



OFFICE OF INSPECTOR GENERAL

SPECIAL REVIEW

OF NEA's GRANT APPLICATION

AND AWARD PROCESS

REPORT NO. R-14-02

April 18, 2014

REPORT RELEASE RESTRICTION

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INTRODUCTION

The National Endowment for the Arts (NEA) was established by Congress in 1965 as an independent agency of the Federal government. NEA is the largest annual national funder of the arts in the United States. NEA has awarded more than \$4 billion to support artistic excellence, creativity, and innovation for the benefit of individuals and communities. NEA extends its work through partnerships with state arts agencies, local leaders, other Federal agencies, and the philanthropic sector. These partnerships focus on three areas: design, arts education, and international.

Objective, Scope, and Methodology

NEA Office of Inspector General (OIG) conducted a review of two NEA initiatives, the Mayors' Institute on City Design 25th Anniversary (MICD25) and fiscal year (FY) 2011 Our Town programs. Specifically, we reviewed the grant application and award process of these two initiatives. The objectives were to determine whether award decisions for MICD25 and FY 2011 Our Town programs were made in accordance with NEA's governing legislation and internal policies and procedures.¹

Our review was conducted in accordance with the *Council of the Inspectors General on Integrity and Efficiency Quality Standards for Inspection and Evaluation* (Standards), as applicable. Accordingly, we included such tests of records and other procedures that were considered necessary under the circumstances. The Standards require that we obtain sufficient and appropriate evidence to support a reasonable basis for our findings and conclusions.

We gained an understanding of the grant application and award process by observing advisory panel meetings, interviewing NEA staff, and reviewing written policies and procedures. Also, for each of the two Federal grant programs reviewed, we judgmentally selected a sample of five grant applications that were approved and five grant applications that were not approved for funding.

BACKGROUND

Advisory Panel

According to NEA's legislation², an advisory panel should be utilized to review applications and make recommendations, based solely on artistic excellence and artistic merit, to the National Council on the Arts (NCA), which reviews applications and makes

¹ National Foundation on the Arts and the Humanities Act of 1965, National Arts and Cultural Development Act of 1964, 20 USC §959 (2010), National Endowment Arts Appropriations as of Fiscal Year 2010, and Related Legislation; NCA Description, MICD25 Program Description, FY 2011 Our Town Program Description, NEA Directive 3100 (Advisory Panels), and Standards of Conduct for NEA Panelist (November 2011)

² 20 USC §959(c) Advisory panels; membership; procedures

final recommendations to the Chairman. Advisory panels are required when applications, nominations, or proposals are received under any competitive funding opportunity.

NEA's Office of Guidelines and Panel Operations (OGPO) is the office that oversees the overall advisory panel system; which includes panel approval, panel budget, panel meetings, and panelist payment processes. OGPO consists of four staff members: (1) Director, (2) Panel Coordinator, (3) Program Analyst, and (4) Staff Assistant. The OGPO Director reviews and approves all proposed advisory panels and substitutions. The OGPO Director also may approve ad hoc advisory panels that are composed entirely of members of a recently (within the past year) approved advisory panel. The originating artistic discipline office recommends candidates for advisory panels, and works with OGPO to carry out all phases of the advisory panel process. NEA's Senior Deputy Chairman and the Deputy Chairman for the artistic discipline, review and provide final approval for the recommendations.

Individuals who are considered for an advisory panel generally should have expertise related to the types of projects that the advisory panel will review and/or the policy or other related issue(s) that the advisory panel will discuss. NEA legislation requires that all advisory panels be "composed, to the extent practicable, of individuals reflecting a wide geographic, ethnic, and minority representation as well as individuals reflecting diverse artistic and cultural points of view."³ All advisory panels should also include, to the extent practicable, a balance of men and women. Furthermore, every advisory panel should include a layperson who is "knowledgeable about the arts, but who are not engaged in the arts as a profession, and are not members of either artists' organizations or arts organizations."⁴ Someone who currently works in the public, private, or nonprofit sector with primary job responsibilities in the arts or in arts funding is not considered a layperson. It is NEA policy that advisory panel composition generally should include at least one-third representation of people of color and no more than one representative from any state or jurisdiction.

