

Department of Health and Human Services

DEPARTMENTAL APPEALS BOARD

Appellate Division

SUBJECT: Philadelphia Parent Child      DATE: December 31, 2009  
          Center, Inc.  
          Docket Nos. A-09-14, A-09-66  
          Decision No. 2297

DECISION

Philadelphia Parent Child Center, Inc. (PPCC, appellant), a Head Start grantee in Philadelphia, Pennsylvania, appeals two determinations by the Administration for Children and Families (ACF) disallowing a total of \$1,590,081.19 under the Head Start program for the program year November 1, 2006 through October 31, 2007 (FY 2007). In Docket Nos. A-09-14 and A-09-66, ACF disallowed a total of \$1,202,843.19 on the ground that PPCC failed for FY 2007 to satisfy the requirement in the Head Start statute and regulations that grantees account for 20% of total approved Head Start program costs as their non-federal share. In Docket No. A-09-66, ACF also disallowed \$387,238 on the ground that PPCC failed to adequately document the salaries for 12 Head Start and Early Head Start positions charged to Head Start funds for FY 2007.

The two appeals were consolidated to address a common issue, the extent to which PPCC documented its non-federal share. PPCC submitted to the Board voluminous documentation of in-kind contributions that PPCC claims toward meeting its non-federal share. For the reasons explained below, we sustain ACF's disallowance of \$387,238 for salaries for 12 Head Start and Early Head Start positions. We also conclude that much of PPCC's documentation reliably establishes the eligibility and amount of the in-kind contributions that may be used toward meeting its non-federal share, but that some of the documentation is clearly inadequate. For some items of documentation specified below, we find that the documentation could be considered adequate if PPCC provides further information to explain the content of the documents, and we

provide PPCC an opportunity to submit such information to ACF. Thus, we thus reverse in part and affirm in part the disallowance relating to PPCC's non-federal share, but remand the case to ACF to determine the exact amount of PPCC's allowable non-federal share based on the documentation that PPCC provided, and the amount of any remaining disallowance, in accordance with our determinations below as to which items of documentation are acceptable or may be acceptable if further explained. ACF should provide PPCC with a written notice of its revised disallowance determination, which PPCC may appeal pursuant to the procedures at 45 C.F.R. Part 16.

#### Applicable law and regulations

The federal statute governing the Head Start program states that "[f]inancial assistance extended . . . for a Head Start program shall not exceed 80 percent of the approved costs of the assisted program or activities" unless the Secretary of HHS approves a higher percentage applying criteria specified in the statute.<sup>1</sup> See 42 U.S.C. § 9835(b). The implementing regulation states that "[f]ederal financial assistance granted under the act for a Head Start program shall not exceed 80 percent of the total costs of the program" unless one of the specified conditions is met. 45 C.F.R. § 1301.20(a). "Non-Federal contributions may be in cash or in kind, fairly evaluated, including plant, equipment, or services." 42 U.S.C. § 9835(b).

Department-wide regulations containing uniform administrative requirements for awards to non-profit grantees at 45 C.F.R. Part 74 are applied to the Head Start program by 45 C.F.R. § 1301.10. Section 74.23, "Cost sharing or matching," provides in pertinent part:

- (a) To be accepted, all cost sharing or matching contributions, including cash and third party in-kind, shall meet all of the following criteria:
  - (1) Are verifiable from the recipient's records;
  - (2) Are not included as contributions for any other federally-assisted project or program;
  - (3) Are necessary and reasonable for proper and efficient accomplishment of project or program objectives;
  - (4) Are allowable under the applicable cost principles;

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<sup>1</sup> Neither party asserts that this determination was made here, or that PPCC satisfies the statutory criteria for receipt of a higher percentage of federal funding.

- (5) Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching;
- (6) Are provided for in the approved budget; and
- (7) Conform to other provisions of this part, as applicable.

45 C.F.R. § 74.23(a). More specific requirements for documentation and valuation of donated items or services are set out in other provisions of 45 C.F.R. § 74.23. We address those provisions below in discussing particular in-kind contributions.

In addition, section 74.21(b)(7) states that grant recipients' financial management systems shall provide for, among other things, "[a]ccounting records, including cost accounting records, that are supported by source documentation." The applicable cost principles for non-profit organizations including Head Start grantees are contained in OMB Circular A-122, which is codified at 2 C.F.R. Part 230. 45 C.F.R. §§ 74.27(a), 1301.10(a). A cost is reasonable if it is the type generally recognized as ordinary and necessary for the operation of the organization or performance of the award, and allocable to the award in accordance with the relative benefits received. Part 230, App. A, ¶¶ A.3.a, A.4.

### Analysis

- I. We sustain ACF's disallowance of all costs for the salaries and related expenses for 12 employees that PPCC charged to its Head Start grant.

ACF disallowed \$387,238 on the ground that PPCC failed to adequately document the salaries for 12 Head Start and Early Head Start positions in Docket No. A-09-66. In its disallowance letter dated February 24, 2009, ACF identified the positions as "CEO/President," "Exec. Vice President/Plan Operations," "Director of Finance, Human Resources Specialist, "Finance Staff (4)," "Receptionists (2)," and "Drivers (2)." Disallowance Letter, Docket No. A-09-66.

The cost principles applicable to the Head Start program "require a grantee to have specific documentation of the allowability of wages, salaries, and related expenses." Camden County Council on Economic Opportunity, Inc., DAB No. 2086, at 7-8 (2007) (emphasis added), citing 2 C.F.R. Part 230, App. B, ¶ 8. Wages or salaries charged to a federal award must be based on "documented payrolls approved by a responsible official(s) of the organization." Part 230, App. B, ¶ 8.m.(1). In addition,

"[t]he distribution of salaries and wages to awards must be supported by personnel activity reports" that: (1) "reflect an after-the-fact determination of the actual activity of each employee"; (2) "account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization"; (3) are "signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee, [and indicate] that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports"; and (4) are "prepared at least monthly" and "coincide with one or more pay periods."<sup>2</sup> Id. ¶ 8.m.(2).

Here, PPCC failed to meet any of these basic requirements for the portions of the salaries of the 12 employees that PPCC charged to the Head Start program. For example, PPCC did not provide required personnel activity reports, prepared at least monthly, reflecting after-the-fact determinations of the amount of time that the subject employees actually spent working on the Head Start program. PPCC with its reply brief did submit what it describes as a weekly payroll for its employees showing the amount of salaries charged to the different programs that PPCC administers. See PPCC Exhibit (Ex.) 26. However, these records do not verify the amount of time that PPCC employees actually spent working on Head Start programs. PPCC also submitted a "personnel allocation" spreadsheet for FY 2006 listing percentages of each employee's time that were purportedly attributable to each of PPCC's different programs, and a cost allocation plan for FY 2006. PPCC Exs. 15, 16. Nonetheless, the spreadsheet provides little information indicating how the claimed employee time was allocated to the Head Start program. The allocation spreadsheet also indicates that the 12 employees did not work exclusively on PPCC's Head Start program, which

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<sup>2</sup> The cost principles permit the organization to use another method of documenting the "distribution of wages and salaries" if the alternative method is approved in writing by the "cognizant agency" (the agency responsible for negotiating and approving indirect cost rates for non-profit organizations on behalf of other federal agencies). 2 C.F.R. Part 230, App. B, ¶ 8.m.(1). PPCC does not claim to have had another approved system.

PPCC has readily acknowledged. PPCC Brief (Br.) at 23.<sup>3</sup> However, this fact demonstrates that PPCC knew or should have known it was required to provide adequate source documentation to establish that the portions of their salaries charged to Head Start funds accurately reflect the time PPCC's employees actually spent on allowable Head Start activities.

The two documents provided by PPCC are not sufficient to support its claim for the employee salaries. For example, both of these documents contain information indicating that they were prepared prior to the time period at issue. Neither of these documents constitutes the type of documentation contemplated by the cost principles, nor provides the information required by those cost principles, i.e., reliable determinations of the amount of time that employees spent working on the Head Start program. The personnel allocation spreadsheet also appears to be contain rough, prospective estimates of employee time rather than actual, after-the-fact determinations.<sup>4</sup>

Finally, PPCC asserts that it has conducted time studies for each employee, but that it has been unable to locate those records. PPCC Reply Br. at 15. In effect, PPCC's response concedes that it is aware it has not provided the type of documentation required.

To be allowable, costs claimed under an award must be adequately documented. Part 230, App. A, ¶ A.2.g. The regulations require a grantee to have in place a financial management system that provides "[r]ecords that identify adequately the source and application of federal funds" as well as "[a]ccounting records, including cost accounting records, that are supported by source

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<sup>3</sup> We cite to the parties' briefs in Docket No. A-09-66, except where we specifically indicate otherwise. PPCC did not number the pages in its brief in Docket No. A-09-66; in citing that brief, we treat the page bearing the heading "Factual History" as page one, as did ACF in citing PPCC's brief. PPCC used exhibit numbers 1-8 in both appeals. Our citations to PPCC's exhibits are to its exhibits in Docket No. A-09-66, unless we specifically state otherwise.

