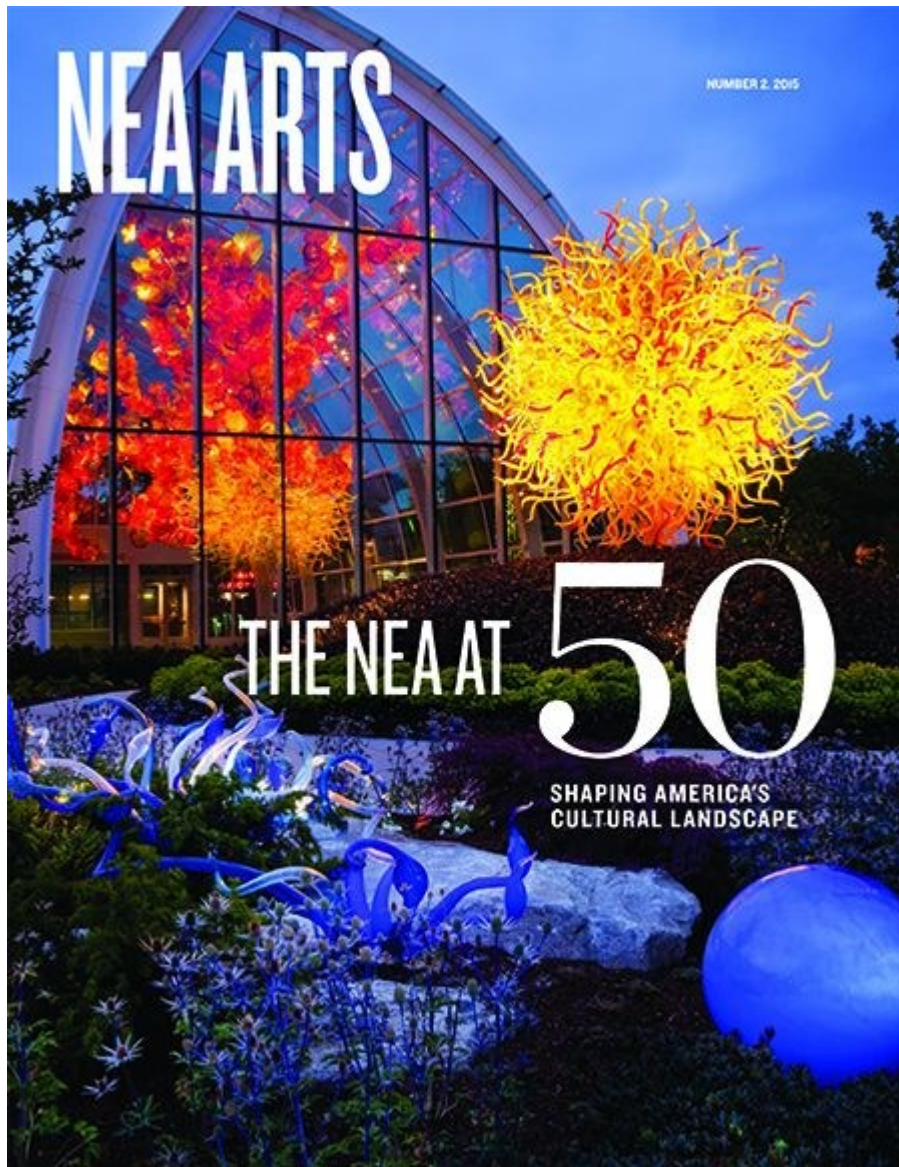


**National Endowment for the Arts  
Office of Inspector General  
Semiannual Report**



**April 1, 2015 through September 30, 2015**

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OFFICE OF INSPECTOR GENERAL

WASHINGTON DC 20506

October 31, 2015

## A MESSAGE FROM THE INSPECTOR GENERAL

On behalf of the National Endowment for the Arts (NEA) Office of Inspector General (OIG), I am pleased to present our Semiannual Report to Congress for the period ended September 30, 2015.

During this reporting period, we issued one audit report, one special review report, and two memoranda which contained eighteen recommendations. There were no investigations opened or in progress. Our reports can be found at <https://www.arts.gov/oig/audits-and-reviews>.

Our most recent peer review report of our audit processes was issued on December 13, 2013. We received a clean opinion on the quality assurance system our audit organization uses to produce its reports. We were contacted and processed three FOIA request and no hotline inquiries.

As in the past, NEA's leadership has been responsive in working with the OIG to resolve all proposed recommendations. I appreciate the support and look forward to working with management in our ongoing efforts to promote economy and efficiency in agency programs.

A handwritten signature in blue ink, appearing to read "Tonie Jones".

Tonie Jones  
Inspector General

## INTRODUCTION AND DEFINITIONS

### NATIONAL ENDOWMENT FOR THE ARTS

Founded in 1965, the National Endowment for the Arts (NEA) offers assistance to a wide range of non-profit organizations and individuals that carry out arts programming, as well as State Arts Agencies and Regional Arts Organizations. NEA supports exemplary projects of excellence in the artistic disciplines of artist communities, dance, design, folk and traditional arts, literature, media arts, museums, music, opera, presenting and multidisciplinary works, theater and musical theater, and visual arts, as well as for arts education projects and local arts agencies. Grants are awarded for specific projects rather than for general operating or seasonal support. Most NEA grants are matched dollar for dollar with non-Federal funds. NEA received an appropriation of \$146.021 million through the Consolidated and Further Continuing Appropriations Act, 2015.

### OFFICE OF INSPECTOR GENERAL

**THE MISSION OF THE OFFICE OF INSPECTOR GENERAL IS TO PROMOTE ECONOMY, EFFICIENCY, AND EFFECTIVENESS BY DETECTING AND PREVENTING WASTE, FRAUD, AND ABUSE.**

The Inspector General Act of 1978 (IG Act), as amended (5 USC App.), established independent, objective units within Federal agencies for oversight purposes. In 1988, the Congress amended the IG Act (Public Law 100-504) to establish statutory Inspectors General at additional departments and agencies, as well as at designated Federal entities and establishments, including NEA.

On October 14, 2008, the President signed the Inspector General Reform Act of 2008 (Public Law 110-409), which amends the previous IG Act by enhancing the independence of the Inspectors General and creating a Council of the Inspectors General on Integrity and Efficiency (CIGIE).

