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Financial Desk Review of Selected Awards to National Innovation Collaborative Palestine, TX

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SUMMARY

We conducted a desk review of two National Endowment for the Arts (Arts Endowment) Awards issued to the National Innovation Collaborative (Collaborative) in fiscal years 2017 and 2018. Based on our review, we concluded the Collaborative generally did not comply with Federal award cost allowability requirements established by the Arts Endowment and Office of Management and Budget (OMB). In this regard, we identified the following areas requiring improvement.

The Collaborative:

1. Reported improperly calculated and unsupported third-party in-kind contributions on its award Federal Financial Reports (FFRs);
2. Reported duplicate costs on its award FFRs;
3. Included unsupported costs on its award FFRs;
4. Included unrelated costs on its 2018 award FFR; and
5. Was not familiar with Federal award requirements.

These findings resulted in \$9,950 in questioned or unallowable costs - \$6,326 for the 2017 award and \$3,624 for the 2018 award. We made nine recommendations to the Collaborative to address these findings. We also made six recommendations to the Arts Endowment, including that it keep the Collaborative on the cost reimbursement method of funding until the Collaborative is able to establish a financial management system that ensures compliance with award requirements. In a written response to the report (see attachment B), the Collaborative stated they concurred with the findings and recommendations.

INTRODUCTION

BACKGROUND

The Collaborative is a non-profit organization based in Palestine, Texas. It was established in 2013 with a mission to foster creativity and innovation in teaching and learning. It achieves its mission by identifying, conducting, and disseminating research on how the effective integration of science, technology, engineering, arts, math (STEAM), and humanities can reinforce creative thinking and innovation.

OBJECTIVE, SCOPE, AND METHODOLOGY

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

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

We reviewed the Arts Endowment's award records and determined that the Collaborative received two awards during the review period: Award Nos. 17-5100-7120 (2017 award) and

1807902-51-18 (2018 award). These awards were issued to support the development and implementation of a nationwide STEAM teacher professional development model that identified and distributed effective practices. Program activities included organizing participant attendance at STEAM conferences, coaching participants, gathering data, and refining development plans. Both awards were for \$10,000, required a one-to-one cost share/match from the Collaborative, and received amendments extending their respective award periods to September 30 to allow additional time for reporting program activities (see table below).

Award No.	Award Period	Award Amount	Reported Costs
17-5100-7120	06/01/17 – 09/30/18	\$10,000	\$24,513
1807902-51-18	06/01/18 – 09/30/19	10,000	24,990
Total		\$20,000	\$49,503

To conduct our desk review, we obtained the Collaborative’s financial reports and supporting documents for costs reported on its FFRs for the two awards. We also conducted interviews with Collaborative staff and reviewed the Collaborative’s financial procedures applicable to Federal awards. We tested the reported costs and related supporting documents against criteria established in the Arts Endowment’s award files, 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)*.

We conducted this desk review in accordance with generally accepted government auditing standards for examination engagements. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

RESULTS

IMPROPER IN-KIND CONTRIBUTION COSTS

In-kind contribution costs are allowed as part of cost share/match costs on Federal awards, provided certain requirements are met. During our review, we determined the Collaborative did not follow all of the requirements for the claimed in-kind contribution costs for both awards. Provided below are the conditions identified during our review.

Improper Market Value: For the 2017 award, the Collaborative claimed \$1,500 of in-kind contribution costs for a donated employee’s time spent fulfilling job-related activities without receiving compensation. The Collaborative determined the value of the donated time based on a flat-fee contract the employee had with a separate entity. Per Federal requirements, the value should have been based on the employee’s hourly rate and time worked and a reasonable amount for fringe benefits. Thus, we used the employee’s hourly rate and time to recalculate the value of donated time and identified \$740 in allowable costs. As a result, we are questioning \$760 in costs (\$1,500 - \$740).

For the 2018 award, the Collaborative claimed \$492 in mileage costs related to attending conventions in 2018. Mileage costs of \$246 were unsupported and are discussed further below. For the remaining \$246 in mileage costs, the Collaborative obtained the support but used the 2019 Internal Revenue Service (IRS) mileage rate when calculating the value instead of the 2018 rate. We recalculated the mileage costs using the 2018 IRS rate and identified \$226 in allowable costs. As a result, we are questioning \$20 in costs (\$246-\$226).

