



**Desk Review Report No. FDR-21-02**

**Association of Writers & Writing Programs  
Riverdale Park, Maryland**

**February 24, 2021**

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## SUMMARY

We conducted a desk review of a National Endowment for the Arts (Arts Endowment) award issued to the Association of Writers & Writing Programs (AWP). Based on our review, we determined that AWP did not fully comply with Federal grants management requirements. For instance, AWP:

1. Did not report actual costs on its Federal Financial Report (FFR);
2. Included \$262,476 in unsupported costs on its FFR;
3. Reported \$53,760 in unallowable costs on its FFR; and
4. Did not have policies and procedures for the management of Federal awards.

Thus, we are questioning \$316,236 in unsupported and unallowable costs. However, we determined that despite these questioned costs and procedural deficiencies, AWP was still able to match the funding provided by the Arts Endowment and that no refund would be due to the Arts Endowment. We recommend that AWP establish policies and procedures to address these findings and that the Arts Endowment disallow the questioned costs.

## INTRODUCTION

### **BACKGROUND**

AWP is a nonprofit organization established in 1967. The mission of AWP is to amplify the voices of writers and the academic programs and organizations that serve them while championing diversity and excellence in creative writing. AWP fosters literary achievement, to advance the art of writing as essential to a good education, and to serve the makers, teachers, students, and readers of contemporary writing.

### **OBJECTIVE, SCOPE, AND METHODOLOGY**

The objective of this desk review was to determine whether AWP reported financial information that was valid, accurate, and complied with Federal award requirements. More specifically, we sought to determine whether the:

- Total project costs reported under the award(s) were supported, reasonable, allocable, and allowable; and
- Required match was met on the Arts Endowment award(s).

We reviewed the Arts Endowment's award records and determined that AWP received three awards during the review period. AWP had drawn down and reported costs for only one of the three awards -- award No. 1808787-52-18. Therefore, this desk review only addressed this award (see table below).

<b>Award No.</b>	<b>Award Period</b>	<b>Award Amount</b>	<b>Reported Costs</b>
1808787-52-18	07/01/18 – 06/30/19	70,000	1,959,827
<b>Total</b>		<b>\$70,000</b>	<b>\$1,959,827</b>

This was a Literary Arts award that required a one-to-one cost share match by AWP. The award was to support an annual conference, online resources for the literature field, and the publication and promotion of *The Writer's Chronicle* magazine.

To conduct our review, we obtained AWP's financial reports and supporting documents for costs reported on its FFR for Arts Endowment award No. 1808787-52-18. We tested the reported costs and related supporting documents against criteria established in the Arts Endowment's award file, Arts Endowment's *General Terms and Conditions for Grants and Cooperative Agreements to Organizations (General Terms)* and Code of Federal Regulations (CFR) 2 CFR 200 – *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200)*.

## RESULTS

### **ACTUAL COSTS NOT REPORTED**

AWP did not report actual costs on its FFR for the Arts Endowment award. AWP reported \$1,959,827 of total project costs on its FFR. Based on our review of AWP's general ledger, we determined that AWP understated costs on its FFR in the amount of \$192,715. Awards issued by the Arts Endowment are subject to the following requirements:

- **2 CFR 200.302(b)(2). Financial Management:** The financial management system for Federal award recipients must provide accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with reporting requirements established in 2 CFR 200.327.
- **Arts Endowment Instructions for Completing the Federal Financial Report states:** For the FFR you must report actual expenditures that you assigned to the approved Arts Endowment project, based on supporting documents such as invoices, contracts, receipts, checks, transaction reports, and bank statements. Review your accounting and support documentation and report only actual, documented costs on the FFR.
- **Arts Endowment Handbook: How To Manage Your Award, 6.2.b Additional Reporting Tips states, in part:** The amount you show on your FFR in box 10j (recipient cost share) plus the Arts Endowment award funds in box 10e must equal the total actual, allowable expenditures.

