Department of Health and Human Services DEPARTMENTAL APPEALS BOARD Appellate Division

Southwest Arkansas Development Council, Inc. Docket No. A-12-120 Decision No. 2489 December 12, 2012

DECISION

Southwest Arkansas Development Council, Inc. (Southwest Arkansas) appealed the July 5, 2012 decision of the Administration for Children and Families (ACF) to terminate the grant awarded to Southwest Arkansas for a Head Start program. ACF based the termination on its finding, in a follow-up review of Southwest Arkansas's program conducted in March 2011, that Southwest Arkansas had failed to correct in a timely manner a deficiency identified in a review completed in December 2009.

ACF moved for summary disposition, arguing that Southwest Arkansas's appeal failed to raise any genuine issue of material fact and that ACF is entitled to judgment in its favor as a matter of law. For the reasons explained below, we grant ACF's motion and affirm ACF's decision to terminate Southwest Arkansas's Head Start grant.

Legal Background

The Secretary of Health and Human Services must review each Head Start grantee's program to determine whether it meets the program performance standards, which include administrative and financial management standards, at least once every three years. Head Start Act § 641A(c)(1).¹ If a review finds that a grantee has a "deficiency," the Head Start Act requires the Secretary to "initiate proceedings to terminate the designation of the agency unless the agency corrects the deficiency." *Id.* § 641A(e)(1)(C). As relevant here, a "deficiency" includes "a systemic or substantial material failure of an agency in an area of performance that the Secretary determines involves . . . (iii) a failure to comply with standards related to . . . program design and management [.]" *Id.* § 637(2)(A). The regulatory standards for program design and management in 45 C.F.R. Part 1304, subpart D, include the following requirement in 1304.51(i), titled "*Program self-assessment and monitoring*":

¹ The Head Start Act, as amended December 12, 2007, is codified at 42 U.S.C. § 9801 *et seq*.

(2) Grantees must establish and implement procedures for the ongoing monitoring of their own Early Head Start and Head Start operations, as well as those of each of their delegate agencies, to ensure that these operations effectively implement Federal regulations.

The Secretary may require a grantee to correct a deficiency immediately, if it threatens the health or safety of staff or program participants or poses a threat to the integrity of federal funds; within 90 days if the Secretary finds a 90-day period reasonable, in light of the nature and magnitude of the deficiency; or by the time specified in a Quality Improvement Plan (QIP) that the grantee must submit for the Secretary's approval (which may not be later than one year after the grantee received notice of the deficiency). Head Start Act § 641(e)(1)(B)(i)-(iii), (e)(2)(A); see also 45 C.F.R. §§ 1304.60(f) ("the responsible HHS official will issue a letter of termination or denial of refunding" if a Head Start grantee "fails to correct a deficiency, either immediately, or within the timeframe specified in the approved [QIP]"); 1304.60(c) (QIP timeframes for correcting a deficiency may not exceed one year from the date that the grantee received official notification of the deficiencies to be corrected). A single uncorrected deficiency is sufficient to warrant termination of funding. 45 C.F.R. § 1303.14(b)(4) (authorizing termination for failure to correct "one or more deficiencies"); see, e.g., The Human Dev. Corp. of Metro. St. Louis, DAB No. 1703, at 2 (1999). The "findings of a followup review need not be identical to findings of the" review in which the deficiency was first identified in order to determine that a grantee has failed to correct a deficiency. Philadelphia Housing Auth., DAB No. 1977, at 18, n.14 (2005), aff'd, Philadelphia Housing Auth. v. Leavitt, No. 05-2390, 2006 WL 2990391 (E.D.Pa. Oct. 17, 2006).