<sup>4</sup> PPCC submitted personnel allocation spreadsheets for both FY 2006 and FY 2007, and the spreadsheets for both years contain identical percentage figures for the amount of each employee's time attributable to PPCC's different programs. PPCC Exs. 15, 21.

documentation." 45 C.F.R. §§ 74.21(b)(2), (b)(7). In appeals of disallowances, the Board has consistently held, based on these principles, that a grantee is required to document its costs, and bears the burden of demonstrating the allowability and allocability of costs for which it received federal funding. See, e.g., Marie Detty Youth and Family Services Center, Inc., DAB No. 2024, at 3 (2006), citing Council of the Southern Mountains, DAB No. 1861, at 3 (2003), Texas Migrant Council, Inc., DAB No. 1743, at 4 (2000), and additional decisions cited in both.

The Board is generally reluctant to find that non-contemporaneous documentation of personnel costs meets applicable record keeping requirements, holding that such documentation must be closely scrutinized. Camden County Council on Economic Opportunity, Inc. at 5, citing North Dakota Children's Services Coordinating Committee, DAB No. 1399 (1993) and Second Street Youth Center Foundation, Inc., DAB No. 1270, at 5 (1991). The Board has held, however, that documents such as summary time sheets, which indicate the time that an employee actually worked on grant-related projects, accompanied by signed affidavits, may constitute adequate documentation for wage and salary expenditures under cost principles requiring time sheets. California Dept. of Health Services, DAB No. 1155 (1990) (addressing similar requirements for documentation of salaries in the cost principles applicable to state and local governments and Indian tribal organizations, at OMB Circ. A-87, now at 2 C.F.R. Part 225). PPCC failed to provide such acceptable substitute documentation establishing that the 12 employees performed allowable Head Start activities to the extent that PPCC charged their salaries to its federal Head Start grant award. By failing to provide the documentation required by the cost principles, or other documentation verifying the information contemplated by those requirements, PPCC has failed to meet its burden of demonstrating that the salary charges for the 12 employees were allowable charges to the Head Start program.

II. We reverse in part and affirm in part the disallowance relating to PPCC's non-federal share, but remand the case to ACF to determine the exact amount of PPCC's allowable non-federal share based on the documentation that PPCC provided, and the amount of any remaining disallowance, in accordance with our determinations below as to which items of documentation are acceptable or may be acceptable if further explained.

In Docket No. A-09-14, ACF determined that the non-federal share required of PPCC for FY 2007 was \$1,401,144.17, or 20% of total program costs for that year, but that "PPCC's financial records only supported \$1,194,658 in non-federal share," and ACF disallowed the shortfall of \$206,486.17. Disallowance letter, A-09-14 (Oct. 10, 2008); ACF Br., A-09-14, at 5-6. PPCC appealed \$139,952 of the \$206,486.17 disallowance, asserting that its total required non-federal share obligation for FY 2007 was \$1,440,410, and that it had in-kind contributions of \$1,371,062, leaving a shortfall of \$69,348, the disallowance of which it did not contest. PPCC Br., A-09-14.

ACF subsequently conducted an on-site review at PPCC from October 28 through 31, 2008, which "disclosed that cost sharing and matching documentation did not meet the criteria outlined in 45 C.F.R. § 74.23(a)(1)" and that "the documentation was not verifiable from the recipient's records presented for review." ACF Br. at 5; Disallowance letter, A-09-66 (Feb. 24, 2009). Specifically, ACF determined that \$996,356.85 that PPCC claimed for in-kind contributions was either unsupported or unverifiable from PPCC's documentation.<sup>5</sup> Based on that determination, ACF in Docket No. A-09-66 disallowed \$996,357.02 of PPCC's non-federal share, in addition to the \$206,486.17 disallowed in Docket No. A-09-14.<sup>6</sup>

<sup>5</sup> ACF identified that amount as composed of the following categories, in which "NFS" means "non-federal share":

Unverifiable Parent Activity Forms	\$ 412,543.37
Unverifiable and inaccurate Home Visitor Forms	74,808.00
Unverifiable NFS from Collaborations	149,944.30
Fringe associated with NFS	155,477.21
Unsupported Consulting NFS	92,398.55
Unsupported Occupancy NFS	34,721.40
Unsupported Rent NFS	76,464.02

Disallowance letter, A-09-66 (Feb. 24, 2009).

<sup>6</sup> To calculate the additional disallowance, ACF first subtracted the \$996,356.85 in in-kind contributions that its review determined were unverified or undocumented from the \$1,194,658 shown as non-federal expenditures on PPCC's general ledger, yielding \$198,301.15 in "remaining allowable NFS." ACF Br. at 5-6. ACF subtracted that "remaining allowable NFS" from the \$1,401,144.17 that ACF had in Docket No. A-09-14 determined was PPCC's non-federal share obligation, yielding a "NFS

(Continued . . .)

In appealing ACF's disallowance in Docket No. A-09-14, PPCC subsequently asserted that it possessed "valid supporting documentation for each of the in-kind contributions" totaling \$1,371,062. PPCC Reply Br., A-09-14, at 5. The parties thus agreed, during a telephone conference that the Presiding Board Member convened on May 6, 2009, that PPCC would be permitted to submit to ACF for its review documentation of the costs PPCC claimed as its non-federal share. In a submission dated July 31, 2009, ACF concluded that, based on its review of the additional documentation, there should be no change to the original disallowance. ACF Ex. 7. These appeals were later consolidated, at PPCC's request and absent objection from ACF, on the ground that an overarching issue in both appeals is whether PPCC documented its non-federal share. With its brief in Docket No. A-09-66, PPCC submitted extensive documentation, including 13 three-and-a-half inch three-ring binders.<sup>7</sup> Most of this documentation concerns the receipt of volunteer services provided by parents of children enrolled in PPCC's Head Start program.

The parties did not provide sufficient information to reconcile the amount of non-federal expenses that PPCC says its documentation supports (\$1,371,062, i.e., its entire claim for non-federal expenses), with the amount that ACF disallowed. Before the Board, ACF addressed the categories of in-kind contributions, and the amounts of unallowable costs in each category, from ACF's on-site review in October 2008, but did not modify those categories or amounts to reflect the documentation that PPCC submitted to the Board. PPCC asserts that its documentation supports more in-kind contributions in each category than ACF determined were supported, as well as

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(Continued . . .)

Shortfall" of \$1,202,843.02. Subtracting from that NSF shortfall the "\$206,486.00" that ACF disallowed in Docket No. A-09-14 yielded the final \$996,357.02 figure that ACF disallowed in Docket No. A-09-66. Id.

<sup>7</sup> PPCC did not number the pages of these voluminous exhibits, contrary to the Board's instructions in its letter acknowledging receipt of its appeal. PPCC submitted only one set of these exhibits, contrary to the instructions in the Board's letter and in the Board's regulations to submit an original and two copies of all submissions, unless the Board specified otherwise. 45 C.F.R. § 16.20.



additional in-kind contributions that fall outside those categories previously considered by ACF. ACF has not indicated, however, whether it thinks PPCC has established the allowability of any of the in-kind contributions it claims as its non-federal share.<sup>8</sup> While ACF characterized \$198,301.15 as the "remaining allowable" non-federal share (ACF Br. at 6) that figure appears to represent merely the difference between the non-federal share reported on PPCC's general ledger dated January 31, 2008 (\$1,194,658) and the amount of the in-kind contributions that ACF determined were unsupported or unverifiable in its on-site review (\$996,356.85).

Thus, we address below whether the documentation PPCC submitted in the appeal supports the allowability of in-kind contributions applicable to PPCC's non-federal share obligation. We do not limit the focus of our analysis to the categories of in-kind contributions listed in ACF's February 2009 disallowance letter. We find that much of PPCC's documentation contains indicia of reliability (such as having been regularly maintained during the course of the Head Start program to document the receipt of volunteer services) and is sufficient to establish the receipt of in-kind contributions and their amount, and therefore we reverse the disallowance in part. In addition, much of ACF's response to the documentation was overgeneralized and did not clearly inform PPCC why the documentation was inadequate. The Board has observed that a grantee's burden to support its claims with documentation in response to a disallowance applies when the federal agency has articulated the basis of the disallowance with sufficient detail to allow the grantee to respond.