NEA Office of Inspector General (OIG) is required by law to prepare a semiannual report summarizing the activities of the office during the preceding six-month period. The report is sent to the NEA Chairman, the National Council on the Arts, and NEA's appropriating and authorizing committees. This dual reporting requirement facilitates and ensures the independence of the OIG.

This semiannual report summarizes the OIG's major activities, initiatives, and results for the six-month period ended September 30, 2015. The OIG consists of the Inspector General (IG), three auditors, and a part-time administrative assistant.

Currently, the OIG is fully staffed. There is no investigator or general counsel on the staff. To provide a reactive investigative capability, we have a Memorandum of Understanding with the National Science Foundation's OIG (NSF OIG) to provide coverage on a reimbursable basis, as needed. No investigative coverage from NSF OIG was needed during the recent six-month period. We have a Memorandum of Understanding with the National Credit Union Administration's OIG (NCUA OIG) that details procedures to be used for providing the OIG with legal services pursuant to the new requirements reflected in the 2008 IG Act. A NCUA OIG staff member has been assigned to provide such services on an as-needed basis. We have a Memorandum of Understanding with the US International Trade Commission's OIG to provide technical assistance with our evaluation of NEA's compliance with the Federal Information Security Management Act of 2002 on a reimbursable basis, as needed. We also have a Memorandum of Understanding with the National Endowment for Humanities OIG to provide and receive independent quality assurance reviews of audit and review reports to ensure compliance with applicable standards.

## DEFINITIONS

### WE PERFORM THE FOLLOWING SERVICES:

**ATTESTATIONS** involve examining, reviewing, or applying agreed-upon procedures on a subject matter, or an assertion about a subject matter. Attestations can have a broad range of financial or nonfinancial objectives such as NEA's compliance with specific laws and regulations, validation of performance against performance measures or reasonableness of cost.

**PERFORMANCE AUDITS** address the efficiency, effectiveness, and economy of NEA's programs, activities, and functions; provide information to responsible parties to improve public accountability; facilitate oversight and decision making; and initiate corrective actions as needed.

**FINANCIAL AUDITS** provide an independent assessment of whether an entity's reported financial condition, results, and use of resources are presented fairly in accordance with generally accepted accounting principles. Reporting on financial audits in accordance with Government Auditing Standards also includes reports on internal control, and compliance with provisions of laws, regulations, and contracts as they relate to financial transactions, systems and processes.

**INVESTIGATIONS** are conducted based on alleged or suspected fraud, waste, abuse or gross mismanagement, employee and contractor misconduct, and criminal and civil violations of law that have an impact on NEA's programs and operations. The OIG refers matters to the U.S. Department of Justice whenever there is reasonable grounds to believe there has been a violation of Federal criminal law. The OIG also identifies fraud indicators and recommends measures to management to improve the agency's ability to protect itself against fraud and other wrongdoing.



## **AUDITS, INSPECTIONS, EVALUATIONS AND RELATED ACTIVITIES**

Audits, evaluations and other reviews conducted by the OIG personnel during the current and prior periods have disclosed a few instances of deficient financial management practices in some organizations that received NEA grants. Among these were:

- Ensuring that contractors and recipients are not debarred or suspended from receiving Federal assistance prior to the payment or award of Federal funds;
- Written policies and procedures for the management of Federal awards;
- Reporting accurate and allowable costs;
- Maintaining a Section 504 self-evaluation at the organization; and
- Maintaining supporting documentation for costs charged to the NEA grant.

During the six-month period ending September 30, 2015, we issued one limited scope audit report, one special review report and two memoranda which contained eighteen recommendations.

One special review report and two memoranda were issued to NEA. The report related to a grantee's eligibility to receive Federal assistance. The report contained nine recommendations, four of which were implemented during the reporting period. One memorandum, related to NEA's programs and operations, contained three recommendations, all of which remain open. The second memorandum, related to a grantee's financial management systems and compliance with NEA and Federal requirements, contained three recommendations, all of which were implemented during the reporting period.

The limited scope audit report, was issued to a grantee, related to the grantee's financial management system and compliance with NEA and Federal requirements. The report contained three recommendations, all of which were implemented during the reporting period.

Table 1 (page 10) provides a summary of reports issued during this period.



## **Completed Audits and Reports**

### **LS-15-02 Limited Scope Audit Report on Selected NEA Grants to Mid Atlantic Arts Foundation, Inc. (MD)**

The audit concluded that Mid Atlantic Arts Foundation (MAAF) generally complied with the financial management system requirements established by OMB and NEA for Federal awards. However, we made three recommendations to improve its management of Federal awards. The recommendations were to develop and implement written policies and procedures to ensure (1) contractors and recipients are not debarred or suspended from receiving Federal assistance prior to the award or payment of Federal funds; (2) only allowable costs are charged to NEA grant and (3) to adhere to policies and procedures to ensure that documentation is maintained for all cost transactions. MAAF concurred and implemented corrective actions for all of the recommendations during this reporting period.

## **Completed Inspections and Reports**

We did not conduct any inspections during the recent six-month period.

## **Completed Special Reviews, Evaluations and Reports**

### **SCE-15-02 Special Review on Houma Regional Arts Council (LA)**

The review concluded that Houma Regional Arts Council (HRAC) did not comply with the financial management system requirements established by OMB and NEA for Federal awards. The report contained nine recommendations to NEA, including repayment in the amount of \$11,500 and the proposed debarment of HRAC and a former official. HRAC could not account for funds received or provide supporting documentation for costs charged to the grant. HRAC did not submit final reports and did not maintain an active registration in the General Services Administration's System for Award Management (SAM), as required. NEA concurred with all of the recommendations. Corrective actions for four of the recommendations have been implemented. Corrective actions for the remaining five recommendations were in process at the end of this reporting period.

## **Completed Advisory Memoranda and Letters**

We perform reviews of NEA and grantee programs and operations which may not result in an audit or evaluation report. Advisory memoranda and letters are issued to communicate results and recommendations, if applicable.

There were two memoranda issued to NEA during this reporting period. One memorandum related to a grantee's funding eligibility, contained three recommendations. NEA concurred with the recommendation and implemented corrective action during this reporting period. The second memorandum related to NEA's Freedom of Information Act program, contained three recommendations. NEA concurred; however, all of the recommendations remained open at end of this reporting period.

### **Audit Resolution and Corrective Actions**

During this semiannual reporting period, NEA continued to make progress in implementing open recommendations.