Furthermore, for both awards, the Collaborative claimed a total of \$659 in contribution costs for employee lodging while attending conferences - \$487 for the 2017 award and \$172 for the 2018 award. In both instances, the Collaborative hosted participants at a hotel, while the employee stayed for free at a friend's short-term rental property. The Collaborative claimed donated lodging costs for the employee's stay based on the hosted participants' hotel rates; however, lodging costs should have been based on the fair market value of the short-term rental property. The Collaborative obtained support for the fair market value for the short-term rental property at the time of stays, and we identified \$296 in allowable costs - \$148 for each award. As a result, we are questioning \$363 in costs - \$339 for the 2017 award (\$487-\$148), and \$24 for the 2018 award (\$172-\$148).

Arts Endowment awards are subject to the following:

- **2 CFR 200.306 Cost Sharing and Matching states, in part:**
 - d.* Values for non-Federal entity contributions of services and property must be established in accordance with the cost principles in Subpart E – Cost Principles.
 - f.* When a third-party organization furnishes the services of an employee, these services must be valued at the employee's regular rate of pay plus an amount of fringe benefits that is reasonable, necessary, allocable, and otherwise allowable, and indirect costs at either the third-party organization's approved federally negotiated indirect cost rate, or a rate in accordance with 2 CFR 200.414 Indirect Costs, (d), provided these services employ the same skill(s) for which the employee is normally paid. Where donated services are treated as an indirect cost, indirect cost rates will separate the value of the donated services so that reimbursement for the donated services will not be made.
 - j.* For third-party contributions, the fair market value of goods and services must be documented and to the extent feasible supported by the same methods used internally by the non-Federal entity.
- **2 CFR 200.403 Factors affecting allowability of costs, (c) states:** Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: Be consistent with policies and procedures that apply uniformly to both Federally-financed and other activities of the non-Federal entity.
- **2 CFR 200.434 Contributions and Donations, (d) states:** To the extent feasible, services donated to the non-Federal entity will be supported by the same methods used to support the allocability of regular personnel services.

Unsupported Costs: For the 2017 award, the Collaborative claimed \$2,012 in unsupported contribution costs for volunteer advisory services. The Collaborative did not obtain supporting documentation for the fair market rate charged or for the amount of donated time attributed to the volunteers.

For the 2018 award, the Collaborative claimed \$2,164 of in-kind contribution costs without obtaining the supporting documentation from the third party. Specifically, the Collaborative claimed \$972 in contribution costs for volunteer advisory services, without obtaining supporting documentation for the fair market rate charged or for the donated time attributed to the volunteers. Also, the Collaborative claimed \$570 in costs on behalf of graduate students working on program activities, and \$338 in costs on behalf of a person who provided advisory services to program participants. Both the graduate students and advisor were compensated for their time by their respective employers; however, the Collaborative did not obtain documentation from either employer to support the claimed costs. Further, the Collaborative claimed \$246 in mileage costs on behalf of award participants traveling to conventions. The Collaborative estimated the costs on behalf of the participants and was unable to provide supporting travel documentation from the third-parties. Finally, the Collaborative inappropriately claimed \$38 in contribution costs based on store discounts. Specifically, the Collaborative purchased supplies from a retailer and received a discount at the time of purchase. The Collaborative recorded the supplies at cost, and claimed the discounts as contributions. Discounts are not a valid basis for in-kind contributions.

We were unable to verify the accuracy or allowability of these contribution costs without the supporting documentation. As a result, we are questioning \$4,176 in unsupported costs - \$2,012 for the 2017 award and \$2,164 for the 2018 award.