According to AWP officials, actual costs were not reported because of personnel changes in the accounting department at the end of FY19, which resulted in some expenses being incorrectly coded to projects. Also, we determined AWP did not have policies and procedures in place to ensure actual costs were reported. Not reporting actual costs on the FFR misstates the total project costs, which is contrary to regulations. To ensure complete coverage of award costs by our audit, we included the additional understated costs identified in the general ledger in our transaction testing. (See Appendix A)

We recommend that AWP establish written policies and implement procedures to ensure actual costs are reported on its FFRs for Arts Endowment awards. We also recommend AWP submit an amended FFR with the actual costs for Arts Endowment Award No. 1808787-52-18.

AWP concurs with this finding and recommendation. (See Appendix B)

### **UNSUPPORTED COSTS**

AWP did not maintain adequate documentation to support all costs reported on its FFR for the Arts Endowment award. Specifically, we reviewed 30 transactions and found 10 instances of unsupported costs related to payroll and other conference costs totaling \$262,476. AWP provided credit card statements, invoices, ledger reports and payroll documentation to support costs reported. However, AWP was unable to provide the following documentation to fully support reported costs: contract(s) and receipts to support the invoices and credit card statements; back-up records to support ledger reports; and payroll allocation documentation. Therefore, we were unable to determine the allowability and reasonableness of these costs. Awards issued by the Arts Endowment are subject to the following requirements:

- **General Terms & Conditions for Grants and Cooperative Agreements to Organizations. (17.2) Record Retention and Access states:** Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. The records must comply with your organization's internal controls and established accounting policies. Records must support these costs for both the Federal funds and cost share/matching requirements. We may require personnel activity reports or equivalent documentation if necessary (§200.430(i)(8)).
- **2 CFR 200.333. Retention Requirements for Records states, in part:** Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report.

According to AWP officials, they believe most of the additional documentation needed to fully support costs is maintained in their office; however, the office is closed due to the global Coronavirus Pandemic. AWP also stated that some of the costs were not fully supported due to a transition of the former Financial Officer and Executive Director. Thus, we are questioning unsupported costs in the amount of \$262,476. Including unsupported costs on the FFR could result in AWP not meeting the required cost share/matching amount, leading to a potential refund due to the Arts Endowment. To determine if a refund was due, we reduced the award's total costs by its respective unsupported costs amount (see Appendix A). We determined that without these costs, AWP still met the one-to-one cost share/match requirement and therefore no refund is due to the Arts Endowment.

We recommend AWP establish written policies and implement procedures for record retention in accordance with 2 CFR 200 Uniform Guidance and Arts Endowment *General Terms*.

We recommend the Arts Endowment disallow unsupported costs totaling \$262,476.

AWP concurs with this finding and recommendation. (See Appendix B)

### **UNALLOWABLE COSTS**

AWP reported unallowable costs on its FFR for the Arts Endowment award. We reviewed 30 transactions and found five instances of unallowable costs in the amount of \$53,760.

Specifically, AWP reported fundraising events, banquets sponsorships, DJ costs, and VIP receptions that included alcohol and entertainment costs. These costs are generally unallowable unless given prior approval by the Arts Endowment. Awards issued by the Arts Endowment are subject to the following requirements:

- **2 CFR 200.442(a). Fund Raising and Investment Management Costs:** Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable. Fund raising costs for the purposes of meeting the Federal program objectives are allowable with prior written approval from the Federal awarding agency.
- **2 CFR 200.423. Alcoholic Beverages:** Costs of alcoholic beverages are unallowable.
- **2 CFR 200.438. Entertainment Costs:** Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency.

AWP stated that the unallowable conference costs were not involved with the project funded by the Arts Endowment. However, AWP was unable to provide documentation that separated unallowable costs from the Arts Endowment award. Thus, we are questioning unallowable costs totaling \$53,760. We determined that AWP did not have policies and procedures in place to ensure only allowable costs are charged to Arts Endowment awards. Reporting unallowable costs could result in failure to meet the required cost share/matching amounts, resulting in a potential refund to the Arts Endowment. To determine if a refund was due, we reduced the award's total costs by its respective unallowable costs amount (See Appendix A). We determined that without these costs, AWP still met the one-to-one cost share/match requirement and therefore no refund is due to the Arts Endowment.

We recommend AWP establish written policies and implement procedures to ensure only allowable costs are charged to and reported on Arts Endowment awards.

