



**NATIONAL ENDOWMENT FOR THE ARTS**

**OFFICE OF INSPECTOR GENERAL**

**LIMITED SCOPE AUDIT REPORT  
ON SELECTED  
NEA GRANTS TO**

**Louisiana Division of the Arts**

Baton Rouge, Louisiana

**REPORT NO. LS-15-01**

**December 22, 2014**

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**REPORT RELEASE RESTRICTION**

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# INTRODUCTION

## BACKGROUND

The Louisiana Division of the Arts (LDOA) is a program of the Office of Cultural Development, an agency within the Department of Culture Recreation and Tourism and the Office of the Lt. Governor. LDOA is charged with the maintenance of the state's artistic assets and has served the state's arts community in Louisiana since 1977. LDOA provides service and support to constituents in the areas of Arts-In-Education, state and regional partnerships (and the Decentralized Arts Funding program), folklife, individual artists' services, and organizational support services.

## OBJECTIVE, SCOPE AND METHODOLOGY

Limited scope audits involve a limited review of financial and non-financial information of grant recipients to ensure validity and accuracy of reported information, and compliance with state and Federal requirements. 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 National Endowment for the Arts (NEA) grant funds.

In addition, the objective of this audit is to also 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). Our audit was conducted in accordance with the *Government Auditing Standards* (2011), 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. We reviewed LDOA's system of internal control and judgmentally selected a sample of transactions for testing from each of the grants reviewed.

During the period under review, LDOA had six NEA grants opened and/or closed within the last three years, with awards totaling \$3,846,800. We judgmentally selected and reviewed three of the six grants in which NEA funds had been drawn down and costs had been reported.

The three grants reviewed were as follows:

<b>Grant Number</b>	<b>Original Award Amount</b>	<b>Total Outlays</b>
11-6100-2033	791,900	1,583,900
12-5100-7100	20,000	134,462
12-6100-2030	738,200	1,476,400
<b>Total</b>	<b>\$1,550,100</b>	<b>\$3,194,762</b>

Grant Nos. 11-6100-2033 and 12-6100-2030 were State & Regional grants in the amount of \$791,900 and \$738,200, respectively, with a one-to-one matching requirement. The awards were to support the following partnership agreement activities: State Arts Plan, Arts Education, Arts in Underserved Communities, and Folk Arts Partnership.

Grant No. 12-5100-7100 was an Arts Education grant in the amount of \$20,000, with a one-to-one matching requirement. The award was to support the professional development retreat and residency program in Imagination, Creativity, and Innovation pilot schools, in consortium with KID smART.

## **PRIOR AUDIT COVERAGE**

During the past five years, NEA Office of Inspector General (OIG) has not issued any audit reports on Federal grants awarded to LDOA. As of our site visit on October 6, 2014, the most recent single audit report was issued on June 30, 2013. The financial statements were audited by the Baton Rouge Office of Legislative Auditor, which issued an unmodified opinion.

LDOA's financial management system is administered in conjunction with the State of Louisiana. Furthermore, the State of Louisiana is subject to the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. LDOA Federal grants were not selected for review because they were not major programs<sup>1</sup>. However, the auditors identified some compliance deficiencies with Federal grant requirements such as, inaccurate sub-recipient monitoring and untimely reporting, which could have an impact on the management of NEA awards.

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<sup>1</sup> Federally assisted programs for which the program activity were equal to or greater than \$30,000,000 is considered a major program.

## RESULTS OF AUDIT

Our audit concluded that LDOA generally complied with the financial management system requirements established by OMB and NEA. However, we found that LDOA did not submit the Final Descriptive Report (FDR) timely. We also could not determine whether LDOA is in compliance with the Rehabilitation Act of 1973, as amended.

### Final Reporting

LDOA did not submit the FDR within 90 days from the end of the grant period for NEA Grant No. 12-5100-7100. The FDR was due August 29, 2013, however, the report was not received until November 8, 2013. LDOA did not request an extension for filing final reports, as required by NEA's General Terms.

According to NEA General Terms and Conditions, recipients must submit a Final Report package including the FDR, the Federal Financial Report, and any required final product(s) no later than 90 days after the project period end date. If the recipient's project is completed but needs additional time to submit the required Final Reports and/or product, recipients can ask for an extension on filing the Final Reports.

Therefore, we recommend that LDOA develop written policies and implement procedures to ensure that final reports are submitted to NEA timely.

### Section 504 Self-Evaluation

On October 16, 2014, LDOA officials submitted a 504 self-evaluation, however we were unable to determine the date it was actually completed. As noted in NEA's General Terms, the evaluation should be reviewed for each award to ensure that it is current, the organization is still in compliance, and the activity supported by the Arts Endowment will be in compliance.

We recommend LDOA complete, and/or update as necessary, the 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.

### Other Matters

Effective December 26, 2014, the OMB Circulars which governed the management of Federal assistance awards will be replaced with 2 CFR 200 *Uniform Guidance: Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The guidance supersedes and streamlines OMB Circulars A-21, A-87, A-110, A-122, A-89, A-102, A-133 and A-50. The guidance can be found at [http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl).

Furthermore, NEA's General Terms for Fiscal Year 2015 awards will include new guidance, incorporating 2 CFR 200.

## **EXIT CONFERENCE**

A preliminary exit conference was held with LDOA officials on October 8, 2014. Subsequent to our site visit, a telephone exit conference was also held with LDOA officials on December 17, 2014 to discuss the draft report. LDOA officials concurred with our findings and recommendations and agreed to implement corrective actions.

### **LDOA Response**

On December 19, 2014, LDOA submitted a written response to the draft report. The response stated that the delay in submitting the final FDR was due to a staff transition. The response also stated that LDOA officials requested documentation for the Section 504 self-evaluation from a different state department, which delayed its response.

## **RECOMMENDATIONS**

We recommend that LDOA:

1. Develop written policies and implement procedures to ensure that final reports are submitted to NEA timely.
2. Complete, and/or update as necessary, the 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.