Head Start grantees are entitled to an evidentiary hearing before the Board to contest the basis for ACF's termination decision. See 45 C.F.R. § 1303.16. In this case, the Board determined that Southwest Arkansas waived its right to a hearing because it did not specifically request an oral hearing. See Board's 9/17/12 Supplemental Acknowledgment of Appeal at 4. In any event, ACF has asked the Board to grant summary disposition in the nature of summary judgment in its favor without a hearing. The Board has held that, under appropriate circumstances, it may grant summary judgment in a Head Start termination case without holding an evidentiary hearing "when there is no genuine dispute as to any material fact, and the moving party is entitled to judgment as a matter of law." Camden County Council on Econ. Opportunity, DAB No. 2116, at 3-4 (2007), aff'd, Camden County Council on Econ. Opportunity v. U.S. Dep`t of Health & Human Servs., 586 F.3d 992 (D.C. Cir. 2009); Union Township Community Action Org., DAB No. 1976, at 6 (2005). The party moving for summary judgment bears the initial burden of showing the basis for its motion and identifying the portions of the record that it believes demonstrate the absence of a genuine factual dispute. Celotex Corp. v. Catrett, 477 U.S. 317, 323 (1986). If a moving party carries its initial burden, the non-moving party must "come forward with 'specific facts showing that there is a genuine issue for

trial." *Matsushita Elec. Industrial Co. v. Zenith Radio*, 475 U.S. 574, 587 (1986) (quoting Fed. R. Civ. P. 56(e)).

To defeat an adequately supported summary judgment motion, the non-moving party may not rely on general denials in its pleadings or briefs, but must furnish evidence of a genuine dispute concerning a material fact--a fact that, if proven, would affect the outcome of the case under governing law. *Id.* at 586, n.11; *Celotex*, 477 U.S. at 322-24. In deciding a summary judgment motion, a tribunal must view the entire record in the light most favorable to the non-moving party, drawing all reasonable inferences from the evidence in that party's favor. *Camden County Council on Econ. Opportunity* at 4.

The burdens of proof applicable to Head Start grant terminations are well-settled: ACF must make a prima facie showing (that is, proffer evidence sufficient to support a decision in its favor absent contrary evidence) that it has a basis for termination under the relevant regulatory standards. *Friendly Fuld Neighborhood Ctr., Inc.,* DAB No. 2121, at 3 (2007); *First State Community Action Agency, Inc.,* DAB No. 1877, at 9 (2003); *Rural Day Care Assoc. of Ne. N.C.,* DAB No. 1489, at 7-8 (1994), *aff'd, Rural Day Care Ass'n of Ne. N.C. v. Shalala*, No. 2:94-CV-40-BO (E.D.N.C. Dec. 19, 1995). If ACF makes this prima facie showing, the grantee must demonstrate by a preponderance of the evidence that it is in compliance with program standards. *Id.*

In Head Start termination appeals, a grantee bears the burden to demonstrate that it has operated its federally-funded program in compliance with the terms and conditions of its grant and the applicable regulations. *Norwalk Econ. Opportunity Now, Inc.*, DAB No. 2002, at 7 (2005). A grantee, moreover, is clearly in a better position to establish that it did comply with applicable requirements than ACF is to establish that it did not. Therefore, the Board has held that the ultimate burden of persuasion is on the grantee to show that it complied with program standards. *Friendly Fuld Neighborhood Ctr., Inc.* at 3-4.

Procedural Background

From November 29, 2009 to December 4, 2009, ACF conducted an on-site monitoring follow-up review of Southwest Arkansas' Head Start program. In a September 10, 2010 report on the 2009 review (ACF Ex. 1), ACF stated that it had determined that Southwest Arkansas had a deficiency "as defined under Sec. 637(2)(A)(iii) of the Head Start Act" involving the "Standards" in 45 C.F.R. § 1304.51(i)(2). ACF Ex. 1, at 3. The report required that "[w]ithin 30 of receipt of this report, you must submit a Quality Improvement Plan (QIP) to your ACF Regional Office detailing your plan for corrective action." *Id.* at 1; *see also id.* at 5. In addition, the report required that the deficiency identified in the report "must be fully corrected within six months from the date you receive this report or within such additional time not to exceed one year as authorized by the responsible HHS official per Sec. 641A(c)(1)(B)(iii)." *Id.* at 5. ACF asserts, and

Southwest Arkansas does not dispute, that its QIP required that the deficiency "be fully corrected within six months" of receipt of the 2009 report "or within such additional time not to exceed one year as authorized by HHS," and that the actual deadline for correction was March 15, 2011. *See* ACF response to appeal at 6-7.