Arlington Community Action Program, Inc., DAB No. 2141, at 6-7 (2008), citing Delaware Dept. of Health and Social Services, DAB No. 1166, at 10 (1990), and 45 C.F.R. § 74.90(c)(2) (a notice of disallowance must contain enough information to enable the grantee to understand the issues and the agency's position). We thus afford PPCC the opportunity to provide ACF additional verification that the documentation supports allowable contributions to the Head Start program, where the documentation

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<sup>8</sup> PPCC points out that, for example, while it claims \$107,101.02 for consulting costs, ACF identified \$92,398.55 as "Unsupported Consulting NFS." PPCC argues that "without additional information from ACF, it is uncertain whether ACF concluded that [the \$14,702.47 difference] was, in fact supported, or . . . was part of the disallowance [in A-09-14], or some combination of the two." PPCC Br. at 9-10. ACF did not respond to PPCC's concern.

already submitted contains indicia of reliability and is not clearly inadequate on its face.<sup>9</sup> Finally, we find that PPCC should have recognized that some documentation is wholly inadequate on its face to support the alleged in-kind contributions. Thus, we remand the appeal to ACF to recalculate the amount of the non-federal expenses that are supported by the documentation that we find sufficient, in accordance with the instructions in our discussion of each type of documentation. PPCC may provide additional verification where indicated below to ACF within 30 days after receipt of this decision, or within such longer period of time as ACF allows, and ACF should consider that information in its calculation of PPCC's non-federal expenditures. ACF should then provide PPCC with a written notice of its final determination of the amount of PPCC's non-federal expenditures and the amount of the disallowance. (As discussed further below, the amount of the disallowance depends in part on the amount of allowable non-federal expenditures.) If PPCC wishes to challenge ACF's disallowance determination, it may appeal it to the Board within 30 days after receiving it, under the procedures for appealing final agency decisions at 45 C.F.R. Part 16.

We begin our analysis of PPCC's documentation of the in-kind contributions it claims toward meeting its non-federal share with its documentation of volunteer services provided to PPCC's Head Start program. This represents most of the documentation and is the largest amount of non-federal expenses that PPCC claims. We find this documentation is sufficient to support the allowability of many of the services claimed. We then discuss the documentation of other types of in-kind contributions PPCC claims, some of which we find sufficient. We also address items of documentation that we find do not support the claimed in-kind contributions. For some of these costs, PPCC failed to provide any explanation or analysis of what those costs were for, and how, and in what amount, they benefited the Head Start program, notwithstanding the Presiding Board Member's recommendation to PPCC during the telephone conference that it "connect the dots" in demonstrating how it has met its non-federal share obligation.

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<sup>9</sup> ACF did not question the authenticity of the documentation, except to the extent of raising concerns, which we find below were unsupported, about signatures of volunteers on some forms used to report their time.

Of the \$1,371,062 that PPCC claims as in-kind contributions, PPCC states that \$651,603.48 was for "personnel," representing "the cash value of the work performed by members of the local community who have volunteered their time to work for PPCC's Head Start program without being paid" and "volunteer services performed in head start classrooms operated by PPCC's delegate agency and collaborative partners." PPCC Br. at 11, 14. PPCC's delegate agency is the Norris Square Civic Association (Norris Square). PPCC Exs. 13, 24; ACF Ex. 1, at 20. "Collaboratives" are child care programs with which PPCC has agreements to provide services to some of the children that receive Head Start service from PPCC (APM, Children's Village, Preschool Project, Project Rainbow, The Lighthouse). PPCC Exs. 10, 13, 24 (contracts with collaborative agencies); ACF Ex. 1, at 8; see 45 C.F.R. § 1304.41(a)(2) (Head Start grantee and delegate agencies "must take affirmative steps to establish ongoing collaborative relationships with community organizations to promote the access of children and families to community services that are responsive to their needs, and to ensure that Early Head Start and Head Start programs respond to community needs").

PPCC claims in-kind contributions for volunteer services from parents of Head Start children served by the collaborators and the delegate agency, and for volunteer services provided for their employees.

PPCC divided its claims for personnel based on where the services were provided, i.e., in one of PPCC's classrooms or in the facilities of its delegate agency or the five collaborators. We address the documentation in that order.

Volunteer services at PPCC -- Volunteer Forms and Classroom Volunteers Master Sheets documenting volunteer services provided by parents of children enrolled in Head Start at PPCC

The bulk of the documentation that PPCC submitted, consisting of nine three-and-a-half inch three-ring binders that comprise PPCC's Exhibit 18, concerns volunteer services provided in PPCC's classrooms by the parents of Head Start children. The source documentation includes a series of "Classroom Volunteers Master Sheets," one for each month for each PPCC classroom, listing the names of the volunteers and the number of hours they worked in that classroom during the stated month. See, e.g., PPCC Ex. 18, and ACF Ex. 7, at 4, and PPCC Ex. 12 (sample Classroom Volunteers Master Sheets). Each Master Sheet is followed by a series of "Volunteer Forms" recording the number of hours that the volunteer worked in that classroom during the

given month, and the activity performed. See, e.g., PPCC Exs. 18; ACF Ex. 7, at 5-27, and PPCC Ex. 11 (sample volunteer forms). The volunteer form records the volunteer's name, address, and status (parent/guardian, relative, community member, or other); the program served (Head Start or Early Head Start); the classroom; the date or dates of the volunteer services; the time-in and time-out; and one or more of 11 activity codes. The available activity codes are: "Working with child/children; Assisted with meals; Clean-up; Meeting/Workshop/Training; Field Trip; Outside conference; At home activity; Outdoor activity; Parent Involvement Room; Center Leadership; Home Visits." Id. There are spaces for signatures of the volunteer, the teacher, and a "recorder," and a space labeled "verification by the fiscal office." The total hours and minutes reported for each parent visit, and for the total on each form, are in spaces that are to be completed by PPCC staff.

Cautionary language above the area to be filled out states:

Important!!

- *Dropping off and picking up a child is not a service you are performing for the agency PLEASE DO NOT RECORD THIS AS IN-KIND.*
- When you help in the classroom, always enter an activity code.
- We use volunteer hours to match the Head Start Federal Dollars; however, it is not a condition for enrollment.
- Do Not fill in the Total Hrs./Minutes column

As noted, the total hours reported on each volunteer form are then entered, along with the volunteer's name, on the Classroom Volunteers Master Sheets, one for each month for each PPCC classroom. The total number of hours recorded monthly for each classroom appear on a spreadsheet showing, for each classroom, the number of volunteer hours recorded for each month, the rate of pay or valuation assigned to the volunteer hours, and then the total in-kind contribution recorded for each classroom for the fiscal year. PPCC Exhibit 17(B), Tab "Grantee (PPCC)."

A spreadsheet PPCC submitted for the personnel services component of its claim for its non-federal share shows that its claims for volunteer personnel services provided at or by PPCC, as opposed to its delegate or collaborative agencies, total \$347,653.17. PPCC Ex. 13. That amount comprises services

provided in PPCC's classrooms 1-12, S1-S4, and early Head Start classrooms 1-3, on field trips, on home visits, and in center sessions. Id. It also includes amounts described as "misposting" and "transitional workers."

On their face, the volunteer forms and the classroom master sheets demonstrate PPCC's receipt of volunteer services that PPPCC could use as in-kind contributions applicable to its required non-federal share of Head Start costs. As a whole, these documents have sufficient indicia of reliability that they were being regularly prepared during the course of the school year as part of a system of record keeping of volunteer services, and are sufficiently detailed to show the relationship to the program, the number of hours provided by each volunteer, and the activities performed. ACF does not contend that the activities described in the codes are not eligible to be counted as in-kind contributions of volunteer services.

Nonetheless, ACF offers several objections to the documentation, none of which we find persuasive. ACF asserts that the handwriting "changes from form to form for the same volunteer," making it "questionable as to who completed the forms . . . ." ACF Ex. 7, at 1 (report of ACF review of documentation, July 31, 2009), cited at ACF Br. at 11. Neither the sample forms that ACF enclosed with the report of its July 31, 2009 review of the documentation nor the forms in PPCC's Exhibit 18 appear to support ACF's contention. Although the volunteer names listed on the classroom master sheets appear to have been written by a different individual than the same names written on the volunteer forms, this appears to be consistent with the master sheets having been prepared by a member of PPCC's staff. The fact that a PPCC staff member would subsequently review the volunteer sheets signed by volunteers and record onto a master sheet the names of the volunteers and the hours that they reported does not undermine the reliability of the information contained in the underlying documents.

ACF also argues that PPCC "failed to show that its parent volunteers were performing the duties of an assistant teacher as required by 74.23(i)." ACF Br. at 9. Section 74.23(i) provides that:

(i) The following requirements pertain to the recipient's supporting records for in-kind contributions from third parties.

(1) Volunteer services shall be documented and, to the extent feasible, supported by the same methods

used by the recipient for its own employees, including time records.

(2) The basis for determining the valuation for personal service, material, equipment, buildings and land shall be documented.