Arts Endowment awards are subject to the following:

- **2 CFR 200.306 Cost Sharing or Matching states, in part:**
 - b.* For all Federal awards, any shared costs or matching funds and all contributions, including cash and third-party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria: 1. Are verifiable from the non-Federal entity's records.
 - e.* Volunteer services furnished by third-party professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program. Rates for third-party volunteer services must be consistent with those paid for similar work by the non-Federal entity. In those instances in which the required skills are not found in the non-Federal entity, rates must be consistent with those paid for similar work in the labor market in which the non-Federal entity competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, necessary, allocable, and otherwise allowable may be included in the valuation.
 - f.* When a third-party organization furnishes the services of an employee, these services must be valued at the employee's regular rate of pay plus an amount of fringe benefits that is reasonable, necessary, allocable, and otherwise allowable, and indirect costs at either the third-party organization's approved federally negotiated indirect cost rate, or a rate in accordance with 2 CFR 200.414 Indirect Costs, (d), provided these services employ the same skill(s) for which the employee is normally paid. Where donated services are treated as an indirect cost, indirect cost rates will separate the value of the donated services so that reimbursement for the donated services will not be made.

- **2 CFR 200.403 Factors Affecting Allowability of Costs, (g) states:** Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: Be adequately documented.

Collaborative officials stated they managed in-kind contribution costs to their best understanding. They were not aware of the detailed contribution requirements present throughout Federal award regulations. We determined the Collaborative did not have procedures for ensuring contribution costs met Federal requirements.

Based on our review, we are questioning \$5,319 in reported in-kind contribution costs - \$3,111 for the 2017 award and \$2,208 for the 2018 award. Including improper contribution costs on award FFRs could result in the Collaborative not meeting the minimum cost share/match requirements, potentially resulting in a refund due to the Arts Endowment. We determined that even without these costs, the Collaborative still meets the minimum cost share/match requirements for the 2018 award (see Appendix A). However, we have identified a potential refund due to the Arts Endowment in the amount of \$906 for the 2017 award (see Appendix A).

We recommend that the Collaborative establish and implement documented procedures that ensure reported in-kind contribution costs are recorded and supported in accordance with Federal award requirements. We also recommend Collaborative provide any additional documentation to the Arts Endowment for \$2,012 in questioned unsupported costs reported for the 2017 award.

We recommend the Arts Endowment review the Collaborative's additional documentation for \$2,012 in unsupported in-kind contribution costs for the 2017 award and determine allowability. We also recommend the Arts Endowment disallows \$1,099 (\$3,111-\$2,012) in questioned in-kind contribution costs for the 2017 award and \$2,208 in questioned in-kind contribution costs for the 2018 award.

The Collaborative concurs with the findings and recommendations (see Appendix B).

DUPLICATE COSTS REPORTED ON FFR

During our review, we determined the Collaborative reported \$3,006 in duplicate costs, once as cash payments and again as in-kind contributions; \$2,390 for the 2017 award and \$616 for the 2018 award. We determined that the reported in-kind contribution costs represented the full amount of personnel costs worked by certain participants, but did not account for Collaborative cash payments made to the participants for the same work. The duplicate contribution costs are unallowable.

Arts Endowment awards are subject to the following requirements:

- **2 CFR 200.302 Financial Management, (b)3 states:** The financial management system of each non-Federal entity must provide the following: 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.

- **2 CFR 200.403 Factors Affecting Allowability of Costs, (g) states:** Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: Be adequately documented.

Collaborative officials stated this was an accidental oversight that resulted from confusion during the reporting process. We determined the Collaborative did not have procedures for ensuring payments towards donated goods and services were removed from the value of contributions. We also determined the Collaborative did not have procedures to ensure reported costs were accurate.

Based on our review, these duplicate in-kind contribution costs are unallowable – \$2,390 for the 2017 award and \$616 for the 2018 award (see Appendix A). Duplicating costs on award FFRs could result in the Collaborative not meeting the minimum cost sharing/match requirements, potentially resulting in a refund due to the Arts Endowment. We determined that the Collaborative still meets the minimum cost share/match requirements for the 2018 award even without these costs. However, we have identified a potential refund due to the Arts Endowment in the amount of \$906 for the 2017 award (see Appendix A).

We recommend the Collaborative establish and implement documented procedures that ensure cash payments are not included in the values of in-kind contribution costs. We also recommend the Collaborative establish and implement documented procedures that ensure costs reported on award FFRs are accurate. Lastly, we recommend the Arts Endowment disallows \$3,006 in duplicate costs - \$2,390 for the 2017 award, and \$616 for the 2018 award.