From March 27-31, 2011, ACF conducted a follow-up review to determine whether the deficiency identified in the 2009 review had been corrected. In a July 25, 2012 report on the March 2011 review, ACF indicated that it had determined that the deficiency identified in 2009 had not been corrected and said it was attaching a notice of termination to the report.² ACF Ex. 2, at 1. The notice of termination, citing section 641A(e)(1)(C) of the Head Start Act and 45 C.F.R. § 1303.14(b)(4), stated that ACF had terminated financial assistance to Southwest Arkansas based on its failure to timely correct the deficiency. ACF Ex. 3, at 1, 2.

Southwest Arkansas timely appealed the July 25, 2012 notice of termination. Its first submission consisted of an undated letter received by the Board on August 6, 2012. Southwest Arkansas then submitted a letter dated August 9, 2012 with a copy of the notice of termination and ACF's report on the March 2011 review, which the Board treated as part of the appeal because it was submitted within the 30-day period provided by regulation for filing an appeal. *See* Board's 9/17/12 Supplemental Acknowledgment of Appeal at 2, citing 45 C.F.R. § 1303.14(c)(2). The Board excluded from the record a letter from Southwest Arkansas dated August 27, 2012 with three attachments³ because that submission was not mailed until September 4, 2012, after the expiration of the time for submitting the appeal, and Southwest Arkansas did not request a waiver as required by 45 C.F.R. § 1303.8, much less show good cause for a waiver. *Id.*⁴

ACF then submitted its response to the appeal, in which it moved for summary judgment in its favor, and eight numbered exhibits.⁵ Southwest Arkansas responded to ACF's

² Although ACF's response to the appeal incorrectly states that the notice of termination was issued on July 25, 2011, the correct date is apparent from the documents in the record.

³ Southwest Arkansas' August 27, 2012 letter identifies the attachments as the "front cover" of the "On-Going Monitoring Plan" and of the "School Readiness Action Plan" and a "copy of the Corrective Action Plan that was submitted." 8/27/12 letter at 1 (offering to send complete copies of the first two attachments "upon request"). A 7-page document titled "Southwest Arkansas Development Council, Inc. Head Start Monitoring Plan," each page of which is dated 3/17/2011, appears in the record as ACF Exhibit 5.

⁴ Southwest Arkansas also belatedly submitted evidence that its Board of Directors authorized the appeal, as required by 45 C.F.R. § 1303.14(c)(3). *See* Southwest Arkansas letter dated 10/22/12, with Exhibits 1 and 2.

⁵ ACF's October 17, 2012 response stated that the declaration of ACF reviewer Teresa Morris "will arrive under separate cover." Response at 2, n.1. The declaration, submitted on November 1, 2012, confirms the findings in ACF's report on its 2011 review.

motion for summary judgment more than a month after the time provided by the regulations without requesting a waiver. Southwest Arkansas letter dated 11/25/12 (mailed 12/6/12). The arguments in the reply are mostly cumulative of Southwest Arkansas' prior arguments addressed in our analysis below or otherwise have no merit. Thus, to the extent that we address the reply below notwithstanding its lateness, there is no prejudice to ACF.

ACF's Review Findings

In the review it conducted from November 29 – December 4, 2009, ACF found that Southwest Arkansas did not establish and implement procedures for the ongoing monitoring of its Head Start operations to ensure that they effectively implemented federal regulations, as required by 45 C.F.R. § 1304.51(i)(2). ACF Ex. 1, at 3-4. ACF's report on the review included the following specific findings:

• Southwest Arkansas had no "policy or procedure for monitoring staff files." Southwest Arkansas' fiscal officer "stated there was no tool to monitor staff qualifications or the completion of health examinations and criminal record checks" and that "the program relied on reminding Center Managers to check the files and ensure they were up to date and accurate." The staff files reviewed had "personnel issues related to teacher qualifications, required trainings, physical examinations, and performance evaluations."

• The Head Start Safety Maintenance Schedule used by teachers to monitor facility maintenance and safety "did not include specific guidance regarding looking for safety issues in the facility, monitoring first aid kits, and maintaining medication storage guidelines." Southwest Arkansas' "Head Start Director stated she was the person designated as responsible for oversight of safe environments, and no additional maintenance or facility staff were assigned to monitor the full-time operations of the 13 sites operated by the grantee." Examples of safety issues at two facilities that should have been prevented or addressed by monitoring were: "expired medications in the first aid kit, a splintered crack in the bathroom wall, loose baseboards, and a hole in one door large enough for children's fingers to enter" (Miller I Center); and "medication …stored without the children's names and official prescription information" (Fairview).