ACF did not specify which part of this regulation requires that volunteers perform the duties of an "assistant teacher" in order for their services to qualify as in-kind contributions. To the extent that ACF's argument may reasonably be viewed as questioning the rate at which PPCC valued the volunteer services in calculating its claim, ACF's criticism is not supported because the rates at which these services were valued appear to be, on their face, reasonable for the this type of work when performed in a major metropolitan area, such as Philadelphia.<sup>10</sup> ACF did not show, or even specifically allege, that these wage rates were excessive.

ACF also argues that "PPCC did not provide source documentation to verify and fully account for the receipt of in-kind contributions" and "failed to submit contemporaneously completed parent volunteer forms and to adequately document parent hours" and had attempted to support its claim solely with accounting information from its general ledger. ACF Br. at 8, 9. These arguments do not explain why PPCC's volunteer forms and Classroom Volunteers Master Sheets do not constitute contemporaneously-prepared source documentation. We note that the above-quoted contentions from ACF's brief also appear in ACF's brief in Docket No. A-09-14, which ACF submitted before PPCC provided its documentation to ACF or to the Board. ACF Br., A-09-14, at 8-9. ACF's assertion that PPCC did not provide contemporaneous source documentation does not appear to accurately reflect the record following PPCC's submission of its exhibits in Docket No. A-09-66.

Finally, ACF argues that some forms "were not verified and signed by the appropriate official from the fiscal office as required." ACF Br. at 11. ACF cited no requirement in the applicable regulations or cost principles supporting this objection, and, in any event, almost all of the forms do bear

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<sup>10</sup> PPCC valued the volunteer services at \$12.72/hour for classrooms 1-12; \$16.53/hour for Early Head Start classrooms E-1, E-2, and E-3; \$13.66/hour for Early Head Start Home Visits; and \$13.44/hour for "In-kind/CtrSessions" and "In-kind/Field Trips." PPCC Ex. 17(B), Tab "Grantee (PPCC)."

initials in the space indicating review by the fiscal office, indicating that such a review was conducted. Accordingly, we conclude that PPCC adequately documented the receipt of volunteer services by the parents of children who received services directly from PPCC (as distinguished from children enrolled in programs administered by PPCC's delegate or collaborators, which we address below).

We also note, however, that PPCC did not supply source documentation for all of the in-kind personnel services shown on its accounting records that it claims as in-kind contributions. For example, PPCC's spreadsheet summary of the "Personnel" component of its claimed in-kind contributions shows the receipt of in-kind personnel services for "Field Trips," "Home Visits" and "Center Sessions." PPCC Ex. 13. PPCC submitted additional spreadsheets apparently reporting in-kind services in these categories from named individuals identified in classroom master sheets as PPCC teachers. PPCC Ex. 17(B), Tab "Grantee (PPCC)," spreadsheets labeled "In-Kind/CtrSessions," "In-Kind/Field Trips," "In-Kind/Home Visits." There does not appear to be source documentation of the volunteer services attributable to the teachers. (There are volunteer forms showing the receipt of volunteer services from Head Start parents, which are not reflected on these three spreadsheets.) Similarly, PPCC's spreadsheet summary of the "Personnel" component of its claimed in-kind contributions, PPCC Ex. 13, reports the receipt of volunteer services for "Classrooms S1-S4." However, PPCC's Exhibit 18 does not appear to contain volunteer forms for "Classrooms S1-S4" for all of the months for which PPCC reports the receipt of in-kind personnel services for those classrooms.

Thus, on remand, ACF should determine the amount of in-kind contributions of volunteer services that are supported by the documentation in PPCC's Exhibit 18 by applying our findings above. ACF's determination of the amount of allowable in-kind contributions should be based on this source documentation, rather than on PPCC's accounting records (i.e., general ledger entries, spreadsheets).

Volunteer services from Head Start parents provided at  
Norris Square

PPCC's documentation of volunteer services by Head Start parents at PPCC's delegate agency, Norris Square, consists primarily of one-page sheets reporting the number of hours that each volunteer dedicated during a specific month "to read to their child in the Raising A Reader Program" and the number of hours "of in home activities that are returned to the child care

program as part of our dual language program." PPCC Ex. 19; ACF Exs. 8, at 3-15; 9, at 6-19 (sample monthly volunteer forms from ACF's July 31, 2009 review). The number of hours reported in each of those two categories typically range from zero to 10. The hours that named individuals provided each month and the values assigned are tallied on monthly sheets dated June 3, 2009, which indicate that PPCC assessed the volunteer services at \$7.71 per hour. PPCC Ex. 19; ACF Ex. 9, at 2-5 (sample sheets with total monthly hours and dollar values). These materials fill most of the three three-ring binders that PPCC submitted as documentation of in-kind contributions relating to Norris Square. PPCC Ex. 19. PPCC also supplied affidavits dated June 1, 2009 from 23 parents "at Norris Square Civic Association during the school year 2006-2007[,] " each of whose child "attended the Head Start program," attesting that "I want to confirm that during that particular year the hours reported by the classroom teacher concerning my participation at home in the follow up activities and Raising a Reader program is accurate." PPCC Ex. 20; ACF Ex. 8, at 2 (sample affidavit).

ACF did not contend that the activities described in the volunteer forms are not allowable Head Start activities, and did not address the sufficiency of Norris Square's volunteer documentation in its brief. Although ACF in its July 31, 2009 report of its review of the documentation that PPCC supplied to ACF following the telephone conference contended that the parents' affidavits "do not specify details in regard to the specific volunteer activities," ACF did not make that assertion about the underlying volunteer forms that the affidavits support. ACF Ex. 7, at 1. ACF also did not argue that \$7.71 per hour was an unreasonable valuation of those activities. Instead, ACF contended that the parent volunteer forms were "incomplete as some forms show only the month, not the month and year" that the services were rendered. ACF Ex. 7, at 1. The affidavits, however, provide sufficient evidentiary support to demonstrate that the parents provided the hours "during the school year 2006-2007." PPCC Ex. 19; ACF Ex. 8, at 2.

We conclude that there are affidavits from a sufficient number of parent volunteers to establish that all of the forms document services provided during FY 2007, even though some of the forms may indicate only the month during which the parent provided volunteer services. ACF asserted that the affidavits were signed and dated June 1, 2009, "indicating that original documentation was not in existence during the review period in October 2008 as required by 45 CFR 74.23(a)(1) [in-kind contributions must be "verifiable from the recipient's records"] and 45 CFR 74.21(b)(7) [grantee financial management systems



shall provide accounting records "that are supported by source documentation"]." ACF Ex. 7, at 1. ACF did not explain how the affidavits' date casts any doubt on the veracity or credibility of the parent volunteer forms, which are the original source documentation of these volunteer services.<sup>11</sup>

Accordingly, we conclude that the Norris Square parent volunteer forms sufficiently establish the receipt of volunteer services that are acceptable in-kind contributions. On remand, ACF should determine the amount of non-federal share that the documentation establishes. We note that ACF asserted that some of the summary time sheets, including the one for September 2007 that ACF attached to the July 31, 2009 report of its review, displayed duplicate names for each month, and that the summaries do not reconcile to individual volunteer forms. ACF Ex. 7, at 1-2. To the extent that the amounts supported by the volunteer forms do not reconcile with the accounting records as ACF complains, ACF should allow only those volunteer services that are supported in the source documentation (i.e., the volunteer forms), up to the amount that PPCC claimed. ACF is not required under the regulations to allow any excess of the amount shown in the accounting records over the amount supported by the source documentation.

Other documentation of in-kind contributions from Norris Square

PPCC's Exhibit 19 contains documentation of other volunteer services, in addition to the documentation of volunteer services from Head Start parents that composes the bulk of Exhibit 19 that we discussed above. We address these items from Exhibit 19 individually.

Project Ayuda. The Norris Square documentation at Exhibit 19 includes "Project Ayuda" sign in/out log sheets for "enrollees," each covering three work weeks; they generally appear in Exhibit

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<sup>11</sup> ACF also objected in its review report that "it is not possible to reconcile the individual sheets to the accounting records. Because the grantee did not include any indication regarding the amount of the original disallowance that the supplemental documentation allegedly supports . . . it is unknown how these documents would impact that disallowance." ACF Ex. 7, at 1. The "original disallowance" refers to Docket No. A-09-14. As the appeals were subsequently consolidated, the distinction between the two cases is not relevant.

19, following the parent volunteer forms. They list "NSCA/Norris Square Children's Center" as the "host agency" and have spaces containing the signatures of the "enrollee" and the "Worksite Supervisor." Most provide only the sign-in and sign-out times of the volunteers and lack descriptions of the activities they performed, although a few have a brief description of the time spent, such as "nutrition class." Without further information about Project Ayuda, it is not clear if the volunteer services benefited the Head Start program, rather than other Norris Square activities, as required for in-kind contributions that may be counted toward PPCC's non-federal share. Nonetheless, because PPCC did submit underlying source documentation of the volunteer services and ACF did not specifically state why it considered the documentation to be insufficient, we afford PPCC an additional opportunity to submit evidence, such as affidavits by appropriate persons (e.g., the volunteers or those who supervised them and have personal knowledge of the project and the activities performed), demonstrating that the volunteers performed allowable Head Start activities in the time shown on the sign-in/sign-out sheets.

