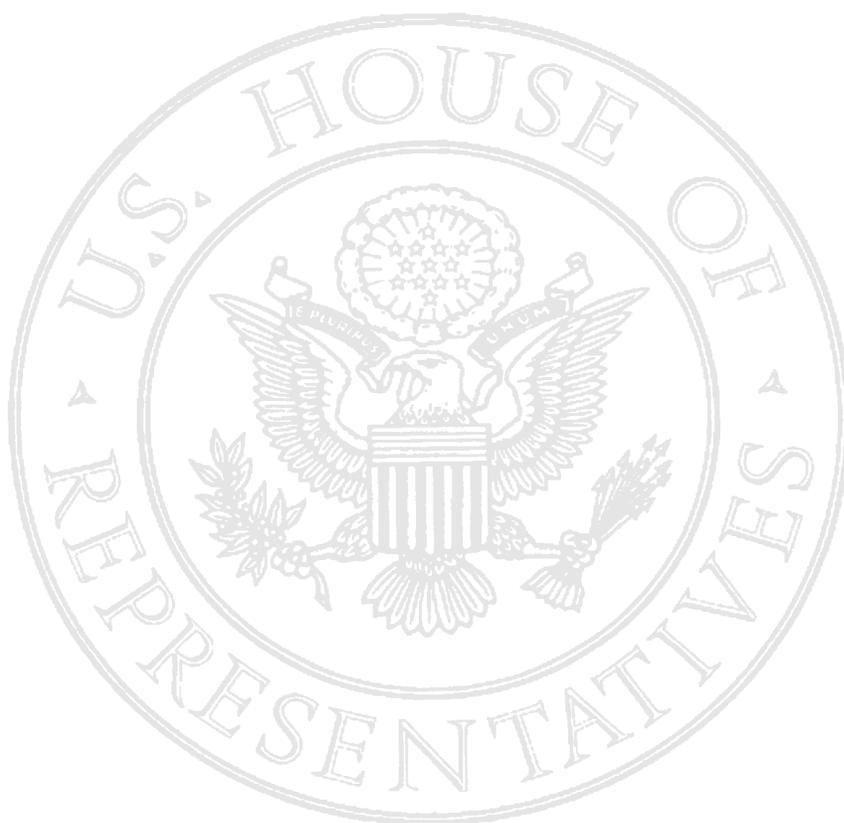
Evaluate the internal controls employed by the HRCCC that ensure the health and safety of the children currently enrolled. Review the accuracy of fees collected during FY 2004.

METHODOLOGY

We conducted this review in accordance with government auditing standards as implemented in the Office of Inspector General (OIG) policies and procedures. To accomplish our objectives we interviewed associated

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personnel and reviewed HRCCC documents. Our field work was conducted during the period September 2004 to June 2005.



James M. Eagen III
Chief Administrative Officer

Office of the
Chief Administrative Officer
U.S. House of Representatives
Washington, DC 20515-6860

To: James Cornell
Acting Inspector General

From: Jay Eagen
Chief Administrative Officer

Subject: Response to the 2004 House Child Care Center Draft Audit Report

Date: AUG 15 2005

Thank you for the opportunity to comment on the 2004 House Child Care Center Draft Audit Report. We have carefully reviewed the report's findings and recommendations and concur with each of them.

The following is a brief response to each of the audit recommendations made in the audit report:

Finding 1: Financial Controls Need to be Strengthened

Recommendation: The CAO should develop and implement additional policies and procedures to cover the financial functions of the HRCCC, provide for internal controls, and help ensure the HRCCC goals are met.

CONCUR.

The CAO has developed and implemented additional policies and procedures to cover the financial functions of the HRCCC. These policies and procedures are part of a comprehensive Administrative Operations Manual that addresses the administrative operations of the HRCCC. In addition, the manual provides internal controls to ensure that the HRCCC financial goals are met. The CAO believes we have taken appropriate steps to close this recommendation.

Finding 2: Administrative Controls Need to be Strengthened

Recommendation: The CAO should develop and implement written policies and procedures to cover the administrative functions of the HRCCC and provide appropriate internal controls.

CONCUR.

The CAO has developed and implemented written policies and procedures to cover the administrative functions of the HRCCC and provide appropriate internal controls. These

written policies and procedures are part of a comprehensive Administrative Operations Manual that addresses the administrative operations of the HRCCC. The written policies and procedures ensure that enrollment procedures follow the priority required in 40 USCA 184g, and outline the appropriate process to follow should a staff member be accused of neglect or abuse. The CAO believes we have taken appropriate steps to close this recommendation.

Finding 3: Improvements to Safety Procedures Will Increase the Overall Safety of the Children

Recommendation: The CAO should: 1) complete the state background checks on all HRCCC staff according to their new policy; 2) develop and implement written policies to require all plants to be evaluated before being brought into the HRCCC; and, 3) require periodic fire drills from all exits during varied times of the day, including nap time.

CONCUR.

1) The CAO has completed state background checks on all HRCCC staff according to the new policy, and are awaiting clearance confirmations from appropriate state agencies. 2) As part of a comprehensive Administrative Operations Manual that addresses the administrative operations of the HRCCC, a policy has been written to require all plants to be evaluated before being brought into HRCCC classrooms; this policy is currently being implemented. 3) As stated in the Administrative Operations Manual, procedures for periodic evacuation drills from all exits during varied times of the day are in place. The CAO believes we have taken appropriate steps to close this recommendation.

Finding 4: Improvement is Needed in the Advisory Board Operations

Recommendation: The CAO should assist the Board with maintaining a complete set of Advisory Board minutes that document all decisions and scholarship awards and establish a mechanism to ensure the transfer of funds from the Board to the HRCCC to fund the Board's approved scholarships.

CONCUR.

The CAO assists the Board in maintaining a complete set of Advisory Board minutes that are kept in a binder located in the Deputy Director's office (as noted in the Administrative Operations Manual). Currently, the scholarship program is suspended, and there is no funding available for scholarships. If/when the HRCCC Board reinstates the Scholarship Program, procedures and policies to ensure the transfer of funds from the Board to the HRCCC will be developed and added to the Administrative Operations Manual. The CAO believes we have taken appropriate steps to close this recommendation.