• Southwest Arkansas "did not implement ongoing monitoring procedures regarding its Transportation service area." Seven areas of noncompliance relating to transportation were identified during the review, "reflecting a breakdown in the monitoring of Transportation services to ensure the safety of children and others." In particular, the "qualifications, training, skills and performance" of the one bus driver employed by Southwest Arkansas were not monitored, so that Southwest Arkansas was unaware "of his lack of a commercial driver's license, a Department

of Transportation physical examination, a driving-record check, required training, and an on-board evaluation of his driving skills." In addition, "the monitoring system did not flag or respond to the absence of appropriate safety restraints on the vehicle used to transport Head Start children."

• Southwest Arkansas "did not monitor program operations to ensure the new requirements of the Head Start Act were implemented by the governing body."⁶ Examples were that "no procedures were developed or monitored to ensure Board membership included members with the required expertise, and governing body responsibilities were not monitored regarding approval of the annual Self-Assessment, review of Personnel Policies related to the hire and termination of key management staff, receipt of statements of credit card expenditures, and review of reports on program enrollment and meals and snacks served to children."

ACF Ex. 1, at 4.

During the March 27-31, 2011 follow-up review, ACF found that Southwest Arkansas had approved "a new ongoing monitoring plan" on March 17, 2011, but that the "plan and procedures were not effectively implemented." ACF Ex. 2, at 3. According to the report on the review, Southwest Arkansas' Executive Director told the surveyors "the procedures were not yet introduced and implemented," and the "Executive Director, Interim Head Start Director, Content Area Administrators, center-based staff, and Fiscal staff confirmed there were no procedures to effectively monitor Head Start operations at all levels, including monitoring related to personnel requirements, evaluations, teacher requirements, facility maintenance and repair, unlabeled medication, transportation, and internal financial controls[.]" Id. The report also stated that "[e]xamples of ineffectiveness of monitoring included observations of numerous centers in disrepair and unclean facilities; lack of maintenance personnel or contracted services for cleaning the centers; purchasing duties being vested with the Secretary/Receptionist; payroll processing and the ability to draw down funds vested with a single person; lack of segregation of fiscal duties; and a signature stamp under the control of the contracted Certified Public Accountant." Id. at 3-4. Based on these findings, the report concluded that Southwest Arkansas "remained out of compliance" with section 1304.51(i)(2). Id. at 4.

⁶ The "new requirements of the Head Start Act" to which this finding refers appear to be the program governance provisions in section 642(c) of the Head Start Act, added by the 2007 amendments.

Analysis

ACF's motion for summary disposition states that Southwest Arkansas "was first cited under section 1304.51(i)(2) for failing to monitor a number of critical areas and systems in its Head Start program" and refers to the findings from the 2009 review described above. ACF submission dated 10/17/12, at 8, citing ACF Ex. 1. The motion further states that in the 2011 follow-up review, ACF found that Southwest Arkansas "continued in its noncompliance with the requirements at 45 C.F.R. § 1304.51(i)(2) based upon the grantee[']s failure to develop and implement a *timely* plan with effective procedures for monitoring its operations to ensure compliance with Federal regulations." *Id.* at 9 (emphasis in original), citing ACF Ex. 2, at 3-4.⁷ ACF asserts that "[p]ersistence of this deficiency alone would be sufficient, without more, to sustain ACF's termination of [Southwest Arkansas]'s Head Start grant. *Id.* at 13. For the reasons explained below, we conclude that summary disposition in ACF's favor is warranted.

On appeal, Southwest Arkansas does not raise a material dispute regarding whether it had a deficiency at the time of the 2009 review. In its response to the motion, Southwest Arkansas disputes the deficiency finding from ACF's 2009 review, alleging that it was "monitoring our program through each Specialist and content area" but "had not developed the computerized technical all-inclusive plan." Southwest Arkansas letter dated 11/25/12 at second page (unnumbered). However, even if true, this allegation is not material. The basis for the deficiency finding was Southwest Arkansas' failure to establish and implement certain policies or procedures, not that it simply lacked policies or procedures in a particular format. In addition, the policies or procedures ACF found were lacking did not pertain to any of the content areas specified in the Head Start regulations, so Southwest Arkansas' assertion that it was monitoring content areas is also irrelevant. *See* 45 C.F.R. § 1304.52(d) (requiring Head Start grantees to hire staff or consultants to provide content area expertise and oversight of particular services).