Volunteer time sheets. "Volunteer Time Sheets" appear in PPCC Exhibit 19 after the Project Ayuda sign-in/sign-out sheets. They are intended to record the name of an individual, a classroom number, and a month, and also have lines for entry of work done, the date, time-in, and time-out. The "work done" entries, in the forms that have them, describe activities (such as assisting with breakfast) that appear to have benefited the Head Start program, and ACF did not contend otherwise. We conclude that these volunteer time sheets are sufficient documentation where they indicate the work done, the classroom, the date, and the duration of the work. However, some of the sheets do not provide that information and are clearly inadequate. For example, the entries on one of the sheets, for a Marry Mercado, consist only of three dates, and there is no information about the nature and duration of the activity, or the classroom in which was performed. This sheet not only does not provide basic information about the nature of the work to determine that it benefited the Head Start program, but it also lacks information about the extent of the services provided that the volunteer would be unlikely to accurately remember so long after the fact. ACF reasonably determined not to rely upon this, or other similarly deficient volunteer time sheets, in determining the amount of allowable volunteer services. ACF should thus review the volunteer time sheets that are sufficient as described above and determine the amount of non-federal share they support.

Classroom meetings minutes. PPCC Exhibit 19 contains a number of sheets documenting classroom meetings that parents attended. These sheets state near the top "Business: Parent's Classroom Meeting" and have boxes labeled Agenda, Minutes, and Signatures. These sheets generally appear in Exhibit 19 after the Project Ayuda documentation for each month. The descriptions of the meetings, which are sometimes in Spanish, appear to relate to the Head Start program, and ACF did not argue to the contrary. Absent contrary information from ACF, we find that each of these classroom meeting sheets establish the provision of volunteer services. ACF does not argue that the activities described in the minutes are not allowable in-kind contributions when performed by parents of children enrolled in Head Start. Where the forms do not state the duration of the meeting, we find that the minutes reasonably describe activities that presumably would have occupied the participants for at least one half-hour, and ACF should thus credit PPCC with the receipt of that amount of volunteer time.

Resource time sheets. PPCC Exhibit 19 also includes documentation relating to the receipt of professional volunteer services at Norris Square, many of which were apparently provided by employees of APM (Asociacion de Puertorriquenos en Marcha, Inc.), one of PPCC's collaborator agencies. There are summary sheets labeled "Resource Time Sheet - Agency Totals" for periods of one month, recording the name of the individual, hours worked, and the dollar amounts assigned to those hours, which indicate a rate of approximately \$83.50 per hour. (These sheets resemble the sheets on which Norris Square tallied the hours and corresponding valuations provided by Head Start parent volunteers.) Supporting these summary sheets are "Norris Square Visitor Sign-In Sheets" that record the entry and exit of (among others) the APM staff named on the resource time sheets and the reason(s) for their visits which, for APM staff, was "special instruction."<sup>12</sup> The provision of "special instruction" services in a Head Start classroom by professionals from a child care organization reasonably establishes the provision of special instruction services that benefited PPCC's Head Start program.

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<sup>12</sup> An audit report of PPCC's program, PPCC Ex. 10, states that 10 percent of its Head Start and Early Head Start slots must be allocated to children with special needs, and the Head Start regulations state that at least 10 percent of the total number of enrollment opportunities in each grantee and each delegate agency during an enrollment year must be made available to children with disabilities. 45 C.F.R. § 1305.6(c).

ACF did not claim that PPCC paid these employees. The documentation further indicates rates for these services that appear reasonable for professional special instruction services, and ACF did not specifically object to these rates. ACF should thus count toward PPCC's non-federal share the amounts for special instruction provided by APM as established by the resource time sheets and supporting sign-in, sign-out sheets contained in PPCC's Exhibit 19.

Field Trips. In addition to the documents previously described, Exhibit 19 contains a number of sheets that appears to document parent volunteer hours for Norris Square Head Start classroom trips to the zoo and to a pumpkin patch. This is consistent with documentation showing that parents discussed whether they were willing to volunteer for classroom trips. See, e.g., May 8, 2007 Parent's Classroom Meeting form, PPCC Ex. 19, Tab "May 07." While the parents did not sign the volunteer sheets, it appears that the teachers filled them out. Although these sheets by themselves do not conclusively establish the receipt of permissible in-kind contributions, we conclude that ACF did not give PPCC sufficient notice of the deficiencies of the forms for these claimed in-kind contributions. Therefore, PPCC should be afforded an additional opportunity (30 days or such longer time as ACF may permit) to submit documentation showing that this type of form was used to record the receipt of donations of volunteer services from Head Start parents. Such documentation could consist of affidavits from teachers or other personnel establishing that the standard procedure for documenting classroom trips was to record the parents' time as in appears on these forms, and that it was the practice of the person who filled out the forms to record only the names of parent participants who assisted on the trips and the amount of time they participated.

Additional Meeting Forms: The Norris Square documentation submitted by PPCC at Exhibit 19 also includes sign-in sheets for events such as a Christmas show (Tab "Dec 06"), a Hispanic Heritage activity (Tab "Oct 07"), and an Annual Meeting (Tab "Dec 06"). As indicated, we have reviewed all submitted source documentation for indicia of reliability that the in-kind contributions were actually received for the benefit of the Head Start program and whether the documents adequately show the amount of the services and from whom they were received. The Christmas show forms show the names of attendees presumably followed by a Norris Square program child but fail to document the benefit provided to the Head Start program or the length of the activities. The Hispanic Heritage activity forms merely record the parent and children's names. However, these forms do

not indicate what was presented or done during the activities to the benefit of the Head Start program or the length of the activities. The Annual Meeting sign-in sheet lists names, addresses, and phone numbers of presumed attendees but does not indicate what was the topic of the meeting, what was presented or discussed to the benefit of the Head Start program or how long the meeting lasted. We thus uphold the portion of the disallowance attributable to these claimed in-kind personnel donations, since the documentation is clearly inadequate.

Attendance forms for job candidate, university student. The Norris Square documentation submitted by PPCC as Exhibit 19 also includes an attendance form for Tanya Long (Tab "May 07") and Temple University (Center for Social Policy and Community Development) Part Time Worker Timesheets for Crystal Ramos (Tab "Sep 07"). The attendance form does not indicate the activities performed by Ms. Long, but she is described as a "job candidate." The record does not demonstrate how the hours for the "job candidate" were for the benefit of the Head Start program or even if the hours in question were volunteer hours. It is possible that Ms. Long received payment from Temple University for her activities, and the record does not demonstrate otherwise. Because the timesheets from Temple University are clearly inadequate to document a donation for the benefit of the Head Start program by the university, we uphold the portion of the disallowance attributable to these claimed in-kind personnel donations.

Volunteer services provided at APM

PPCC claims in-kind contributions of \$45,018.26 for 5,145 hours of volunteer services provided in Head Start classrooms at APM, which PPCC valued at the rate of \$8.75 per hour. PPCC Exs. 13; 17(B), Tab "Collaborative (APM)." PPCC's documentation of these services consists of "Volunteer Data Forms" of the "APM Community Day Care Center." Each form records the dates and hours of activities that an individual volunteer provided to the "PPCC - Day Care - Head Start" program for one month. PPCC Ex. 17(B), Tab "Collaborative (APM)." The volunteer time is recorded in one of three columns on the form, labeled "Classroom Participation," "Custodial," and "Others." Each form has spaces for the volunteer's name and signature, the supervisor's signature, and total hours for the month.

ACF's only objection to the APM Volunteer Data Forms is that 54 of the documents (out of 68 in PPCC's exhibit 17(B)) "were either not signed by the volunteer, not signed by the supervisor, or not signed by either the volunteer or the

supervisor." ACF Br. at 11, citing PPCC Ex. 17(B). Based upon our review, we found that 50 forms were consistent with ACF's description. We note, however, that on some forms lacking the volunteer's signature, the volunteer's name was entered in the space labeled "name" and appears to be a signature. Moreover, PPCC's response that some of the forms that ACF found were unsigned were actually the unsigned second pages of two-page forms for single volunteers appears valid for at least some of the forms. Thus, ACF's objection does not provide a reasonable basis under the regulations to disregard all of the forms that appear to lack the volunteer signatures in the designated space, and certainly not for rejecting all of the forms altogether.

