



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

**FINANCIAL MANAGEMENT SYSTEM &
COMPLIANCE EVALUATION**

OF THE

GULF COAST YOUTH CHOIRS, INC.

TAMPA, FL

REPORT NO. SCE-09-09

September 30, 2009

REPORT RELEASE RESTRICTION

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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 Gulf Coast Youth Choirs, Inc. (GCYC) is a not-for-profit choral arts organization for young people in the Tampa Bay area. The GCYC is dedicated to excellence in the performance of choral music and to the creation of an environment which fosters musical development.

OBJECTIVE AND SCOPE

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)*. The evaluation was conducted in accordance with the President's Council on Integrity and Efficiency Quality Standards for Inspections, as applicable.

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 GCYC. As of our site visit on July 30, 2009, the most recent issued financial report is a compilation report on the GCYC as of June 30, 2008. The compilation was conducted by Dearolf & Mereness, an independent CPA firm, which did not express an opinion or any other form of assurance. However, the report indicated a net deficit of \$4,181. The organization was not to subject to the audit requirements of OMB Circular A-133.

RESULTS OF EVALUATION

Our evaluation concluded that the GCYC's financial management system did not provide for adequate segregation of duties. In addition, GCYC did not have written financial management procedures or a Section 504 self-evaluation on file. However, subsequent to our evaluation, GCYC officials provided us with a completed Section 504 self-evaluation. Details are presented in the following narratives:

SEGREGATION OF DUTIES

The GCYC has a limited number of staff and all of the accounting functions are performed by the same individual. For example, the bank reconciliation is not independently reviewed or verified by someone other than the preparer. In addition, checks were made payable to and authorized by the same staff member.

A lack of segregation of duties represents a significant deficiency in internal controls and could lead to fraud, waste and abuse. Based on our review, we are recommending that GCYC develop and implement procedures to provide adequate segregation of duties in the financial area.

FINANCIAL MANAGEMENT PROCEDURES

The GCYC did not have written financial management procedures. OMB Circular A-110 states that 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 written procedures should include methods for making payments and rules for satisfying matching requirements, accounting for program income and expenses, etc. It could also incorporate publications such as the NEA *General Terms*, NEA's *Financial Management Guide for Non-profit Organizations*, and applicable OMB Circulars.

SECTION 504 SELF-EVALUATION

The GCYC 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*, 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.

Subsequent to our evaluation, GCYC provided us with a completed *Section 504 Self-Evaluation Workbook*. Therefore, no additional action is required on this finding.

EXIT CONFERENCE

An exit conference was held with the GCYC official on July 30, 2009, who concurred with our findings and recommendations.

RECOMMENDATIONS

We recommend that GCYC:

1. Develop and implement procedures to ensure adequate segregation of duties in the financial area.
2. Develop written financial management procedures.