The Collaborative concurs with the finding and recommendations (see Appendix B).

UNSUPPORTED COSTS

During our review, the Collaborative was unable to provide supporting documentation for \$825 in costs reported on the 2017 award FFR. Specifically, the Collaborative claimed \$505 for participant stipends, \$122 for supplies, and \$198 in travel purchases. Collaborative support for participant stipends showed intention to pay at the time of the FFR submission; however, we determined the costs ultimately were not incurred. The Collaborative provided credit card statements for the supplies and travel purchases, but these did not include descriptions of the purchases. Therefore, we were unable to verify the allowability of the costs. As a result, we are questioning \$825 in unsupported costs.

Arts Endowment awards are subject to the following requirements:

- **2 CFR 200.403 Factors Affecting Allowability of Costs, (g) states:** Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: Be adequately documented.
- **2 CFR 200.474 Travel Costs, (d) states:** In the absence of an acceptable, written non-Federal entity policy regarding travel costs, the rates and amounts established under 5 USC 5701-11 (Travel and Subsistence Expenses; Mileage Allowances), or by the Administrator of General Services, or by the President (or his or her designee) pursuant

to any provisions of such subchapter must apply to travel under federal awards (48 CFR 31.205-46(a)).

- 48 CFR 31.205-46 Travel Costs, (a)2 states, in part: Except as provided in paragraph (a)3 of this section, costs incurred for lodging, meals, and incidental expenses (as defined in the regulations cited in paragraphs (a)2(i) through (iii) of this section) shall be considered to be reasonable and allowable only to the extent that they do not exceed on a daily basis the maximum per diem rates in effect at the time of travel as set forth in the – (i) Federal Travel Regulation, prescribed by the General Services Administration, for travel in the contiguous United States.
 - ***Federal Travel Regulation 301.52.4 What Must I provide with my travel claim?, b. states, in part:*** You must provide receipts for: Any other expense costing over \$75. If it is impracticable to furnish receipts in any instance as required by this subtitle, the failure to do so must be fully explained on the travel voucher. Mere inconvenience in the matter of taking receipts will not be considered; and
- ***Arts Endowment Instructions for Completing the FFR states, in part:***
 - 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.

Collaborative officials stated they did not realize credit card statements were insufficient support. We determined the Collaborative did not have procedures for ensuring reported costs met Federal requirements for travel and documentation.

Based our review, we are questioning \$825 in unsupported costs for the 2017 award (see Appendix A). Including unsupported costs on award FFRs could result in the Collaborative not meeting the minimum cost sharing/match requirements, potentially resulting in a refund due to the Arts Endowment. We have identified a potential refund due to the Arts Endowment in the amount of \$906 for the 2017 award (see Appendix A).

We recommend the Collaborative establish and implement documented procedures that ensure reported costs are adequately supported. We also recommend the Collaborative establish and implement a documented travel policy that meets Federal travel requirements. Further, we recommend Collaborative provide any additional documentation to the Arts Endowment for \$825 in questioned unsupported costs reported for the 2017 award. Lastly, we recommend the Arts Endowment review the Collaborative’s additional documentation for \$825 in questioned unsupported costs for the 2017 award and determine allowability.

The Collaborative concurs with the finding and recommendations (see Appendix B).

UNRELATED COSTS

During our review, we identified \$800 in administrative personnel costs included as an in-kind contribution on the 2018 award. We determined that administrative costs are not part of approved award activities, and audit costs are unallowable unless they are related to a Single Audit.

Arts Endowment awards are subject to the following requirements:

- **2 CFR 200.306 Cost Sharing or Matching, (b) states, in part:** For all Federal awards, any shared costs or matching funds and all contributions, including cash and third-party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria:
 4. Are allowable under Subpart E – Cost Principles of this part.
- **2 CFR 200.413 Direct Costs, (c) states, in part:** The salaries of administrative and clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:
 1. Administrative or clerical services are integral to a project or activity;
 3. Such costs are explicitly included in the budget or have prior written approval of the Federal awarding agency.
- **2 CFR 200.430 Compensation – Personal Services, (d)1 states:** Costs which are unallowable under other sections of these principles must not be allowable under this section solely on the basis that they constitute personnel compensation.
- **2 CFR 200.506 Audit Costs states:** See 2 CFR 200.425 Audit Services.
- **2 CFR 200.425 Audit Services, (a) states, in part:** A reasonably proportionate share of the costs of audits required by, and performed in accordance with, the Single Audit Act Amendments of 1996 (31 USC 7501-7507), as implemented by the requirements of this part, are allowable. However, the following audit costs are unallowable:
 2. Any costs of auditing a non-Federal entity that is exempted from having an audit conducted under the single audit Act and Subpart F – Audit Requirements of this part because its expenditures under Federal awards are less than \$750,000 during the non-Federal entity's fiscal year.
- **Arts Endowment General Terms, 12.3.3 Indirect (Facilities & Administration or F&A) Costs states, in part:** Award recipients may claim indirect costs based on: ii. A de minimis rate. For awards issued after October 1, 2014, an organization that has never received a Federally-negotiated indirect cost rate agreement may charge a de minimis rate of 10% on modified total direct costs. This must be included on your approved project budget. Note: You cannot claim both direct overhead/administrative costs and a negotiated or de minimis indirect cost rate.
- **Arts Endowment General Terms, 20. Single Audit Requirements states:** The threshold for requiring a Single Audit or Program-specific audit is \$750,000 in yearly expenditures of Federal funds. This amount is aggregate of funds from all Federal sources. If your organization meets or exceeds this threshold, a percentage of Single Audit costs may be included in your award budget. Otherwise, audit costs are unallowable.

Collaborative officials stated they were not aware that audit-related costs were unallowable. We determined the Collaborative did not have procedures for determining cost allowability.

Based on our review, we have determined \$800 in unrelated activity costs reported on the 2018 award FFR are unallowable (see Appendix A). Including unallowable costs on award FFRs could result in the Collaborative not meeting the minimum cost sharing/match requirements, potentially resulting in a refund due to the Arts Endowment. However, we determined that the Collaborative still meets the minimum cost share/match requirements even after removing these costs.

We recommend the Collaborative establish and implement documented reporting procedures that ensure unallowable costs are excluded from award FFRs. We also recommend that the Arts Endowment disallow \$800 in unrelated audit costs for the 2018 award.

The Collaborative concurs with the finding and recommendation (see Appendix B).

MANAGEMENT OF FEDERAL AWARDS

During our review, we determined Collaborative financial processes did not always meet the Federal award requirements stated in *2 CFR 200* or *General Terms*. These processes included managing travel, documenting and reporting in-kind contributions, ensuring reported costs were allowable, requesting Federal funds, documenting procurement procedures, and verifying the eligibility of Federal fund recipients.

Arts Endowment awards are subject to the following requirements:

- ***2 CFR 200.300 Statutory and National Policy Requirements, (b) states:*** The non-Federal entity is responsible for complying with all requirements of the Federal award. For all Federal awards, this includes the provisions of [the Federal Funding Accountability and Transparency Act, or] FFATA, which includes requirements on executive compensation; and also requirements implementing the Act for the non-Federal entity at 2 CFR 25 Financial Assistance Use of Universal Identifier and System for Award Management, and 2 CFR 170 Reporting Subaward and Executive Compensation Information. See also statutory requirements for whistleblower protections at 10 USC 2409, 41 USC 4712, 10 USC 2324, and 41 USC 4304 and 4310.
- ***Arts Endowment General Terms, 1. Applicability, 1.3 states:*** The Partnership General Terms are also based on the Arts Endowment's legislation and established policies, along with other Federal statutes, regulations, and Executive Orders that apply to grants and cooperative agreements. Award recipients must be familiar with and comply with these requirements.

Collaborative officials stated they tried to follow the requirements to the best of their ability and understanding. We determined Collaborative officials had not received training on how to manage Federal awards. The Collaborative's unfamiliarity with Federal award requirements could result in the mismanagement of future awards.

We recommend the Collaborative establish and implement documented policy and procedures that ensure those responsible for managing Federal awards are trained in Federal award requirements. We also recommend that the Arts Endowment keep the Collaborative on the cost

reimbursement method of funding until the Collaborative is able to establish a financial management system that ensures compliance with award requirements.