Moreover, the "Classroom participation" for which volunteer time is recorded on some of the forms reasonably describes an activity of benefit to the Head Start program. Similarly, 12 of the sheets with time entered in the "Others" column bear the annotation "security" (or are the second page of what appears to be a two-page form with that annotation on the first page). Inasmuch as Head Start grantees are required by 45 C.F.R. § 1304.53(a)(7) to provide for the security of their facilities, this annotation reasonably indicates an activity that volunteers could provide to the benefit of PPCC's Head Start program. PPCC did not, however, provide any other information about the nature of the activities in the "Custodial" or "Other" columns headings. Absent such additional information, we find that volunteer time described simply as "Custodial" or "Others" should not be counted as in-kind contributions.

Thus, we conclude that the forms document the provision of volunteer services eligible to be considered as in-kind contributions toward PPCC's non federal share where they: 1) have both the volunteer's name (in either the signature or the name space) and the signature of the supervisor, or are continuation pages where the first page bears the required information; and 2) record the entry of time in the "classroom participation" column or in the "Others" column bearing the annotation "security." On remand, ACF should determine the value of these volunteer services consistent with these findings.

Volunteer services provided at Project Rainbow

PPCC claims in-kind contributions of \$9,679.37 for volunteer services provided to the Head Start program by Project Rainbow, one of PPCC's collaborators, at rates of \$7.62 and \$9.01 per hour. PPCC Exs. 13; 17(A), Tab "Collaborative (Rainbow)." PPCC submitted two types of documentation. First, PPCC submitted

volunteer forms for specific classrooms or activities with spaces for the entry of date, parent's signature, and number of hours. PPCC Ex. 17(B), Tab "Collaborative (Rainbow)." The forms bear one of two headings. The form with the heading "Drueiding Center/Project Rainbow/Child Care/Head Start/School Age/Teen Network" contains a space for entry of the activity and the classroom; on some forms this space bears a number, and on others, a description that seems to indicate a classroom or group of children, such as "Panthers" or "Busy Bees/Rm #9." Id. Examples of activities entered on these forms include "serving breakfast & singing songs," "arts & crafts activities," "sanitizing toys," and "helping to clean-up rm." The form labeled "Volunteer Log" contains the line "NAME \_\_\_\_\_ CHILD CARE VOLUNTEER" in which is typically entered a description that seems to indicate a classroom or group of younger children, such as "Huggie Bears." Id. This form also contains a space for the signature of a volunteer coordinator. This form does not have a space for the activity provided. However, the space labeled "Signature" occupies most of each row and generally contains a description of the activity, in addition to the name of the parent. Examples of these activities include "help with breakfast," "read books, played with children," and "helped serve snacks."

ACF has not alleged that the volunteer activities listed are impermissible in-kind contributions, nor questioned that the classroom names listed refer to Head Start children. Instead, ACF argues only that these documents "are missing dates, activity performed, or the signature of volunteer coordinator in over 10 documents." ACF Br. at 11. Those objections regarding certain specific documents, however, are not sufficient grounds for the wholesale rejection of all of these volunteer forms. Accordingly, we conclude that some of these forms contain sufficient information that reasonably establishes the receipt of in-kind contributions of volunteer services applicable toward PPCC's non-federal share. Nonetheless, not all of the volunteer forms contain sufficient information to support all of the hours of volunteer services reported. Some entries of volunteer time, for example, have no description of the activity performed. Some forms that require the signature of a volunteer coordinator (and not all do) lack the signature. Accordingly, we conclude that ACF should allow in-kind contributions for the volunteer hours where: 1) the volunteer has written his or her name; 2) there is an activity described that reasonably relates to the Head Start program; and 3) the form is signed by a volunteer coordinator (if the form is one with a space for a volunteer coordinator's signature).

A second type of form submitted by PPCC claiming volunteer hours for Project Rainbow is clearly inadequate to establish the receipt of allowable in-kind contributions. These forms, showing "Drueding Center/Project Rainbow Volunteer Hours" for given months are in the nature of spreadsheets summarizing the hours received from named volunteers and "Department" (i.e., Thrift Store, Childcare, Childcare/Head Start). *Id.* Unlike the volunteer forms discussed above, these sheets do not show the actual reporting of hours by the volunteers. At best, these forms appear to summarize and report information derived from other contemporaneous documentation that PPCC did not provide. They also contain no description of the activities that the volunteers performed. Thus, ACF need not include them in its determination of the amount of PPCC's contributions toward its non-federal share.

#### Unsupported volunteer services

PPCC did not submit contemporaneous source documentation of volunteer services it reports having received from three collaborators, Children's Village, Preschool Project, and The Lighthouse, for which PPCC claimed \$30,666.30, \$16,404.61, and \$15,576, respectively, towards its non-federal share. PPCC Ex. 13. PPCC submitted nothing akin to the volunteer forms and affidavits that we found acceptable to establish the receipt of volunteer services from volunteers including Head Start parents at PPCC, Norris Square, APM and Project Rainbow. Instead, PPCC submitted only invoices and a spreadsheet from the collaborators. PPCC Ex. 17(A). Some, like the "in-kind budget justification December 2006" from The Lighthouse, are akin to the unacceptable forms submitted for Project Rainbow, in that they do not do show the actual reporting of hours by the volunteers named. At best, they appear to summarize and report information derived from other contemporaneous documentation that PPCC did not provide. PPCC essentially concedes that it did not provide time sheets for these collaborators, as it did for Project Rainbow and APM. PPCC Br. at 15. In the absence of that documentation, we conclude that PPCC has not reasonably demonstrated the receipt of in-kind volunteer services from Children's Village, Preschool Project and The Lighthouse that may be used toward meeting its non-federal share.

#### Fringe benefits

PPCC claims the receipt of fringe benefits relating to the volunteer services in the amount of \$261,133.14. PPCC Ex. 1. Fringe benefits "consistent with those paid that are reasonable, allowable, and allocable may be included in the valuation" of



volunteer services counted as cost sharing or matching. 45 C.F.R. § 74.23(d). Fringe benefits in the form of employer contributions or expenses for social security, employee insurance, workmen's compensation insurance, pension plan costs and the like are allowable, provided such benefits are granted in accordance with established written organization policies. Such benefits, whether treated as indirect costs or as direct costs, shall be distributed to particular awards and other activities in a manner consistent with the pattern of benefits accruing to the individuals or group of employees whose salaries and wages are chargeable to such awards and other activities. See 2 C.F.R. Part 230, App. B, ¶ 8.g.(2). PPCC asserts that it used the same rate for calculating the claimed fringe benefits as it does for calculating fringe benefits for its employees. PPCC Br. at 16.

PPCC claimed fringe benefits for such permissible items such as FICA and health insurance. However, the majority of the costs PPCC claimed were for "other" unspecified fringe benefits for which PPCC failed to submit any underlying source documentation in support of its collaborative partners.<sup>13</sup> See PPCC Ex. 17(A). For example, PPCC submitted forms that it describes as an accounting "invoice" from its collaborative partner Project Rainbow. *Id.*, Tab "Collaborative (Rainbow)." These invoices consist of a summary sheet that lists fringe benefits calculated as either 21% or 29.65% of salaries. However, none of these invoices explain the basis for the percentage calculation of the fringe benefits; nor do they provide any underlying source documentation to verify the amount claimed. Moreover, PPCC failed to submit any documentation of the organization's policies for calculating the fringe benefits of its own employees. Exhibit 17 also contains a table of contents that references documentation for fringe benefits but the corresponding tab is empty. PPCC Ex. 17(C). Accordingly, we uphold the portion of the disallowance attributable to the claimed fringe benefits.<sup>14</sup>

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<sup>13</sup> The documentation submitted by PPCC for its delegate Norris Square does not appear to claim fringe benefits associated with the claimed in-kind volunteer hours.

<sup>14</sup> Our decision does not preclude ACF from allowing a reasonable amount for such fringe benefits as are fixed by law and thus readily determinable, such as FICA.

Donations of classroom space

PPCC reports in-kind contributions of space for the use by the Head Start program from collaborative agencies Project Rainbow and Children's Village valued at \$34,721.40 (classified by the parties as "occupancy"), and from APM, the Preschool Project, the Lighthouse, and "space donated to PPCC at its 7<sup>th</sup> and Somerset St. location," valued at \$111,464.02 (classified by the parties as "rent").<sup>15</sup> PPCC Br. at 19, 21; PPCC Ex. 1; PPCC Exs. 17(N), 17(Q) (general ledgers).

PPCC reports that the value of space from Project Rainbow is based on a monthly charge of \$1 per square foot for donated classroom space, which it describes as "almost ludicrously low." PPCC Br. at 20. It asserts that the Head Start program uses roughly 1,360 square feet at the Project Rainbow facility and that this space is valued at \$1,360 per month. Id. The value of space provided by the other collaborators, PPCC reports, represents "the fair market value" of the classroom space. Id. at 21. It also asserts that "APM, the Lighthouse, and Preschool Project" use rates "which are equivalent to or less than the fair market value for the space utilized by head start." Id. at 22.

