



**NATIONAL ENDOWMENT FOR THE ARTS  
OFFICE OF INSPECTOR GENERAL**

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## **LIMITED SCOPE AUDIT REPORT**

**ON SELECTED  
NEA GRANTS TO**

**VIRGINIA COMMISSION FOR THE ARTS  
RICHMOND, VA**

**REPORT NO. LS-09-03  
AUGUST 12, 2009**

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### **REPORT RELEASE RESTRICTION**

**In accordance with Public Law 110-409, The Inspector General Act of 2008, this report shall be posted on the National Endowment for the Arts (NEA) website not later than three (3) days after it is made publicly available with the approval of the NEA Office of Inspector General.**

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**Furthermore, information contained in this report should not be used for purposes other than those intended without prior consultation with the NEA Office of Inspector General regarding its applicability.**

# **INTRODUCTION**

## **BACKGROUND**

The Virginia Commission for the Arts (Commission) is a state agency, which is mandated to support and stimulate excellence in all of the arts, in their full cultural and ethnic diversity, and to make the arts accessible to all Virginians. The Commission's headquarters is located in Richmond, Virginia.

## **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;
- The total project costs claimed under the grants were reasonable, allocable and allowable;
- The required match was met on NEA grant funds; and
- The objectives for which the grants were awarded were actually accomplished.

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 Commission had five National Endowment for the Arts (NEA) grants active with awards totaling \$2,550,400 (see Appendix A). Our audit was limited to those four grants in which NEA funds had been drawn down, costs had been reported, and were the most recently closed. The NEA is the federal oversight agency for the Commission.

## **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 the Commission. However, the Commission was included in the Commonwealth of Virginia's Single Audit Report (OMB Circular A-133) for year ended June 30, 2007. None of the findings indicated in the Commonwealth's A-133 audit report were applicable to the Commission. The Auditor of Public Accounts (APA) also performed an independent comprehensive audit on the State's financial statements for the year ended June 30, 2007. The independent audit resulted in an unqualified (clean) opinion on the financial statements, with the exception of findings pertaining to deferred taxes that do not relate to the Commission's activities. The APA also audited the financial records and operations of the Commission for the period July 1, 2005 through June 30, 2007. The APA found that the Commission properly stated, in all material respects, the amounts recorded and reported in the Commonwealth's Accounting and Reporting System. In addition, the APA noted no matters involving internal control and its operation that it considered necessary to be reported to management.

## RESULTS OF AUDIT

Our audit concluded that the grant objectives were met for the completed grants. However, our review of the documentation provided indicated that the Commission's financial management system did not adequately track some of the costs reported. For instance, we found that the Commission did not maintain the required personnel activity reports, resulting in questioned costs for salaries and wages and fringe benefits. Additionally, the Commission did not have some of the required procedures in place to monitor subrecipients. As a result of questioned costs, a potential refund may be due under grant no. 06-4557-7066. In addition, the Commission did not have a completed Section 504 self-evaluation on file.

### FINANCIAL MANAGEMENT

As indicated above, the Commission's financial management system did not adequately track some of the costs reported. The NEA's *General Terms and Conditions for Grants and Cooperative Agreements to Organizations (General Terms)* has financial requirements or refers to the *Financial Management Guide for State & Local Governments*, which NEA provides to each applicable grantee. The *General Terms* and the *Guide* state in part:

**For every employee whose salary is charged to an NEA grant, as a whole or in part, personnel activity reports must be maintained to account for all compensated time spent on other activities.**

**Recipients must have accounting structures that provide accurate and complete information about all financial transactions related to each Federally-supported project.**

**The grantee must maintain financial records, supporting documentation (such as cancelled checks, invoices, contracts, travel reports, donor letters, in-kind contribution reports, and personnel activity reports), statistical records, and all other records pertinent to an award according to the provisions outlined in OMB Circular A-110, Section 53 or the "Common Rule," Section 1157.42, as applicable.**