The Collaborative concurs with the finding and recommendation (see Appendix B).

RECOMMENDATION SUMMARY

We recommend that the Collaborative:

1. Establish and implement documented procedures that ensure reported in-kind contribution costs are recorded and supported in accordance with Federal award requirements.
2. Provide any additional documentation to the Arts Endowment for \$2,012 in questioned unsupported costs reported for the 2017 award.
3. Establish and implement documented procedures that ensure cash payments are not included in the values of in-kind contribution costs.
4. Establish and implement documented procedures that ensure costs reported on award FFRs are accurate.
5. Establish and implement documented procedures that ensure reported costs are adequately supported.
6. Establish and implement a documented travel policy that meets Federal travel requirements.
7. Provide any additional documentation to the Arts Endowment for \$825 in questioned unsupported costs reported for the 2017 award.
8. Establish and implement documented reporting procedures that ensure unallowable costs are excluded from award FFRs.
9. Establish and implement documented policy and procedures that ensure those responsible for managing Federal awards are trained in Federal award requirements.

We recommend that the Arts Endowment:

1. Review any additional documentation provided by the Collaborative for \$2,012 in unsupported in-kind contribution costs for the 2017 award and determine allowability.
2. Disallow \$1,099 in questioned in-kind contribution costs for the 2017 award and \$2,208 in questioned in-kind contribution costs for the 2018 award.
3. Disallow \$3,006 in duplicate costs - \$2,390 for the 2017 award, and \$616 for the 2018 award.
4. Review any additional documentation provided by the Collaborative for the \$825 in questioned costs for the 2017 award and determine allowability.
5. Disallow \$800 in unrelated activity costs for the 2018 award.
6. Keep the Collaborative on the cost reimbursement method of funding until the Collaborative is able to establish a financial management system that ensures compliance with award requirements.

BREAKDOWN OF COSTS*Award No. 17-5100-7120*

Total Reported Costs	\$24,513
Less Unallowable Costs	
Duplicate Costs	(2,390)
Less Questioned Costs	
In-Kind Contributions	(3,111)
Unsupported	(825)
Potential Allowable Adjusted Costs	<u>18,187</u>
Arts Endowment Share of Costs*	9,094
Less Arts Endowment Disbursement	<u>(10,000)</u>
Potential Arts Endowment Refund Due	<u>\$(906)</u>

**Arts Endowment share is half of Potential Allowable Adjusted Costs.*

Award No. 1807902-51-18

Total Reported Costs	\$24,990
Less Unallowable Costs	
Duplicate Costs	(616)
Unrelated Activities	(800)
Less Questioned Costs	
In-Kind Contributions	<u>(2,208)</u>
Potential Allowable Reported Costs	21,366
Less Arts Endowment Disbursement	<u>(10,000)</u>
Potential Allowable Cost Share/Match	11,366
Less Required Cost Share/Match	<u>(10,000)</u>
Collaborative Cost Share/Match Exceeded	<u><u>\$1,366</u></u>



The Innovation Collaborative

Lucinda Presley
Chair and Executive Director

November 30, 2020

Ron Stith, Inspector General
National Endowment for the Arts
400 7th Street SW
Washington, DC 20506

Dear Mr. Stith,

The National Innovation Collaborative (Collaborative) appreciates your department and your staff for the thorough and collegial audit process. We welcome the opportunity to improve our business management practices. Below, please find our written response to each of the findings and all of the related recommendations from the Draft Desk Review Report.

Finding #1: In-kind Contribution Costs

The Collaborative concurs with the audit findings and will implement its recommendations.

Finding #2: Costs Reported on Federal Financial Reports

The Collaborative concurs with the audit findings and will implement its recommendations.

Finding #3: Unsupported Costs

The Collaborative concurs with the audit findings and will implement its recommendations.

Finding #4: Unrelated Costs

The Collaborative concurs with the audit findings and will implement its recommendations.

Finding #5: Management of Federal Awards

The Collaborative concurs with the audit findings and will implement its recommendations.

Sincerely,

Lucinda Presley

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