



OFFICE OF INSPECTOR GENERAL
FINANCIAL MANAGEMENT SYSTEM
AND COMPLIANCE EVALUATION

ON SELECTED
NEA GRANTS TO

The Academy of American Poets, Inc.

New York, NY

REPORT NO. SCE-14-04

July 10, 2014

REPORT RELEASE RESTRICTION

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INTRODUCTION

BACKGROUND

The Academy of American Poets, Inc. (Academy) was founded in 1934 to support American poets at all stages of their careers and to foster the appreciation of contemporary poetry. To fulfill this mission, the Academy administers a wide variety of programs. It also conducts High School Poetry Workshops for New York City students and publishes the biannual journal, *American Poet*.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this financial management system and compliance evaluation by the National Endowment for the Arts (NEA) Office of Inspector General (OIG) is to determine whether the organization's financial management system and recordkeeping complies with the requirements established by the Office of Management and Budget (OMB), and NEA's *General Terms and Conditions for Grants and Cooperative Agreements to Organizations (General Terms)*. In addition, we evaluated the recipient's compliance with OMB and NEA guidance for the management of the American Reinvestment and Recovery Act of 2009 (Recovery Act) funding.

The Recovery Act provided \$50 million to NEA to be distributed in direct grants to fund arts projects and activities which preserve jobs in the nonprofit arts sector threatened by declines in philanthropic and other support during the economic downturn. Consistent with the language in the Act, eligible projects were generally limited to salary support and fees for artists or contracted personnel. Forty percent of such funds were distributed to State arts agencies and regional arts organizations and 60 percent of the funds were competitively awarded to nonprofit organizations that met the eligibility criteria established for this program. For organizations eligible to subgrant, such as State arts agencies, funds may also be used to cover the cost of implementing the subgranting program.

The evaluation was conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency Quality Standards for Inspections and Evaluations, 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, competent and relevant evidence to support a reasonable basis for our findings and conclusions.

During the period under review, the Academy had eight NEA grants opened or closed within the last three years, with awards totaling \$405,000. We judgmentally selected and reviewed two of the eight grants in which NEA funds had been drawn down and costs had been reported.

The two grants we reviewed were as follows:

Grant No.	Award Amount	Total Outlays Reported	Actual Outlays
09-5288-7184	\$ 50,000	\$50,000	\$50,000
10-5200-7137	70,000	149,765	255,565
Totals	\$120,000	\$199,765	\$305,565

PRIOR AUDIT COVERAGE

During the past five years, the NEA Office of Inspector General has not issued any audit reports on Federal grants awarded to the Academy. As of our site visit on June 22, 2012, the most recent issued independent auditor's report on the Academy was for the year ended June 30, 2011. The audit was conducted by Lutz and Carr, CPAs, LLP, an independent CPA firm, which issued an unqualified (clean) opinion. The Academy was not to subject to the audit requirements of OMB Circular A-133.

RESULTS OF EVALUATION

Our evaluation concluded that the Academy generally complied with financial management system requirements established by OMB and NEA for Federal awards. The Academy did not report accurate expenditure amounts on its Federal Financial Report (FFR), did not have written documentation of their allocation method, and did not have written policies and procedures in place for the management of Federal awards and to ensure that debarred or suspended contractors or recipients did not receive Federal assistance. The Academy also did not have a Section 504 self-evaluation on file, as required.

FINANCIAL MANAGEMENT

The two grants reviewed were:

Grant No. 10-5200-7137. This grant was awarded in the amount of \$70,000 with a one-to-one matching requirement to support National Poetry Month in 2011, in consortium with the National Council of Teachers of English.

Grant No. 09-5288-7184. This grant was awarded in the amount of \$50,000 to support the preservation of jobs that were threatened by declines in philanthropic and other support during the economic downturn. Specifically, this grant was awarded for salary support for two full-time staff positions, one of which was eliminated and one of which was threatened because of the economic downturn.

Reported Expenditures

For Grant No. 10-5200-7137, the Academy did not claim actual expenditures on its FFR. The Academy reported \$149,765 in total outlays on its FFR; however, the general ledger provided showed costs totaling \$255,565.42.