At the beginning of the reporting period, there were eight open recommendations from prior reports. Based on appropriate evidence and documentation provided to support implementation of corrective actions, five recommendations related to grantees' management of NEA awards were closed.

### **Reports Issued with Questioned Costs**

At the beginning of the six-month period, there were no reports awaiting a management decision to allow or disallow questioned costs.

There was one report issued during the period with questioned costs.

Table 2 (page 11) provides a summary of issued reports with recommendations that questioned costs.

### **Reports Issued with Recommendations that Funds Be Put to A Better Use**

There were no reports issued with recommendations that funds be put to a better use.

Table 3 (page 12) provides a summary of the issued reports with recommendations that funds be put to a better use.

### **Reports Issued with Recommendations Open for More than 180 days**

At the end of the period, there were three recommendations from two reports to NEA relating to its information security program which remain open for more than 180 days. Implementation of corrective actions is in progress.

Table 4 (page 13) provides a summary of reports with recommendations open 180 days or more on which corrective actions are still in progress.

## **Audits, Inspections, Evaluations and Related Activities Planned or In-Progress**

We will complete three mandatory reviews during the next reporting period that will assess NEA's management of financial assets and reporting, information security and government credit cards.

### **FY 2015 Audit of the NEA Financial Statements**

A financial statement audit is required annually under the Accountability of Tax Dollars Act of 2002. We contract with an independent public accountant to perform this work. We provide oversight on the contract. The purpose of the audit is to express an opinion on the financial statements of NEA for the fiscal year ending September 30, 2015. The audit will also test the internal controls over financial reporting and assess compliance with selected laws and regulations.

### **FY 2015 Evaluation of NEA's Compliance with the Federal Information Security Act of 2002**

The Federal Information Security Act of 2002 (FISMA) requires an annual evaluation of each agency's information security program and practices to determine their effectiveness. The evaluation is performed by the OIG and/or by an independent external auditor.

The review includes evaluating the adequacy of NEA's information security program and practices for its major systems. The report will be submitted in Cyberscope.

## **OTHER PLANNED REVIEWS**

Annually, NEA awards more than 2,000 grants and cooperative agreements exceeding \$100 million, funding the arts in all 50 states and six U.S. jurisdictions, including urban and rural areas, and reaching civilian and military populations. Therefore, grants management and oversight is crucial to the mission of the NEA and continued public trust.

In FY 2016, we plan to continue to evaluate NEA's policies and procedures for the management of its programs and operations. We will also continue to evaluate award recipients' financial management system and recordkeeping practices to determine compliance with the requirements established by OMB and NEA's *General Terms and Conditions for Grants and Cooperative Agreements to Organizations*. We will also review NEA's compliance under other relevant Federal guidelines such as the Government Charge Card Abuse Prevention Act of 2012.

## **INVESTIGATIVE ACTIVITIES**

The IG Act authorizes the OIG to receive and investigate allegations of employee misconduct as well as fraud, waste and abuse occurring within NEA programs and

operations. Matters of possible wrongdoing are referred to the OIG in the form of allegations or complaints from a variety of sources, including NEA employees, other government agencies and the general public. Reported incidents of possible fraud, waste and abuse can give rise to administrative, civil or criminal investigations.

### **Investigative Summary**

We did not open any new allegation cases during the recent six-month period. No criminal investigations were performed during this period.

Table 5 (page 14) provides a summary of investigative activities during this period.

## **OTHER ACTIVITIES**

### **Activities within the Inspector General Community**

We have allocated resources for responding to information requests from and for the Congress and other agencies. Our staff have also participated in various efforts by CIGIE, a council of inspectors general that promotes collaboration on integrity, economy, and efficiency issues that transcend individual agencies. The NEA IG is a member of the CIGIE Inspection and Evaluation Committee and Roundtable.

To develop effective oversight strategies for Federal awards, our staff participated in the Single Audit Roundtable, Interagency Fraud and Risk Data Mining, Federal Audit

Executive Council, and the Department of Justice Grant Fraud and Federal Hotline working groups. The staff also participated in several outreach efforts to promote and strengthen relationships with State and local inspectors general organizations.

### **Significant Management Decisions**

Section 5(a)(12) of the IG Act requires that if the IG disagrees with any significant management decision, such disagreement must be reported in the semiannual report to Congress. Further, Section 5(a)(11) of the IG Act requires that any decision by management to change its response to a significant resolved audit finding must also be disclosed in the semiannual report. For this reporting period, there were no significant management decisions made in which we disagreed, and management did not revise any earlier decisions on our audit recommendations.

### **Access to Information**

The IG should be provided with ready access to all agency records, information, or assistance when conducting an investigation or audit.

Section 6(b)(2) of the IG Act requires the IG to report to the agency head, without delay, if the IG believes that access to required information, records or assistance has been unreasonably refused, or otherwise has not been provided. A summary of each report submitted to the agency head in compliance with Section 6 (b)(2) must be provided in the semiannual

report in accordance with Section 5(a)(5) of the Act. During this reporting period, we did not encounter a problem in obtaining assistance or access to agency records.

## Review of Legislation and Regulations

Section 4(a)(2) of the IG Act authorizes the IG to review and comment on proposed legislation or regulations relating to the agency or, upon request, affecting our operations. During this reporting period, we provided analyses and written commentaries on NEA and other government publications/reports and regulations.

## Peer Review Activity

Section 989C of the Dodd-Frank Act contains additional semiannual reporting requirements pertaining to peer review reports. Federal IGs are required to engage in peer review processes related to both their audit and investigative operations. These activities cover our role as both the reviewed and the reviewing OIG and relate to both audit and investigative peer reviews. In keeping with Section 989C, we are reporting the following information related to its peer review activities.

## Audit Peer Reviews

On a 3-year cycle, peer reviews are conducted of an OIG audit organization's system of quality control in accordance with the *CIGIE's Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. These guidelines are based on requirements in the *Government Auditing Standards*. Federal audit organizations can receive a rating of pass, pass with deficiencies, or fail.

The U.S. Consumer Product Safety Commission's OIG conducted our peer review and issued its system review report on December 13, 2013. In the U.S. Consumer Product Safety Commission OIG's opinion, the system of quality control for our audit organization in effect for the year ended March 31, 2013, had been suitably designed and complied with to provide our office with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. We received a peer review rating of pass.