Moreover, although Southwest Arkansas states in its appeal letter that "[a]ll corrections were made," Southwest Arkansas does not assert that it fully corrected this deficiency within the period for correction. Southwest Arkansas undated letter received 8/6/12, at 2. To the contrary, Southwest Arkansas' response to ACF's motion states that at the time of the 2011 review, it was "moving in a direction to correct the deficiency." Southwest Arkansas letter dated 11/25/12 at third page (unnumbered). Southwest Arkansas elsewhere merely states that ACF's decision to terminate its grant "did not give us any credit for corrections that were made from March of 2011 thru March of 2012, and to

 $^{^{7}}$ The findings of noncompliance with section 1304.51(i)(2) in ACF's report on its 2011 review do not include some of the detailed findings of fact cited in ACF's motion for summary disposition. We rely only on the detailed findings that were included under section 1304.51(i)(2) in ACF's report.

July of 2012" (when ACF notified Southwest Arkansas of its decision to terminate the grant). Southwest Arkansas undated letter received 8/6/12, at 1. Southwest Arkansas may have meant by this that it fully corrected the deficiency identified in the 2009 review at some point after the period for correction ended on March 15, 2011.⁸ If so, this does not raise a dispute of fact material to the termination. The Head Start regulations at 45 C.F.R. § 1304.60(c) "are clear that all deficiencies must be corrected by the end of the period for correction[.]" *Philadelphia Housing Authority* at 14, citing 45 C.F.R. § 1304.60(c) (emphasis added). Thus, "[e]vidence that a grantee came into compliance with the applicable requirements after the time provided for correction ended does not establish that the grantee corrected its deficiencies." *Jefferson Comprehensive Care Sys., Inc.*, DAB No. 2377, at 2 (2011).

Regardless of what Southwest Arkansas intended to argue, it does not point to any evidence in the record that it actually corrected the deficiency. Instead, the record establishes that, at least as of the time of the 2011 review, Southwest Arkansas had not corrected the deficiency. As noted above, the report on the review that took place from March 27-31, 2011 states that Southwest Arkansas approved a new ongoing monitoring plan on March 17, 2011. Section 1304.51(i)(2) requires that a grantee both "establish and implement procedures" for ongoing monitoring of its Head Start operations. Thus, even assuming the new ongoing monitoring plan included adequate procedures for monitoring all of Southwest Arkansas' Head Start operations, Southwest Arkansas could not have fully corrected the deficiency without implementing that plan. The report on the 2011 review states that during that review Southwest Arkansas' executive director said the new monitoring procedures had not yet been introduced and implemented and other key personnel and staff "confirmed" that there were no procedures to effectively monitor Head Start operations at all levels. Southwest Arkansas does not dispute that its employees made these statements or the veracity of the statements. Nor does Southwest Arkansas dispute the examples of the results of inadequate monitoring cited in that review report. Accordingly, as of the time of the 2011 review, Southwest Arkansas failed to implement its plan and thus failed to correct the deficiency.

Southwest Arkansas also states on appeal, "We still don't believe the decision to terminate our funding by the Regional Office was deserved, and based on the timing, we are not sure some of it was not personal." Southwest Arkansas letter dated 8/9/12; *see also* Southwest Arkansas letter dated 11/25/12 at fourth page (unnumbered) ("We think

⁸ The "Corrective Action Plan" we excluded from the record because it was submitted late identifies "November 2010" as the "Date Corrected" where it addresses "noncompliance" with section 1304.51. Southwest Arkansas letter dated 8/27/12, 1st attachment at 1. However, the descriptions of corrective actions identified in that plan relate to individual instances of noncompliance, not to establishing or implementing comprehensive procedures for ongoing monitoring. Thus, even if we had admitted that document to the record, it would not raise a material dispute of fact.