**According to OMB Circular A-102, Subpart C, the values placed on third party contributions for cost sharing or matching purposes will conform to the rules in the succeeding sections of this part. Those sections discuss the valuation of donated services, the valuation of donated supplies and loaned equipment or space, and the valuation of donated equipment, buildings, and land.**

Salary and fringe benefit costs were not supported by personnel activity reports on all of the grants (see Appendix A) audited. Therefore, these costs are questioned under each of the grants audited. We determined that because of the large cost overmatch on the state partnership grants, any questioning of costs would not result in any potential recovery to the NEA under these three grants. Therefore, no further action is required on the state partnership grants at this time. However, our questioning of these costs would result in a potential recovery under the grant for Poetry Out Loud, grant no. 06-4557-7066. Our description of the findings for grant no. 06-4557-7066 is as follows:

Grant No. 06-4557-7066 (Poetry Out Loud). There was a total of \$29,300 reported as outlays under this \$8,000 grant. We were able to document only \$9,200 of expenditures under the grant. However, for the remaining claimed costs of \$20,100, supporting documentation such as personnel activity reports and

adequate documentation for in-kind contributions was not provided. Therefore, we are questioning costs of \$20,100, which could result in a refund of \$3,400.

## **SECTION 504 SELF-EVALUATION**

The Commission 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](http://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.

We recommended that the Commission conduct a Section 504 self-evaluation. The Commission did complete and submit a Section 504 self-evaluation prior to the issuance of this report. Therefore, no further action on this finding is necessary.

## **OTHER MATTERS**

Subrecipient Issues. We found that the Commission did not provide subrecipients with identification information such as the Catalogue of Federal Domestic Assistance (CFDA) title or number in accordance with OMB Circular A-133, Subpart D. In addition, we found that the Commission did not have procedures (such as submitting Single Audit reports) to monitor subrecipients in accordance with OMB Circular A-133, Subpart D.

**The grantee must inform the subrecipient of Federal funds and identify the Federal grant number, CFDA title and number and Federal agency.**

**Grantee must implement procedures to monitor subrecipients in accordance with OMB Circular A-133.**

## **EXIT CONFERENCE**

An exit conference was held with the Commission's Executive Director and Deputy Director on December 4, 2008. They concurred with our findings and recommendations and agreed to take corrective action. On July 17, 2009, a subsequent discussion of the recommendations was conducted with the Commission's Deputy Director.

## **RECOMMENDATIONS**

We recommend that the Commission:

1. Implement procedures to ensure that personnel activity reports are maintained for any employee whose salary is charged, in whole or in part to a Federal grant.
2. Provide additional documentation to satisfy the matching requirements under grant no. 06-4557-7066. Based on our subsequent review of the documentation provided, we will determine if any refund is due to the NEA. Without additional allowable documentation, the potential refund is \$3,400 under the grant.
3. Implement procedures to ensure that in-kind costs (contributions) are properly documented in accordance with OMB Circular A-102.
4. Implement procedures to ensure that subrecipients are informed of the CFDA titles and numbers, which are associated with their award.
5. Implement procedures to monitor subrecipients in accordance with OMB Circular A-133.

**VIRGINIA COMMISSION FOR THE ARTS**  
**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>
\$577,700	05-6100-2052	7/1/05 - 9/30/06	\$ 4,082,103	Purpose was to support partnership agreement activities.
\$8,000	06-4557-7066	10/1/05 - 5/31/06	\$ 29,300	To support state participation in "Poetry Out Loud: National Recitation Contest and state-level finals."
\$628,200	06-6100-2032	7/1/06 – 12/31/07	\$ 5,409,172	To support partnership agreement activities.
\$617,400	07-6100-2008	7/1/07 – 9/30/08	\$ 7,024,359*	To support partnership agreement activities.
\$719,100	08-6100-2040	7/1/08 – 6/30/09	\$ **	To support partnership agreement activities.

**Awards for the five grants totaled \$2,550,400.**

\* The Final Report was not due at the time of the onsite portion of the audit.

\*\* This grant was not selected for audit since the available amount of time for the audit was limited and also because no costs were reported as of the audit date.