



NATIONAL
ENDOWMENT
FOR THE ARTS

OFFICE OF INSPECTOR GENERAL

LIMITED SCOPE AUDIT REPORT
ON NEA GRANTS TO

FAMILY RESOURCES, INC.

Pinellas Park, FL

Report No. LS-10-01
October 30, 2009

REPORT RELEASE RESTRICTION

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INTRODUCTION

BACKGROUND

Family Resources, Inc. (Family Resources) is a private, non-profit organization dedicated to serving the children, youth and families in Florida's Pinellas County since 1970 and Manatee County since 1992. Family Resources sponsors the program, Youth Arts Corps (Corps).

The Corps is a youth development, arts education and job training program that uses the fine arts to help youth reach their potential. The Corps offers three after-school and summer arts education programs, provides arts activities at a number of residential, recreational and juvenile justice facilities in Pinellas, Hillsborough and Manatee counties, and offers training and technical assistance in youth arts program development and implementation.

OBJECTIVE AND SCOPE

The objective of this limited scope audit was to determine whether the grantee:

- Fulfilled the financial and compliance requirements as set forth in the grant awards;
- Claimed project costs which were reasonable, allocable and allowable;
- Met the required match on NEA grant funds; and
- Actually accomplished the objectives for which the grants were awarded.

Our audit was conducted in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances. The "Standards" require that we obtain sufficient, competent, and relevant evidence to afford a reasonable basis for our findings and conclusions.

During the period under review, the organization had four grants from the National Endowment for the Arts (NEA) totaling \$145,000 (see Appendix A). Our audit was limited to those four grants in which NEA funds had been drawn down and costs had been reported.

PRIOR AUDIT COVERAGE

During the past five years, the NEA Office of Inspector General (OIG) has not issued any audit reports on Federal grants awarded to Family Resources, Inc. As of our site visit on July 27, 2009, the most recent issued independent auditor's report on Family Resources financial statements was for the years ended June 30, 2008 and 2007. The audit was conducted by Lewis, Birch and Ricardo, LLC, which issued an unqualified, (clean) opinion.

RESULTS OF AUDIT

Our audit concluded that Family Resources did not accurately report expenditures on its Financial Status Report (FSR). Family Resources also did not have the required Section 504 self-evaluation on file. Details are presented in the following narratives.

FINANCIAL MANAGEMENT

Family Resources did not report actual expenditure amounts for selected Grant No. 07-5100-8145. Total outlays reported on the FSR were \$1,051,647, however, during our site visit we were presented with a listing of project expenditures totaling \$1,064,568. The NEA instructions for completing the FSR state that “total *actual* project outlays” are to be reported.

For Grant No. 04-6200-1015, Family Resources charged \$53.67 for entertainment and \$459.54 for the purchase of a pool table. Under OMB Circular A-122, costs for entertainment¹ or costs not reasonable to the project² are unallowable. For Grant No. 06-5100-8010, \$386.69 was charged for entertainment and \$34.77 for fundraising³, which are unallowable under OMB Circular A-122.

Based on the findings above, we are disallowing and reducing costs claimed under Grant No. 04-6200-1015 by \$513.21, and costs claimed under Grant No. 06-5100-8010 by \$421.46. Since Family Resources’ allowable expenditures more than exceeded its matching requirements under both grants, we are not requiring any additional action to support these grants.

We recommend that procedures be developed and implemented to ensure that actual and allowable costs are reported on the final FSR. Those procedures should ensure that employees, who prepare the FSRs, are familiar with the cost principles of OMB Circular A-122.

SECTION 504 SELF-EVALUATION

Family Resources did not have the required Section 504 self-evaluation on file. As noted in NEA’s *General Terms*, “A Section 504 self-evaluation must be on file at your organization.” A *Section 504 Self-Evaluation Workbook* is available online 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

¹ Office of Management and Budget (OMB), Circular A-122, revised May 10, 2004, *Cost Principles for Non-Profit Organization*, Attachment B, Para. 14., Entertainment Costs.

² OMB Cir. A-122, Attachment A, Para. 3, Reasonable Costs.

³ OMB Cir. A-122, Attach. B, Para. 23, Fundraising.

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.

We are recommending that Family Resources conduct a Section 504 self-evaluation.

EXIT CONFERENCE

An exit conference was held with the Program Director July 28, 2009 and a follow-up telephone call on October 29, 2009. The Program Director concurred with our findings and recommendations.

RECOMMENDATIONS

We recommend that Family Resources:

1. Develop and implement procedures to ensure that only accurate and allowable costs are reported on the final Financial Status Report (FSR). Those procedures should ensure that the employees, who prepare the FSR, are familiar with the cost principles of OMB Circular A-122.
2. Conduct a Section 504 self-evaluation to ensure compliance with the Rehabilitation Act of 1973, as amended. (A copy of the self-evaluation will be provided to NEA's Office of Civil Rights/EEO.)

FAMILY RESOURCES, INC.
SCHEDULE OF GRANTS SELECTED FOR AUDIT

<u>Grant Amount</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Reported Costs</u>	<u>Project Description</u>
\$ 70,000	04-6200-1015	6/1/04-5/31/06	\$ 575,182	Purpose was to support the consortium project, Youth Arts Corps.
\$ 20,000	06-5100-8010	6/1/06-5/31/07	\$ 797,471	Purpose was to support Youth Arts Corps
\$ 40,000	07-5100-8145	6/1/07-5/31/08	\$1,051,647	Purpose was to support Youth Arts Corps, a consortium partnership with the Gulf Coast Museum of Art
<u>\$ 15,000</u>	08-5100-8077	6/1/08 - 11/30/09*	\$ 10,570**	Purpose was to support Youth Arts Corps in consortium with the Salvador Dali Museum
<u>\$145,000</u>				

* Original grant end date was extended from 5/31/09 to 11/30/09

** As of 5/31/09