NEA's *General Terms* states:

The FFR is used to verify that the required match has been met. Ensure that the amounts reported on your FFR are based on actual allowable project expenditures and can be easily reconciled to your accounting records. Unallowable costs, such as fundraising, receptions, etc. cannot be included in these amounts.

The Academy did not have policies and procedures in place to report actual costs on its FFR. If actual costs are not reported, it cannot be determined whether costs are adequate and allowable. As a result, those costs may be questioned.

We recommend that the Academy develop written policies and implement procedures to ensure that only actual and allowable costs are reported on the FFR. Those procedures should ensure that employees, who prepare the FFRs, are familiar with NEA guidance and the cost principles of relevant OMB guidance.

Allocation Method

The Academy did not have written policies and procedures for the methodology used to allocate costs to the NEA grants.

2 CFR Part 215, Subpart C21(b)(6), states, recipients of Federal awards should have:

Written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.

The Academy did not comply with OMB guidance to document its allocation methodology. If the allocation method is not documented, it cannot be determined whether costs allocated to NEA grants are reasonable, allocable and allowable. However, subsequent to our site visit, the Academy provided the methodology used to allocate costs to this award, which we deemed reasonable. As a result, we are not questioning any costs.

We recommend that the Academy develop written policies and implement procedures to ensure the methodology for the allocation of costs charged to Federal awards is documented.

Debarment and Suspension

The Academy did not have policies and procedures in place to ensure that contractors or recipients were not debarred or suspended from receiving Federal assistance prior to the payment or award of Federal funds.

NEA *General Terms* states:

You must comply with requirements regarding debarment and suspension in Subpart C of 2 CFR part 180, as adopted by the Arts Endowment in Title 2 CFR, Chapter 32, Part 3254.

Subpart C of 2 CFR part 180.300, *OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)*, states, in part:

You must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the EPLS¹; or**
- (b) Collecting a certification from that person if allowed by the Federal agency responsible for the transaction; or**
- (c) Adding a clause or condition to the covered transaction with that person**

We recommend that the Academy develop written policies and implement procedures to ensure that contractors and recipients are not debarred or suspended from receiving Federal assistance prior to the payment or award of Federal funds.

Section 504 Self-Evaluation

The Academy did not have a completed Section 504 self-evaluation on file. As noted in the *General Terms*, "A Section 504 self-evaluation must be on file at your organization." A Section 504 Self-Evaluation Workbook, which can be completed online, is available at www.arts.gov/about/504Workbook.html.

Section 504 of the Rehabilitation Act of 1973, as amended, provides for equal opportunity to enter facilities and participate in programs and activities. It does not require that every part of every facility or program be accessible. The important considerations are that individuals with disabilities have the same opportunities in employment, the same opportunities to enter and move around in facilities, the same opportunities to communicate and the same opportunities to participate in programs and activities as non-disabled people. Further, it is important to offer employment, programs, and services in settings that are integrated rather than to segregate individuals with disabilities with special programs.

¹ Now part of the System for Awards Management (SAM).

We recommend that the Academy complete, and update as necessary, a Section 504 self-evaluation to ensure compliance with the Rehabilitation Act of 1973, as amended. A copy of the self-evaluation should be submitted to NEA OIG. NEA OIG will provide a copy to NEA's Office of Civil Rights/EEO.

EXIT CONFERENCE

A preliminary exit conference was held with the Academy officials on June 22, 2012. We provided the draft report to the Academy officials, June 26, 2014. The Academy provided a written response agreeing to implement corrective actions.

RECOMMENDATIONS

We recommend that the Academy:

1. Develop written policies and implement procedures to ensure that only actual and allowable costs are reported on the FFR. Those procedures should ensure that employees, who prepare the FFRs, are familiar with NEA guidance and the cost principles of relevant OMB guidance.
2. Develop written policies and implement procedures to ensure the methodology for the allocation of costs charged to Federal awards is documented.
3. Develop written policies and implement procedures to ensure that contractors and recipients are not debarred or suspended from receiving Federal assistance prior to the payment or award of Federal funds.
4. Complete, and update as necessary, a Section 504 self-evaluation to ensure compliance with the Rehabilitation Act of 1973, as amended. A copy of the self-evaluation should be submitted to NEA OIG. NEA OIG will provide a copy to NEA's Office of Civil Rights/EEO.