The report's accompanying letter of comment contained five recommendations that, while not affecting the overall opinion, were designed to further strengthen our system of quality control. We agreed with four of the five findings and recommendations and have completed corrective actions for all five of the recommendations. The system review report is posted on our Web site at <https://www.arts.gov/oig/reports/external-peer-reviews>. We are scheduled for a peer review in 2016.

During FY 2015, we conducted a peer review of the U.S. Government Accountability Office OIG. The report can be found on their website.

## Web Site

We maintain an ongoing Internet presence <https://www.arts.gov/oig> to assist and inform NEA employees, grantees and the public. The site includes pages for *Whistleblower Protections, Reporting Fraud, Waste and Abuse; Reports; Guidance; Career Opportunities, Frequently Asked Questions and Other Resources*.

## **STRATEGIC PLAN**

The NEA OIG has issued its Strategic Plan & Five-Year Audit Plan for the years 2016–2020. Our planning methodology is built around the concept of issue areas and issues. The issue areas are broad categories of prime importance; they highlight the priorities of our customers—NEA management, the Congress and the American people. The individual issues, expressed as questions, represent an assessment of the most significant concerns facing NEA. The methodology also includes the formulation of annual audit work plans. (Appendix A)

**TABLE 1: SUMMARY OF REPORTS ISSUED DURING THE REPORTING PERIOD**

<b>Report No.</b>	<b>Report Date</b>	<b>Report Title</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>	<b>Funds Put To A Better Use</b>
LS-05-02	May 6, 2015	Limited Scope Audit Report on Selected NEA Grants to Mid Atlantic Arts Foundation, Inc.	0	0	0
R-15-02	May 13, 2015	Special Review on Houma Regional Arts Council (LA)	11,500	11,500	0
M-15-06	June 4, 2015	Request that Craft & Folk Art Museum be Removed from the Cost Reimbursement Method of Payment	0	0	0
M-15-07	Sept 17, 2015	Management Advisory Report—NEA’s Freedom of Information Act Program	0	0	0

**TABLE 2: INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS**

		Dollar Value			
		Number of Reports	Questioned Costs	Unsupported Costs	Potential Refunds
A.	For which no management decision has been made by the commencement of the reporting period	0	0	0	0
B.	Which were issued during the reporting period	1	11,500	11,500	11,500
	Subtotals (A+B)	1	11,500	11,500	11,500
C.	For which a management decision was made during the reporting period	0	0	0	0
	(i) dollar value of the disallowed costs	0	0	0	0
	(ii) dollar value of the cost not disallowed	0	0	0	0
D.	For which no management decision was made by the end of the reporting period	1	11,500	11,500	11,500
E.	Reports for which no management decision was made within six months of issuance	0	0	0	0



**TABLE 3: INSPECTOR GENERAL ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE**

		Number of Reports	Dollar Value
A.	For which no management decision has been made by the commencement of the reporting period	0	0
B.	Which were issued during this reporting period	0	0
C.	For which a management decision was made during the reporting period	0	0
	(i) dollar value of recommendations that were agreed to by management	0	0
	- based on proposed management actions	0	0
	- based on proposed legislative action	0	0
	(ii) dollar value of recommendations that were not agreed to by management	0	0
D.	For which no management decision has been made by the end of the reporting period	0	0
E.	Reports for which no management decision was made within six months of issuance	0	0

**TABLE 4: REPORTS WITH RECOMMENDATIONS ON WHICH CORRECTIVE ACTIONS HAVE NOT BEEN COMPLETED**

Report Number	Report Date	Report Title	Brief Summary of Significant Recommendations/Planned Corrective Actions
R-13-01	Dec 17, 2012	FY 2012 Evaluation of NEA's Compliance with the Federal Information Security Act of 2002	The report included four recommendations; one of which remains open. NEA should implement the use of PIV smartcard credentials for access to its network and information systems. NEA has implemented the capability for PIV smartcard access to its network; however, it has not been fully implemented as a mandatory requirement. Corrective actions are in progress.
R-13-03	Feb 15, 2013	Evaluation of NEA Perimeter Security	The report included seven recommendations; two of which remain open. NEA should improve its perimeter security by performing scheduled, routine scanning of the perimeter on at least a monthly basis and perform perimeter scans after new hardware or software is introduced to the NEA perimeter network. Corrective actions are in progress.

**TABLE 5: INVESTIGATIVE DATA**

<b>Civil/Criminal Investigative Activities</b>	Number of Recommendations
Referrals to Prosecutors	0
Civil Settlements	0
Investigative Recoveries	0
<b>Hotline Contacts</b>	
Telephone Calls	0
Email	0
Standard Mail	0
Referred by Other Sources	0
Referred to Other Sources	0
Fax	0
<b>Total</b>	0
<b>Freedom of Information Act Requests</b>	
Requests Received	3
Requests Processed	3
<b>Total</b>	3

**TABLE 6: SUMMARY OF INSPECTOR GENERAL REPORTING REQUIREMENTS**

IG ACT Reference	Reporting Requirement	Page(s)
Section 4(a)(2)	Review of legislation and regulations	8
Section 5(a)(1)	Significant problems, abuses and deficiencies	4-7
Section 5(a)(2)	Recommendations with respect to significant problems, abuses and deficiencies	4-7
Section 5(a)(3)	Prior significant recommendations on which corrective actions have not been completed	6 and 13
Section 5(a)(4)	Matters referred to prosecutive authorities	7
Section 5(a)(5)	Summary of instances where information was refused	8
Section 5(a)(6)	List of audit reports by subject matter, showing dollar value of questioned costs and funds put to better use	11-12
Section 5(a)(7)	Summary of each particularly significant report	4-7
Section 5(a)(8)	Statistical tables showing number of reports and dollar value of questioned costs	11
Section 5(a)(9)	Statistical tables showing number of reports and dollar value of recommendations that funds be put to better use	12
Section 5(a)(10)	Summary of each audit reports issued before this reporting period for which no management decision was made by the end of the reporting period	6
Section 5(a)(11)	Significant revised management decisions	8
Section 5(a)(12)	Significant management decisions with which the inspector general disagrees	8
Section 6(b)(2)	Access to information	8
Section 989(c)	<i>Peer Review—Sec. 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law 111-203) requires Inspectors General to include the results of any peer review conducted by another Office of Inspector General during the reporting period; or if no peer review was conducted, a statement identifying the date of the last peer review.</i>	9

## CONTACTING THE OFFICE OF INSPECTOR GENERAL

HELP PROMOTE INTEGRITY, ECONOMY AND EFFICIENCY

REPORT SUSPECTED FRAUD, WASTE, ABUSE OR MISMANAGEMENT

COMPLAINT MAY BE MADE ANONYMOUSLY

OFFICE OF INSPECTOR GENERAL

400 7TH STREET, SW

WASHINGTON, D.C. 20506

TOLL-FREE HOTLINE: 1 (877) 535-7448

LOCAL CALLS: (202) 682-5479

FAX: (202) 682-5649

EMAIL: [OIG@ARTS.GOV](mailto:OIG@ARTS.GOV)

ANY INFORMATION YOU PROVIDE WILL BE HELD IN CONFIDENCE.