this decision was personal and political."). Southwest Arkansas cites in this connection the "mysterious" fact that the termination notice, which was accompanied by the report on the 2011 review, was not issued until 14 months after that review. Southwest Arkansas letter dated 11/25/12 at second page (unnumbered). Southwest Arkansas does not explain what "personal" or "political" considerations it believed might have motivated ACF's decision to terminate its Head Start grant. Even if we were to construe this as an allegation of bias on the part of ACF, it could not overcome Southwest Arkansas' failure to dispute the material facts on which ACF based its determination to terminate the grant. *Cf. H.O.P.E. Community Servs., Inc.*, DAB No. 2487, at 15 (2012); *First State Community Action Agency, Inc.* at 22 (finding testimony of allegedly biased reviewers reliable where, among other things, "Most of what [the reviewers] said they heard in their interviews or discovered in their documentation reviews is undisputed, and very few of their factual findings were rebutted by any persuasive evidence.").⁹

Southwest Arkansas further states that "in spite of the deficiencies (that were corrected) we've done an effective job with developing and preparing our children for public schools." Southwest Arkansas letter dated 8/9/12; *see also* undated appeal letter (received 8/6/12) ("We have been effective with our children in spite of compliance issues."). Southwest Arkansas' suggestion that termination of its Head Start grant is not warranted because it met the general purpose of the Head Start Act "to promote the school readiness of low-income children" (Head Start Act § 636) has no merit, even assuming Southwest Arkansas in fact met this general purpose. The Head Start Act and implementing regulations require termination if a grantee fails to timely correct a deficiency. Since the Board is bound by all applicable laws and regulations, the Board would have no authority to reverse the termination on the ground advanced here. *See, e.g., Bedford Stuyvesant Restoration Corp.*, DAB No. 1404, at 20 (1993) (stating, "The Board is empowered to resolve legal and factual disputes. We cannot provide equitable relief; we are bound by all applicable laws and regulations. 45 C.F.R. § 16.14.").

Southwest Arkansas also states, without explanation, that on two occasions it was sent an application and instructed, presumably by ACF, to compete for Head Start funds. *See* undated appeal letter (received 8/6/12) at 2. According to Southwest Arkansas, it submitted the first application "before the deadline" and planned to meet the October 1, 2012 deadline for an application for 2013 funds. *Id.* Southwest Arkansas does not indicate the date on ACF's instructions or when it received them. Thus, it is not clear

⁹ We also note that in decisions in prior cases where ACF did not act promptly in issuing its report on a follow-up review, the Board has stated that ACF's delay is not a sufficient basis to excuse any failure on the part of the grantee to correct any deficiencies it had in complying with Head Start requirements. *See Voorhees College Early Head Start Program*, DAB No. 2351, at 9 (2010), and Board decisions cited therein

they were sent or received after ACF sent its termination notice. However, if they were sent after the termination notice, Southwest Arkansas may be questioning why ACF would send such instructions at that point. Under 45 C.F.R. Part 1307, ACF is authorized to require grantees meeting certain conditions (such as deficiency findings on a single review) to establish eligibility to continue receiving Head Start grant funds through competition rather than designation, but this authority does not apply to replacing a terminated grantee like Southwest Arkansas. See 45 C.F.R. § 1307.1 ("A competition to select a new Head Start . . . agency to replace a Head Start . . . agency that has been terminated voluntarily or involuntarily is not part of the Designation Renewal System established in this Part, and is subject instead to the requirement of part 1302.") If ACF sent the instructions after it had already sent the termination notice, we do not know the reason.¹⁰ However, neither the fact that the instructions were sent nor the reason for sending them is relevant here. The question before us is whether ACF had the authority under 45 C.F.R. Part 1304 to terminate Southwest Arkansas' Head Start grant based on an uncorrected deficiency, and we have concluded it did. ACF's authority under Part 1307 is separate and not relevant to our decision.

Conclusion

For the reasons explained above, we grant ACF's motion for summary disposition and affirm ACF's decision to terminate Southwest Arkansas' Head Start grant.

/s/ Leslie A. Sussan

/s/ Constance B. Tobias

/s/

Sheila Ann Hegy Presiding Board Member

¹⁰ It would be understandable if ACF had a practice of sending "compete" instructions to terminated grantees who still have appeal rights that could, if exercised, prevent the termination from becoming final.