We also recommend that the Arts Endowment disallow unallowable costs totaling \$53,760.

AWP concurs with this finding and recommendation. (*See Appendix B*)

## **MANAGEMENT OF FEDERAL AWARDS**

During the review, we determined that AWP did not have policies and procedures for the management of Federal awards.

Awards issued by the Arts Endowment are subject to the following requirements:

- **2 CFR 200.302 (b). Financial Management** states, in part: The financial management system of each non-Federal entity must provide for the following:  
(1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the Catalog of Federal Domestic Assistance title and number, Federal award identification number and year, name of the Federal

agency, and name of the pass-through entity, if any.

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient must not be required to establish an accrual accounting system. This recipient may develop accrual data for its reports on the basis of an analysis of the documentation on hand. Similarly, a passthrough entity must not require a sub-recipient to establish an accrual accounting system and must allow the sub-recipient to develop accrual data for its reports on the basis of an analysis of the documentation on hand.

(3) Records that identify adequately the source and application of funds for federally funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

(4) Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. See § 200.303 Internal controls.

(5) Comparison of expenditures with budget amounts for each Federal award.

(6) Written procedures to implement the requirements of § 200.305 Payment.

(7) Written procedures for determining the allowability of costs in accordance with Subpart E – Cost Principles of this part and the terms and conditions of the Federal award.

According to AWP officials, their policy and procedure documents were deleted by the consultant that was acting as the Chief Financial Officer under the former Executive Director. As a result, AWP hired a new accounting consultant who is in the process of developing policies and procedures for grants management. Without written policies in place, AWP could fail to fully implement Federal award requirements. Thus, we recommend that AWP establish written policies and implement procedures for the management of Federal awards.

AWP concurs with this finding and recommendation. (*See Appendix B*)

## RECOMMENDATION SUMMARY

We recommend AWP:

1. Establish written policies and implement procedures to ensure actual costs are reported on its FFR for Arts Endowment awards.
2. Submit an amended FFR with the actual costs for Arts Endowment award No. 1808787-52-18.
3. Establish written policies and implement procedures for record retention in accordance with 2 CFR 200 Uniform Guidance and Arts Endowment *General Terms*.
4. Establish written policies and implement procedures to ensure only allowable costs are charged to and reported on Arts Endowment awards.
5. Establish written policies and implement procedures for the management of Federal awards.

We recommend the Arts Endowment:

1. Disallow unsupported costs totaling \$262,476.
2. Disallow unallowable costs totaling \$53,760.



**BREAKDOWN OF COSTS***Award No. 1808787-52-18*

Total Reported Costs	\$1,959,827
Add Understated Costs	192,715
Adjusted Allowable Costs	2,152,542
Less Unsupported Costs	(262,476)
Less Unallowable Costs	(53,760)
Adjusted Allowable Reported Costs	1,836,306
Less Arts Endowment Disbursement	(70,000)
Potential Allowable Cost Share/Match	1,766,306
Less Required Cost Share/Match	(70,000)
AWP Cost Share/Match Exceeded	<u>\$1,696,306</u>



Association of Writers  
& Writing Programs

## AWARDEE'S RESPONSE

February 16, 2021

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Ron Stith  
Inspector General  
National Endowment for the Arts  
400 7<sup>th</sup> Avenue, SW  
Washington, DC 20506

Dear Mr. Stith,

Please accept this letter of confirmation and acknowledgement from the Association of Writers & Writing Programs (AWP) in response to Desk Review Report No. FDR-21-02, conducted by Rashaad Lee, and received by us on February 10, 2021. We met by phone on February 12 to discuss the findings.

With this letter we acknowledge we have read and accept the findings of this report and will submit an improvement plan within the prescribed 30 days to address the recommendations for establishing policies and procedures to track our grant awards. We will also provide an amendment to the Federal Financial Report previously submitted to incorporate the corrective actions identified in the Desk Review.

We appreciate the care and thoroughness of the process and the opportunity it offers our organization to, after a period of leadership turnover, reestablish strong oversight policies and procedures.

We greatly value our partnership with the NEA and appreciate the care taken with this desk audit.

Warm regards,

Cynthia Sherman  
Executive Director