ACF argues that PPCC failed to obtain an independent appraisal to establish that \$1 per square foot was a fair rental value, as required by 45 C.F.R. § 74.23(h)(3) (value of donated space "shall not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality"). In response, PPCC with its reply brief submitted an appraisal of PPCC's facility from December 2008. PPCC Ex. 25. The appraisal indicates rental values of comparable properties ranging from \$4.78 to \$15.10 per square foot, with most over \$10 per square foot. ACF did not seek an opportunity to respond to the appraisal or to PPCC's assertions that the appraisal confirms that the average cost for classroom space in the North Philadelphia region is roughly \$10 per square foot, and that

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<sup>15</sup> While PPCC states that the \$34,721.40 described as "occupancy" is attributable to Project Rainbow, a general ledger page PPCC submitted shows that the \$34,721.40 contribution of occupancy includes two amounts (\$9,238.20 and \$9,163.20) attributable to Children's Village. PPCC Ex. 17(N). PPCC states that the distinction between "occupancy" and "rent" is "primarily one of semantics." PPCC Br. at 19, n.7; 21, n.8.

\$1.00 per square foot is less than the fair market value in the area. PPCC Reply Br. at 14.

We find that absent any objection by ACF, the appraisal reasonably establishes that the \$1 per square foot rate that PPCC claimed for the in-kind contribution of space by Project Rainbow did not exceed the fair rental value of comparable space as required by the regulation. PPCC did not, however, indicate the rate at which it claimed the value of space furnished by the other collaborative agencies. PPCC's documentation of these contributions consists only of invoices that state monthly amounts but do not indicate the rate or the amount of space used by Head Start. See PPCC Ex. 17(A) (invoices showing, for example, "facility rental" \$1,667 per month attributable to APM, and \$9,592 per month attributable to The Lighthouse). Absent specification of the rental or occupancy rates for the other collaborators, we find that the \$1.00 per square foot used by Project Rainbow is not an unreasonable rate under the regulations for their contributions of space. Accordingly, PPCC may provide to ACF documentation of the amount of space used by its Head Start program in the facilities for which it claims in-kind contributions of donations of space, whether as rent or occupancy, to which that rate will apply. PPCC may provide this documentation to ACF within 30 days after receipt of this decision, or within such longer period of time as ACF allows, and ACF should consider it in determining the amount of PPCC's in-kind contributions.

PPCC also submitted among its documents for Norris Square what appear to be materials related to payment of a mortgage. PPCC Ex. 19, Tab "Nov 06." The cost principles state that capital expenditures for the acquisition of buildings and land are unallowable as direct charges, except where approved in advance by the awarding agency. 2 C.F.R. Part 230, App. B, ¶¶ 15.a.(1), 15.b.(1). Thus, mortgage payments are not allowable in-kind contributions absent prior agency approval, which PPCC has not alleged it sought or received. PPCC moreover offered no explanation of this documentation or how it benefited the Head Start program. We thus conclude that the materials relating to mortgage payments by Norris Square do not establish the receipt of permissible in-kind contributions.

#### Donations of resources

The documentation submitted for Norris Square, PPCC Ex. 19, includes some documentation that appears to concern resource donations for Norris Square. PPCC does not address this documentation in its briefs or explain why it was included in an

exhibit that PPCC described as concerning the receipt of volunteer services.

This documentation includes a December 4, 2006, letter from Norris Square to the director of Puerto Rican Federal Affairs requesting the donation of items such as a microwave, a television, and a television cabinet. PPCC Ex. 19, Tab "Dec 06. However, the documentation fails to show that PPCC received the requested items or that the items, if received, were for the benefit of the Head Start program.

Exhibit 19 also contains a letter dated December 15, 2006, which PPCC claims documents that Norris Square received a \$10,000 grant from the United Way of Southeastern Pennsylvania. Id. However, the December 15, 2006 letter reveals that the grant was to be distributed for quality improvement of the center and for support of the strategic planning process. The letter further provides that the quality improvement funds were to be expended as described in Norris Square's "Action Plan" and would not be used for general operations. PPCC failed to submit the "Action Plan" referenced in the United Way letter, any documentation that the grant funds were deposited in an account used only for Head Start costs, or what services were purchased with the money. PPCC has not shown that the grant funds were actually expended for Head Start purposes, as required for PPCC to meet its non-federal share obligation. See 45 C.F.R. § 1301.20(a) (federal funding shall not exceed 80 percent of the total costs of the program). We cannot determine based on the submitted documentation whether any funds from this grant were actually used for Head Start-related programs. Thus, we find that PPCC has failed to establish the receipt of in-kind contributions in these items that may be used toward meeting its non-federal share.

The Norris Square documentation submitted by PPCC in support of non-federal share contributions also includes donations for items such as juice, cupcakes, clothes and educational materials. PPCC characterized these items as either "volunteer donations" or "resource donations," apparently because a parent or community organization donated the item. PPCC Ex. 17(A), Tab "Delegate (NSCA)." Additionally, PPCC Exhibit 19 contains handwritten donation sheets in each monthly tab. The donation sheets include the date the item was donated, the center or class receiving the donation, the value of the donation, a brief description of the donation, and who received the donation. The donations, such as food donated by a parent recorded as an in-kind contribution for amounts ranging from \$5 to \$10, for specific classrooms appear reasonably related to Head Start

activities (and do not appear to be for staff entertainment). Thus, we find that documentation that includes a description of the donation, the classroom receiving it, its reasonable value, and the donor, is sufficient to establish the receipt of in-kind contributions that ACF should count toward PPCC's non-federal share.

### Consulting

PPCC asserts that its documentation supports \$107,101.02 in allowable in-kind contributions that it describes as "the cash value of the professional and consulting services that individuals have voluntarily furnished to PPCC's Head Start program," and discounts in the fees charged for consulting services. PPCC Br. at 17. PPCC submitted documentation concerning consulting services from eight individuals: a registered nurse, a licensed psychologist, a registered dietician, an accounting consultant, and four individuals whose professions are not disclosed. PPCC Ex. 17(I). PPCC failed to show how these various services could be appropriately treated as allowable in-kind contributions eligible to be used as PPCC's non-federal share.

For the nurse, PPCC submitted 19 forms with the heading "In-Kind Contributions" signed by the nurse and noting the receipt of consulting services by PPCC's Head Start and Early Head Start programs over periods of one to two weeks at the rate of \$25.00 per hour. See PPCC Ex. 17(I). The identification of the nurse's services as in-kind contributions in these materials is, however, inconsistent with the contracts for the nurse's services, which call for the nurse to provide services as a consultant to the "health component" at the rate of \$25.00 per hour for 20 hours a week. PPCC Ex. 23. The forms do not mention the donation of any professional services and do not otherwise indicate that the nurse would not be paid for her services. In addition, the absence of a system to track and distinguish between the paid and unpaid services that the consultant had provided renders the documentation inadequate to establish that volunteer services were provided, rather than services for which PPCC compensated the nurse as specified under its contract. PPCC thus failed to document the receipt of in-kind contributions in the nurse's services.

For the psychologist, PPCC submitted invoices for services at the rate of \$150 per hour, "Less \$95/hr in-kind." PPCC Ex. 17(I). The psychologist's contracts with PPCC, however, state only that she would provide services at the rate of \$55 per hour. The contracts do not establish that: 1) the \$55 per hour

was a discounted rate for the service provided; 2) the psychologist's ordinary fee was \$150 per hour for those services; or 3) the \$150 hourly rate "was consistent with those paid for similar work in the labor market in which [PPCC] competes for the kind of services involved," as required by 45 C.F.R. § 74.23(d). Absent such information, PPCC has not adequately documented the value of the claimed donation of services it seeks to use toward meeting its non-federal share. See, e.g., Brownsville Community Development Corporation, DAB No. 1910, at 16 (2004) (reduction in consulting fees not acceptable as in-kind contribution where grantee provided no documentation that the unreduced fees were in fact the value of the services).

For the registered dietician, PPCC submitted no receipts or invoices documenting the provision of specific services to PPCC's Head Start program. Although PPCC provided general ledger and accounting records that contain entries listing services from some of the consultants, these records do not verify that the consulting services had actually been provided. PPCC also submitted a contract with the dietician for the provision of nutrition consultation services to Head Start at the rate of \$50.00 per hour. See PPCC Ex. 23. The contract does not state or otherwise indicate that the dietician would not be paid for any services that she provided or that she would donate her services as an in-kind contribution to PPCC's Head Start program.