HOWEVER, PROVIDING YOUR NAME AND MEANS OF COMMUNICATING WITH YOU

MAY ENHANCE OUR ABILITY TO INVESTIGATE.

**STRATEGIC PLAN  
&  
FIVE-YEAR AUDIT PLAN  
2016 - 2020**

National Endowment for the Arts  
Office of Inspector General

October 2015

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# INTRODUCTION

## Foreword

The National Endowment for the Arts (NEA) Office of Inspector General (OIG) was established in 1989 pursuant to Public Law 100-504, "The Inspector General Act Amendments of 1988" (IG Act). On October 14, 2008, the President signed the Inspector General Reform Act of 2008 (2008 Act) (Public Law 110-409), which amends the previous IG Act to enhance the independence of the Inspectors General, to create a Council of the Inspectors General on Integrity and Efficiency, and other purposes. This document describes the plan of NEA OIG for discharging its ongoing responsibilities under the IG Act, and for meeting its operational objectives for the period from fiscal year 2016 through fiscal year 2020.

This strategic plan is also a response to the General Accounting Office Report No. B-244053, "Inspectors General: Action Needed to Strengthen OIGs at Designated Federal Entities." That report recommended that OIGs develop strategic plans, prepare annual work plans for each year of a five-year period, and report the plans to their entity heads and, in their semiannual reports, to the Office of Management and Budget (OMB) and the Congress.

## OIG Mission Statement

NEA OIG is a team of skilled personnel dedicated to helping NEA reach its essential goals and objectives. To this end, NEA OIG independently conducts activities such as audits, evaluations, investigations and special reviews with accuracy, balance and objectivity. Working with management to help avoid problems before they occur, our mission is to: promote economy, efficiency and effectiveness in NEA activities; prevent and detect fraud, waste and abuse; advocate ethics in government; and keep the Chairman and the Congress fully and currently informed about problems and deficiencies relating to the administration of NEA programs and operations.

In achieving our mission, the staff of NEA OIG will be fair and equitable, performing our duties with honesty and integrity. We will strive to be leaders and innovators in our field of expertise and will be accountable for meeting our responsibilities. We will cooperate with all components of NEA, giving proper recognition to the rights, authorities and duties of its employees and the public it serves.

## Duties and Responsibilities of the Inspector General

The Inspector General (IG) shall:

- Provide policy direction for, and conduct, supervise, and coordinate audits (including evaluations and other reviews that are conducted in accordance with applicable government standards) and investigations relating to the programs and operations of NEA;
- Review existing and proposed legislation and regulations to determine their impact on economy and efficiency in the administration of, and the prevention and detection of fraud, waste and abuse in NEA programs and operations;



- Recommend policies and conduct, supervise, or coordinate activities both internal and external to NEA, for the promotion of economy and efficiency, and the prevention and detection of fraud, waste and abuse in NEA programs and operations;
- Keep the NEA Chairman and the Congress fully and currently informed concerning fraud and other serious problems, abuses, and deficiencies relating to the administration of programs and operations financed by NEA, or the identification and prosecution of participants committing such fraud or abuse;
- Comply with standards established by the Comptroller General of the United States for audits of Federal establishments, organizations, programs, activities and functions (Government Auditing Standards);
- Give particular regard to the activities of the Comptroller General of the United States with a view toward avoiding duplication and ensuring effective coordination and cooperation;
- Establish guidelines for determining when it shall be appropriate to use non-Federal auditors, and give due regard to assuring that any work performed by non-Federal auditors complies with the Comptroller General's standards; and
- Report expeditiously to the Attorney General whenever the IG has reasonable grounds to believe there has been a violation of Federal criminal law.

## **Authority of the Inspector General**

To carry out these responsibilities, the Congress has given the IG:

- Access to all records, reports, audits, reviews, documents, papers, recommendations, or other material available to NEA which relate to its programs and operations;
- Authority to conduct such investigations and reviews that are, in the judgment of the Inspector General, necessary or desirable;
- Authority to request information or assistance from any Federal, state or local government agency or unit thereof, as may be necessary for carrying out the duties and responsibilities of the Inspector General Act;
- Authority to issue subpoenas;
- Authority to administer and take an oath, affirmation or affidavit from any person when necessary;
- Direct and prompt access to the NEA Chairman;
- Authority to select, appoint and employ such officers and employees as may be necessary for carrying out the functions, powers and duties of NEA OIG; and
- Within the limits of the established budget, authority to contract for audits, studies, analyses and other services.

## **Jurisdiction of the Inspector General**

NEA OIG consolidates audit and investigative capabilities under the direction of a single official, the IG, who in turn reports directly to the NEA Chairman and the Congress. Three important features characterize NEA OIG: independence, objectivity and integrity.

Although under the Chairman's general supervision, the Chairman may not prevent or prohibit the IG from initiating, performing, or completing any audit or investigation. The IG is also vested with special authorities that facilitate the performance of his or her mandate, and it is from these provisions that the element of independence derives.

The IG legislation states that there should be no conflicting policy responsibilities between the IG and the Agency, thereby ensuring objectivity and independence. The IG's sole responsibility is auditing, investigating, and initiating other activities designed to promote economy and efficiency, and detect and prevent fraud, waste and abuse.

The investigative jurisdiction of NEA OIG includes all allegations of fraud, abuse and mismanagement, and any apparent or suspected violations of statute, order, regulation or directive in connection with any program or operation of NEA.