NEA legislation requires that the Chairperson issue regulations and establish procedures to require that "the membership of each advisory panel change substantially from year to year and to provide that each individual is ineligible to serve on an advisory panel for more than three consecutive years."⁵ It is NEA policy that generally at least one-third of the membership on each advisory panel should not have served on the previous advisory panel. Advisory panels should generally include a minimum of three people (including the layperson).

National Council on the Arts

The National Council on the Arts (NCA) was established through the National Arts and Cultural Development Act of 1964, a full year before NEA was created by Congressional legislation. The National Foundation on the Arts and Humanities Act of 1965,

³ 20 USC §959(c)(1)

⁴ 20 USC §959(c)(2)

⁵ 20 USC §959(c)(6)

established NEA and provided for 26 citizens to serve as advisors to the agency as members of NCA. Members were appointed by the President and approved by the Senate for six-year, staggered terms. Congress has since enacted legislation that reduced the membership of NCA.

NCA meetings are held for one-day sessions three times a year. Prior to Council meetings, NEA staff brief NCA about pending grant applications that will be considered, as well as the deliberations of the advisory panels. NCA reviews the applications submitted by the advisory panel and make recommendations to NEA's Chairman on grants, funding guidelines, and leadership initiatives.

Mayors' Institute on City Design 25th Anniversary Initiative (MICD25)

Since 1986, NEA has held the Mayors' Institute on City Design (MICD) sessions to help educate Mayors on the importance of city design. MICD, a NEA leadership initiative in partnership with the American Architectural Foundation and the U.S. Conference of Mayors, organizes sessions where mayors engage leading design experts to find solutions to the most critical urban design challenges facing their cities.

In January 2010, NEA posted a grant opportunity to celebrate the 25th anniversary of MICD. NEA requested statements of interest from eligible applicants to be submitted by March 15, 2010. Eligible applicants for the MICD25 program were local governments, or its designees, that had participated in MICD during its 25-year existence. NEA received 207 statements of interest from different organizations for the MICD25 program.

A team consisting of five NEA staff members and two representatives from other Federal agencies reviewed and evaluated each submission. Of the 207 statements of interest received, 59 organizations were invited to formally apply for the program. NEA issued the invitation on April 8, 2010, with an application deadline of May 10, 2010.

NEA's Design Division selected a seven-member advisory panel to evaluate MICD25 grant applications and work samples. The selected advisory panel consisted of representatives from arts organizations, universities, local government, and a layperson from seven different states.

NEA's Design Division prepared advisory panel books, which contained each grant application package. Advisory panel books were mailed to the panelists on May 19, 2010. Each panelist reviewed and evaluated grant applications individually prior to the advisory panel meeting. (We noted that NEA selected 59 applicants during the statement of interest process; however, only 50 applicants submitted formal grant applications and work samples.)

The MICD25 Advisory Panel meeting was held on June 3-4, 2010. Panelists' initial evaluation ratings for each grant application were reviewed and evaluated. Applications were discussed in detail and documented. Of the 50 organizations that submitted grant

applications, 21 were recommended for funding and 29 were recommended for rejection. The total funding amount requested from the 21 applicants recommended for funding was \$3,702,500. However, in order to meet the allocated amount in the budget for the program, a funding level of \$3,000,000 was recommended.

The 21 MICD25 grant applications were then submitted to NEA's Office of Grants and Contracts for project budget review. Once reviewed, the recommendations for the 21 applicants were submitted to NCA for approval. The NCA meeting was held on June 24-25, 2010, with NCA approving all 21 applicants for funding.

FY 2011 Our Town

NEA's Our Town grant program invests in creative and innovative projects in which communities, together with their arts and design organizations and artists, seek to improve the quality of life, encourage creative activity, create community identity and revitalize local economies.

In January 2010, NEA posted a grant opportunity for the FY 2011 Our Town program. NEA requested statements of interest from eligible applicants to be submitted by March 1, 2011. Eligible applicants for the FY 2011 Our Town program were to have partnerships that involved a minimum of two primary organizations: a governmental entity and a nonprofit design or cultural organization. The nonprofit design or cultural organization was also required to have a three-year history of programming prior to the application deadline. NEA received 447 statements of interest from different organizations for the FY 2011 Our Town program.

A team consisting of ten NEA staff members and two representatives from another Federal agency reviewed and evaluated each submission. Of the 447 statements of interest received, 112 organizations were invited to formally apply for the program. NEA issued the invitation to apply on March 25, 2011, with an application deadline of April 25, 2011.