Contracts for the provision of accounting services to PPCC indicate that the consultant would provide them at the discounted rate of \$50 per hour and that the consultant's regular rate was \$75 per hour. Id. However, PPCC submitted no receipts or invoices documenting that the consultant actually provided any of the contract services. PPCC submitted various spreadsheets recording the entry of amounts labeled as in-kind contributions that it attributed to the accounting consultant and allocated to PPCC's different programs. Nonetheless, these spreadsheets do not verify that PPCC actually received the accounting services and do not establish how those services benefited the Head Start program or that the undiscounted rate "was consistent with those paid for similar work in the labor market in which [PPCC] competes for the kind of services involved," as required by 45 C.F.R. § 74.23(d).

PPCC submitted "InKind Contribution" forms for services from the four persons whose professions are not disclosed. See PPCC Ex. 17(I). The form for one person reports that PPCC received two hours of training valued at \$150 per hour. The form does not

show the purpose of the training or explain how it benefited the Head Start program. The form also does not explain how the valuation of the training services was determined. The forms for the remaining three persons indicate that their services consisted of meeting with HHS regional office staff, for which PPCC claimed at the rate of \$55.29 per hour. The forms do not indicate what services were on behalf of PPCC or explain how their value was determined.

IT consulting

PPCC identified in-kind contributions of \$28,009.33 in "IT Consulting." PPCC Ex. 1. PPCC submitted invoices for various computer and computer networking services rendered to PPCC by two consultants. PPCC Ex. 17(H). The invoices indicate that the consultants furnished services at a "PPCC" rate lower than the "Reg. Rate." Id. The documentation, however, fails to provide any basis for the amounts allocated to the Head Start program as shown in PPCC's general ledger and accounting records. PPCC has also not shown how the regular or standard rates were established, or how PPCC determined the amount that it allocated to the Head Start program. Thus, PPCC has failed to adequately document its claim for an in-kind contribution of IT consulting services.

Disability services

PPCC claims the receipt of in-kind contributions relating to disability services in the amount of \$37,731.74. See PPCC Ex. 1. As previously indicated, the Head Start regulations state that at least 10 percent of the total number of enrollment opportunities in each grantee and each delegate agency during an enrollment year must be made available to children with disabilities. 45 C.F.R. § 1305.6(c).

PPCC submitted documentation of the rates charged for occupational therapy services, speech services, psychological services, educational services, and other professional services. See PPCC Ex. 17(J). PPCC also submitted sign-in sheets for the "Disabilities Service Area." Id. at Tab "Grantee (PPCC)." These sheets provided a space for the consultant to print his or her name and title, as well as a space to record the date, time-in, and time-out. There is also a space to note "Shola" or "Jean" but without any explanation of the significance of these notations. The form also lists "School District, Child link, Elwyn Institute, UCPA, and Other" by "Agency" but fails to indicate the significance of this list.

Unlike the documents submitted by its delegate Norris Square that reasonably established the provision of special instruction services benefiting the Head Start program, the sign-in sheets for PPCC's Disabilities Service Area fail to reasonably establish that the services were for the benefit of Head Start children. The sign-in sheets also fail to reasonably establish that the recorded hours were for volunteer services instead of time associated with paid professional services. We find that these sheets by themselves do not establish the receipt of allowable in-kind contributions. Nonetheless, because PPCC submitted underlying source documentation and ACF did not specifically state the reason why it found the documentation was insufficient, we afford PPCC an additional opportunity (30 days or such longer time as ACF may permit) to submit supplemental documentation to support its claim. Such documentation could include affidavit(s) from an appropriate person(s) to establish: 1) the standard procedures for documenting unpaid, volunteer professional services; 2) that the listed consultants in fact provided unpaid, volunteer services; and 3) that the consultant services were for the benefit of Head Start children for the amount of hours recorded.

Additional claimed services

PPCC claims the receipt of in-kind contributions relating to additional items, such as: Supplies (\$58,271.94); Equipment (\$2,584); Non-local Travel (\$62.50); Accounting/Audit (\$4,346.65); Field Trips (\$8,549.35); Insurance/Liability (\$6,809.88); Maintenance/Repairs/Building (\$4,887.30); Parent Activity (\$333.34); Payroll Processing (\$1,236.89); Telephone (\$1,164.00); Training (\$125); Local Travel (\$91.03); Utilities (\$18,901.23); and Wrap-Around Services (\$31,935). See PPCC Ex. 1.

Unlike the volunteer forms and supplemental documentation we found acceptable to establish the receipt of in-kind donations for volunteer services, the documentation PPCC submitted here consists of printouts of its accounting general ledger entries in the corresponding tabs in Exhibit 17. Documentation of entries made into its computerized accounting system should be accompanied by underlying source documentation. See 45 C.F.R. § 74.21(b)(7). However, the additional documentation PPCC submitted in support of utilities and wrap-around services consists solely of accounting records prepared by its collaborative partners. PPCC did not provide any underlying source documentation to support the expenses listed in the accounting records. PPCC Exs. 17(U), 17(V). Because PPCC did not provide the required underlying source documentation, we



uphold the portion of the disallowance attributable to the claimed in-kind contributions for the additional services listed above.

III. We do not address the parties' dispute over the amount of PPCC's non-federal share requirement. On remand, ACF should recalculate the amount of the disallowance relating to PPCC's non-federal share.

PPCC disputes ACF's determination of the amount of PPCC's non-federal share requirement for FY 2007. The \$1,401,144.17 that ACF determined was PPCC's required non-federal share is 20% of total program costs (\$7,005,720.89), which ACF calculated as the sum of the non-federal share that PPCC listed on its general ledger for FY 2007, dated January 31, 2008 (\$1,194,658), and the amount that PPCC reported as the "federal share of net outlays" on the financial status report (SF269) for FY 2007 that PPCC filed on January 31, 2008 (\$5,811,062.89).<sup>16</sup> Disallowance letter, A-09-14 (Oct. 10, 2008). PPCC asserts that its non-federal share obligation was \$1,440,410, as reflected in a revised SF269 for FY 2007 that PPCC submitted to ACF on May 29, 2009. See ACF Ex. 5, at 1-2; PPCC A-09-14 Ex. 2. On that revised form, PPCC reported "total federal expenditures" of \$5,761,640, of which PPCC argues that \$1,440,410 (i.e., 25 percent of \$5,761,640) is its required non-federal share. However, ACF did not use the revised SF269 in calculating the disallowances or otherwise address PPCC's argument before the Board.

ACF also stated in the disallowance letter that "PPCC's required non-federal share for total federal expenditures of \$5,811,063 was \$1,452,766" (i.e., 25 percent of \$5,811,063), but did not use this figure to calculate the disallowance. Disallowance letter, A-09-14 (Oct. 10, 2008).

Determination of both PPCC's non-federal share requirement and the amount of any disallowance attributable to PPCC's failure to meet that requirement depends on the amount of allowable non-federal expenditures that PPCC has established based upon the

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<sup>16</sup> ACF states that it used the \$1,194,658 figure that PPCC listed as non-federal expenditures on its general ledger for FY 2007 "as this is the amount that should have been entered on the grantee's SF 269 in box e" instead of the \$1,241,667.95 figure PPCC entered on the form. ACF Br. at 5, n.2; ACF Ex. 3, at 2 (SF269, Jan. 31 2008).

supporting documentation it provided and on the amount of claimed charges to federal funds after reducing the expenditures reported in the revised SF269 for FY 2007 by the \$387,238 disallowed. See, e.g., Seminole Nation of Oklahoma, DAB No. 1385, at 2, n.2 (1993) ("past Board decisions have found that disallowances of unallowable cost items charged to federal funds may affect calculation of a disallowance for failure to meet a non-federal share requirement . . . . In other words, if the total allowable costs are reduced, then the Grantee's percentage share is also reduced"). Thus, once ACF has completed its determination of the amount of PPCC's allowable non-federal share consistent with our findings above as to which documentation is acceptable (including consideration of any additional information that we have affording PPCC the opportunity to submit), then ACF should recalculate the amount of the disallowance. In doing so ACF should incorporate its determination of allowable federal expenses and the impact of that determination on the amount of PPCC's non-federal share obligation.

#### Conclusion

For the reasons discussed, we sustain the entire disallowance of \$387,238 in salaries for 12 Head Start and Early Head Start positions. However, we reverse in part and affirm in part the disallowance relating to PPCC's non-federal share of Head Start costs for FY 2007, and remand the case to ACF to determine the allowable amount of PPCC's non-federal expenditures consistent with our determinations as to the types of documentation that are acceptable. As part of this process, ACF should consider information that PPCC provides as permitted in our decision. ACF should then recalculate the disallowance and, for any amount disallowed, issue a written notice of its calculation of the amount of the non-federal expenditures and any resulting disallowance. PPCC may appeal the written determination to the Board within 30 days after receiving it, under the procedures at

45 C.F.R. Part 16, except with respect to the issues we fully resolve in this decision.

\_\_\_\_\_/s/  
Judith A. Ballard

\_\_\_\_\_/s/  
Leslie A. Sussan

\_\_\_\_\_/s/  
Stephen M. Godek  
Presiding Board Member