The audit jurisdiction of NEA OIG encompasses a wide range of audit services, including audits and special reviews. Audits are characterized as: financial or performance; full-scope or limited-scope; and external (focusing on the records of recipients of NEA funding) or internal (focusing on operations and activities carried on within NEA). Special reviews are used to appraise and provide information about particular programs or projects. They include evaluations (commonly focused on assessments of grantees' financial management systems and grantee compliance), and electronic data processing reviews (focused on information security, data centers, application systems or telecommunication systems). As part of our audit and review process, we examine audit reports issued by other Federal agencies, state auditors, and independent public accountants to determine whether the results of audits have either a past, current or potential effect on NEA awards and what action, if any, is required by NEA. In addition, reviews may be conducted of individual awards to ensure proper reporting of expenditures.

The Inspector General's jurisdiction also includes the review of existing and proposed legislation and regulations relating to NEA programs and activities. This is essentially a reactive activity, limited to commenting on and making recommendations about the impact of the legislation or regulation on economy and efficiency or the prevention of fraud, waste and abuse. As an adjunct to the legal requirement, the Inspector General is consulted as a matter of NEA policy prior to issuance of internal directives and other significant pronouncements.

The Inspector General's jurisdiction is not always limited to the areas listed above. The IG may, as circumstances dictate, be given special assignments by the NEA Chairman.

## **Planning Methodology**

The planning methodology that we have adopted is built around the concepts of issue areas and issues. Issue areas are broad categories of prime importance: they highlight the priorities of our customers -- NEA management, the Congress, and the American people -- and contain a number of narrower topics or individual issues. The individual issues, expressed as questions, represent an assessment of the most significant concerns facing NEA.

The methodology also includes the formulation of annual audit work plans. The annual plan defines the work to be done by: identifying individual jobs; assigning priorities; linking jobs to

the strategic issue areas; allocating staff among issue areas and issues; and serving as a device for communicating with NEA officials. The work plans will, of course, require periodic updates to reflect shifts in issue emphasis as well as changes in audit resources.

It is expected that issue area planning will:

- Establish multi-year audit objectives consistent with NEA and congressional needs;
- Focus NEA OIG's resources on issues that represent the greatest risk to NEA and those that offer the most opportunity for adding value;
- Reflect NEA OIG's budget requests and resource allocation decisions; and
- Provide a basis for measuring results and ensuring accountability.

## **OIG Resource Requirements**

NEA OIG staff currently consists of four full-time positions, namely, the IG, three Auditors and one part-time position, an Administrative Assistant. There is no investigator or general counsel on staff. To provide a reactive investigative capability, we have a Memorandum of Understanding with the National Science Foundation's Office of Inspector General (NSF OIG) whereby NSF OIG agrees to provide investigative coverage for us on a reimbursable basis as needed. We have a Memorandum of Understanding with the National Credit Union Administration's Office of Inspector General that details procedures to be used for providing NEA OIG with legal services pursuant to the new requirements reflected in the 2008 Act. We also have a Memorandum of Understanding with the US International Trade Commission's Office of Inspector General to provide technical assistance for our evaluation of NEA's compliance with the Federal Information Security Management Act of 2002.

It is possible that the resources provided for NEA OIG may, at some time, need to be changed. Any such adjustment should be based on periodic evaluations of NEA OIG as gauged by the performance measures identified in this strategic plan and available resources.

# STRATEGIC ISSUE AREAS

## Issue Area 1: NEA Program Activities

Major functions include:

- Project monitoring; allowable costs; and compliance with reporting requirements, and general terms and conditions
- Audit followup
- Grant award process

**Issue 1.1:** Does NEA evaluate completed projects to assess the benefits and accomplishments attributable to NEA funding?

**Strategy:** NEA OIG will work with NEA management to assess the effectiveness of NEA practices for reviewing the results obtained by recipients' projects as well as NEA's program initiatives.

**Issue 1.2:** Does NEA ensure that the recipients of funding are held accountable for meeting their particular reporting requirements and for complying with the terms and conditions applicable to their awards?

**Strategy:** NEA OIG will conduct audits and special reviews (such as evaluations) to verify accountability, allowability, and compliance with terms and conditions. In addition, NEA OIG will continue to review the implementation of corrective actions and advise management as to the effectiveness of the actions and whether the desired results were achieved. Furthermore, NEA OIG will provide technical assistance to grantees on how to maintain a financial management system and on how to comply with the financial aspects of the terms and conditions.

**Issue 1.3:** Are NEA's standards for determining grantee eligibility consistent with the Agency's mission and legislated objectives?

**Strategy:** NEA OIG will survey these measures to assess NEA compliance and evaluate the extent to which stated purposes are being achieved.

**Issue 1.4:** Does NEA provide potential applicants with information that is both appropriate and adequate regarding its funding initiatives?

**Strategy:** NEA OIG will survey this function to assess timeliness, adequacy of content, and effectiveness in reaching potential applicants.

**Issue 1.5:** Does NEA ensure that applications are processed and evaluated in accordance with legislative requirements and NEA policies?

**Strategy:** NEA OIG will survey and document the existing policies and procedures at the NEA program level, Advisory Panel (Panel) level and the National Council on the Arts (Council) level. Subsequent efforts will focus on areas in which compliance may be improved.

**Issue 1.6:** Do NEA's policies and procedures for its AccessAbility program adequately provide a framework consistent with legislative requirements?

**Strategy:** NEA OIG will conduct surveys and analyses as warranted to assess policies and initiatives for promoting AccessAbility's goals and objectives.

## **Issue Area 2: NEA Administrative Operations**

Major functions include:

- Information systems
- Financial management
- Budget administration
- Procurement and facilities
- Human resources
- Internal controls
- Freedom of Information and Privacy Acts

**Issue 2.1:** Is NEA efficiently and effectively addressing the need to modernize its information management systems, and in a manner that allows it to continue meeting current operational needs while maintaining consistency with provisions of the Computer Security Act, OMB Circular No. A-130 and the Federal Information Security Management Act of 2002?

**Strategy:** NEA OIG will continue to assist management by: participating in task groups; periodically reviewing and commenting on implementation issues; and performing internal control reviews on new systems with a focus on security and problem prevention.

**Issue 2.2:** Does NEA's financial management system provide the management information needed for: (1) budget planning and formulation, budget allocation, and budget review and follow up; and (2) monitoring costs and expenditures in accordance with the requirements and initiatives of Congress, OMB, the Department of the Treasury, and the Accountability of Tax Dollars Act of 2002?