NEA's Design Division selected a nine-member advisory panel to evaluate FY 2011 Our Town grant application and work samples. The selected advisory panel consisted of representatives from arts organizations, universities, local government, and a layperson from nine different states.

NEA received 105 grant applications for the FY 2011 Our Town program. (We noted that NEA selected 112 applicants during the statement of interest process; however, only 105 applicants submitted formal grant applications). Once grant applications were received, NEA provided panelists with online access to the applications about a month in advance of the advisory panel meeting. At this stage, the panelists reviewed the applications and work samples, entering their preliminary comments, and assigning initial ratings. Artistic excellence and merit are the two primary review criteria specified by Congress in NEA's authorizing legislation. Each application was given a score based on a one-to-ten scale (one being low and ten being high).

The FY 2011 Our Town Advisory Panel meeting was held on May 25-27, 2011. Panelists discussed their initial ratings for each grant application and work samples. Of the 105 applicants that submitted grant applications, 51 were recommended for funding and 54 were recommended for rejection. The total funding amount requested from the 51 applicants recommended for funding was \$8,175,000. However, in order to meet the allocated amount in the budget for the program, a funding level of \$6,575,000 was recommended.

The 51 FY 2011 Our Town grant applications were then submitted to NEA's Office of Grants and Contracts for project budget review. Once reviewed, the recommendations for the 51 applicants were submitted to NCA for approval. The NCA meeting was held in June 2011, with NCA approving all 51 applicants for funding.

RESULTS OF REVIEW

Based on our review, we determined that NEA's grant application and award process for MICD25 and FY 2011 Our Town programs were conducted in accordance with NEA's governing legislation and internal policies and procedures. However, we noted during our review, that NEA does not have written policies for determining geographic location.

When interviewing NEA staff, we were informed that as of FY 2012, applications for the Our Town program are categorized by type of project and geographic location (rural or metropolitan) prior to being reviewed and evaluated. However, there are no written policies for this process. Without written policies, determination of geographic location may not be consistently implemented.

We recommend that NEA develop written policies for the determination of geographic location.

EXIT CONFERENCE

An exit conference was held with NEA officials on March 20, 2014. NEA officials concurred with our finding and recommendation.

RECOMMENDATION

We recommend that NEA develop written policies for the determination of geographic location.

NEA RESPONSE

NEA management submitted a written response to the draft report on April 16, 2014, which included written policies for the determination of geographic location. NEA's written response is attached.



April 16, 2014

Dear Inspector General:

As per the recommendation in Report R-14-02 from the Office of Inspector General, this document serves to create a written policy regarding Our Town applicant geographic designation.

In order to determine each Our Town applicant's geographic designation, NEA Design staff will formally implement the following protocols:

- 1) Beginning in April 2014, upon receipt of Our Town applications and after a determination has been made of the final list of eligible applicants, the Design staff will send the complete list of eligible applicants to the NEA Office of Research and Analysis.
- 2) Under the guidance of the Office of Research and Analysis' (ORA) Director, Sunil Iyengar, the ORA staff will use existing Standard Metropolitan Area (SMA) census data and locations to review applicants' geographic population and coordinates in order to determine whether an applicant falls under one of the following three categories:
 - a) Urbanized Areas (UAs) of 50,000 or more people;
 - b) Urban Clusters (UCs) of at least 2,500 and less than 50,000 people; or
 - c) "Rural" encompasses all population, housing, and territory not included within an urban area
- 3) ORA will then give a list of each Our Town applicant SMA designation and return the applicant list to the Design Director, Jason Schupbach. From there the Design team will then designate each applicant as "metropolitan" (Urbanized Area) or "non-metropolitan" (Urban Cluster or Rural) With this information, the Design team then develops a series of "metropolitan" and "non-metropolitan" panels for the appropriate applications.

Please note that this process has been in place on an informal basis since Our Town's inception. With the recommendation provided by the OIG review, this process is now formally documented to ensure adherence to a systematic approach to determining the geographic designations. A copy of the approved process will be maintained by the Design Director and the representative Division Coordinator, Michael McLaughlin. This process will also be documented in the Our Town FAQs on arts.gov and reinforced through the Our Town webinars led by Jason Schupbach.

Sincerely,


Joan Shigekawa
Acting Chairman
National Endowment for the Arts