**Strategy:** NEA OIG will conduct, through an independent auditor, financial related audits to verify the integrity of budget execution, the propriety of transactions, the validity of account balances, and the accuracy of financial reports.

**Issue 2.3:** Does NEA effectively assure that procurement actions comply with Federal and its requirements?

**Strategy:** NEA OIG will periodically review NEA's procurement activities in accordance with Federal and Agency requirements.

**Issue 2.4:** Do NEA's policies and procedures provide a framework for the efficient and effective use of human resources that are consistent with Equal Employment Opportunity (EEO) goals and objectives?

**Strategy:** NEA OIG will conduct surveys and analyses as warranted to: (1) identify patterns and trends; (2) evaluate NEA responsiveness to employee complaints or grievances; and (3) assess management initiatives for promoting EEO goals and objectives.

**Issue 2.5:** Are NEA's internal controls adequate to deter and detect fraud, waste, abuse, and mismanagement?

**Strategy:** NEA OIG will conduct audits and other reviews to uncover any weaknesses in internal controls and will prepare management reports with recommendations for corrective action, if applicable.

**Issue 2.6:** Do NEA's policies and procedures on Freedom of Information Act (FOIA) and the Privacy Act adhere to Federal laws and regulations?

**Strategy:** NEA OIG will periodically review NEA's policies and procedures for adherence to the Federal laws and regulations on FOIA and the Privacy Act.

### **Issue Area 3: OIG Administration and Investigations**

Major Functions Include:

- Audit universe
- Lines of communication
- Allegations' review
- Staff professionalism
- Regulatory review

**Issue 3.1:** Does NEA OIG maintain an up-to-date audit universe, complete with weighted criteria for assessing audit priorities?

**Strategy:** NEA OIG will update its universe of discrete auditable areas, revising and prioritizing the criteria as appropriate.

**Issue 3.2:** Does NEA OIG promote open relations and positive interaction with NEA officials and others?

**Strategy:** NEA OIG will: seek frequent feedback from the Chairman, senior staff and NEA managers as appropriate; actively participate on NEA committees or task forces when opportunities exist to add value. In addition, NEA OIG, when appropriate, will establish relations with Congressional committees, GAO, the Department of Justice and other law enforcement agencies, and the OIG community.

**Issue 3.3:** Does NEA OIG maintain an investigative capability that is appropriate for NEA?

**Strategy:** NEA OIG will continue to maintain a formal memorandum of understanding with the NSF OIG to provide for the temporary assignment of professional criminal investigators as needed. OIG auditors will screen allegations and other indications of possible misconduct to determine whether there is a sufficient basis for

investigation. If so, NEA OIG will, as appropriate, either refer the case to another investigative authority, request the temporary assignment of a criminal investigator from NSF OIG, or investigate the case as a civil matter with the expectation that, after the necessary evidence is gathered and evaluated, the matter will be referred to NEA management for administrative action.

**Issue 3.4:** Does NEA OIG foster the professional growth of its staff?

**Strategy:** NEA OIG will establish a staff feedback process to encourage the open exchange of information and ideas, and will continue to budget training funds adequately to satisfy the continuing education standards established by the Comptroller General.

**Issue 3.5:** Does NEA OIG review existing and proposed legislation and regulations to determine their effect on the programs and operations of NEA?

**Strategy:** NEA OIG will continue to work with management, devising a process for ensuring that legislative and regulatory proposals are evaluated for their impact on NEA.

# PERFORMANCE MEASURES

These measures are expected to help NEA OIG recognize successes, document achievements, evaluate progress toward goals, and identify needs for improvement. The measures are structured along the requirements of the IG Act and are intended to allow comparisons to previous periods.

- Feedback from customers on the value added by audit reports and other reviews of programs and operations;
- Assessment of the significance of recommendations implemented to correct deficiencies, which should lead to improved operations;
- The number of technical and advisory activities that benefited from OIG participation;
- The number of laws and regulations reviewed.



# FIVE-YEAR AUDIT PLAN 2016 - 2020

The following list of audits and audit-related efforts show how NEA OIG plans to use its available audit resources to implement the strategies previously discussed. The objectives of each project have been identified along with a short description of the work to be performed. While the plan is flexible and subject to revision based on management's input and changing conditions, it reflects our current assessment of relative risks and the most effective use of limited audit resources.

Criteria for selection include:

- Statutory requirements and recommendations from other sources of Federal authority such as OMB or US Government Accountability Office (GAO);
- Requests from NEA Chairman, Council, or other high authority;
- Importance of the activity to NEA's mission;
- Extent of NEA resources committed to the activity;
- Potential for fraud and other unlawful or improper acts;
- NEA needs as identified through consultation with representatives of management;
- Extent of audit coverage provided by GAO, consultants or other outside sources;
- Newness, changed conditions, or sensitivity of the activity;
- Adequacy of the existing internal control systems for the activity;
- Availability of audit staff with needed expertise; and
- Extent and results of prior reviews by NEA OIG.

Note: The following pages reflect each year's audit plan. In addition, on the very last page there is a list of audits, evaluations or reviews that may be added at any time to one of the upcoming years. For purposes of our audit plans, "grantee" refers to NEA grantees, cooperators or contractors.

## AUDIT PLAN - FY 2016

**Grantee Audits.** Conduct audits and other reviews to: 1) determine the adequacy of grantees' financial systems for managing and accounting for Federal funds, 2) evaluate the current financial condition of grantee organizations, and 3) verify compliance with the terms and conditions of NEA awards. The number of on-site audits to be conducted will depend on the availability of auditors and travel funds. (Issue 1.2)

**Evaluations.** Conduct evaluations of grantees to determine the adequacy of financial management systems and ensure that recordkeeping complies with the requirements established by OMB and NEA's General Terms and Conditions. Evaluations will be limited to reviewing records of one to two awards. The availability of auditors, travel funds, mandated reviews and reporting requirements, will dictate the number of evaluations (Issue 1.2)

**Special Reviews.** Conduct reviews of grantees' financial information, audit reports and other materials to: 1) determine compliance with relevant OMB circulars, 2) evaluate audit findings to determine effect on NEA grants, and 3) make recommendations, if any, is required by the grantees or NEA. An indeterminate number of reports will be examined throughout the year. (Issue 1.2)

**Audit Followup.** Track the status of recommendations for corrective action and provide the Audit Followup Official and other NEA managers with technical assistance in resolving audit findings. This activity will be ongoing throughout the year. (Issue 1.2)

### **Information & Technology Management (ITM) and Privacy Management Review.**

Determine whether NEA's ITM policies, procedures, and practices are adequate for meeting its operational and security needs, and whether they conform to accepted standards and requirements. Review of security matters will be undertaken in accordance with the Federal Information Security Management Act of 2002. Privacy review will be done in accordance with OMB guidance. (Issue 2.1) (Issue 2.6)

**Financial Statement Audit.** Provide oversight of the independent CPA firm conducting the financial statement audit of NEA. (Issue 2.2)

**Investigations.** Investigate all allegations of fraud, waste, abuse, mismanagement, employee misconduct or any apparent or suspected violation of law or official regulations. Although the number of investigative reviews to be conducted cannot be predicted with confidence, in recent years, the annual rate of new cases opened is one or two. (Issue 3.3)

**Regulatory Review.** Review existing and proposed legislation and regulations for effect on NEA programs and operations. This activity will be ongoing throughout the year. (Issue 3.5)

## AUDIT PLAN - FY 2017

**Grantee Audits.** Conduct audits and other reviews to: 1) determine the adequacy of grantees' financial systems for managing and accounting for Federal funds, 2) evaluate the current financial condition of grantee organizations, and 3) verify compliance with the terms and conditions of NEA grants. The number of on-site audits to be conducted will depend on the availability of auditors and travel funds. (Issue 1.2)

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**Regulatory Review.** Review existing and proposed legislation and regulations for effect on NEA programs and operations. This activity will be ongoing throughout the year. (Issue 3.5)

## AUDIT PLAN - FY 2018

**Grantee Audits.** Conduct audits and other reviews to: 1) determine the adequacy of grantees' financial systems for managing and accounting for Federal funds, 2) evaluate the current financial condition of grantee organizations, and 3) verify compliance with the terms and conditions of NEA grants. The number of on-site audits to be conducted will depend on the availability of auditors and travel funds. (Issue 1.2)

**Evaluations.** Conduct evaluations of grantees to determine the adequacy of financial management systems and ensure that recordkeeping complies with the requirements established by OMB and NEA's General Terms and Conditions. Evaluations will be limited to reviewing the records of one to two grants. The availability of auditors, travel funds, mandated reviews and reporting requirements, will dictate the number of evaluations. (Issue 1.2)

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**Regulatory Review.** Review existing and proposed legislation and regulations for effect on NEA programs and operations. This activity will be ongoing throughout the year. (Issue 3.5)

## AUDIT PLAN - FY 2019

**Grantee Audits.** Conduct audits and other reviews to: 1) determine the adequacy of grantees' financial systems for managing and accounting for Federal funds, 2) evaluate the current financial condition of grantee organizations, and 3) verify compliance with the terms and conditions of NEA grants. The number of on-site audits to be conducted will depend on the availability of auditors and travel funds. (Issue 1.2)

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**Regulatory Review.** Review existing and proposed legislation and regulations for effect on NEA programs and operations. This activity will be ongoing throughout the year. (Issue 3.5)

## AUDIT PLAN - FY 2020

**Grantee Audits.** Conduct audits and other reviews to: 1) determine the adequacy of grantees' financial systems for managing and accounting for Federal funds, 2) evaluate the current financial condition of grantee organizations, and 3) verify compliance with the terms and conditions of NEA grants. The number of on-site audits to be conducted will depend on the availability of auditors and travel funds. (Issue 1.2)

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**Regulatory Review.** Review existing and proposed legislation and regulations for effect on NEA programs and operations. This activity will be ongoing throughout the year. (Issue 3.5)

## OTHER ACTIVITIES \*

**Accessibility.** Review NEA's policies and procedures for compliance with laws and regulations governing accessibility. (Issue 1.6)

**Equal Employment Opportunities.** Review NEA's policies and procedures for compliance with laws and regulations governing equal employment opportunities and the civil rights of NEA employees. (Issue 2.4)

**Freedom of Information Act.** Review NEA's policies and procedures for adherence to Federal laws and regulations. (Issue 2.6)

**Grant Award Process.** Review NEA's policies and procedures for providing potential applicants with information that is appropriate and accurate. The review also will assess timeliness, adequacy of content, and effectiveness in reaching potential applicants. (Issue 1.4) Review NEA's policies and procedures employed by staff, advisory panelists and Council operations in the screening of grant applications and the awarding of grants to ensure there is fair and equitable treatment along with proper enforcement of the eligibility rules. (Issues 1.3 and 1.5)

**Improper Payments Elimination and Recovery Act.** Review NEA's compliance with the *Improper Payments Elimination and Recovery Act of 2010*. (Issue 2.3)

**Procurement.** Review NEA's procurement activities for compliance with Federal regulations and Agency policies. (Issue 2.3)

**Supply Management.** Review policies and procedures to uncover any weaknesses in administrative controls. (Issue 2.5)

**Transit Benefits.** Review and test for adequacy of controls over NEA's transit benefits program. (Issue 2.5)

**Travel.** Review NEA's controls related to approving and monitoring the travel of NEA employees. In addition, ensure that travel's purpose is both reasonable and appropriate to NEA's mission. (Issue 2.5)

**Purchase and Travel Card.** Review NEA's controls over government charge card purchases. (Issue 2.5)

\* The above areas may be considered at any time for an audit, evaluation or review based on the discretion of NEA OIG.

## REPORTING WRONGFUL ACTS

Anyone, including NEA employees, who learns about or has reason to suspect the occurrence of any unlawful or improper activity related to NEA operations or programs, should contact NEA OIG immediately. A complaint/referral may be reported using any of the following methods:

Toll-free NEA OIG Hotline: 1-877-535-7448

Local Calls: 202-682-5479

Fax: 202-682-5649

Email: [oig@arts.gov](mailto:oig@arts.gov)

Website: [www.arts.gov/about/oig/fraud.html](http://www.arts.gov/about/oig/fraud.html)

You may also visit or write us at the National Endowment for the Arts, Office of Inspector General, 400 7th Street, NW, Washington, DC 20506.

When contacting NEA OIG, it will help if you have answers to the following questions:

- Who are the parties involved (names, addresses and phone numbers if possible);
- What is the suspected activity (specific facts of the wrongdoing);
- When and where did the wrongdoing occur;
- How did you learn about the activity (from a third party, actual observation, conclusion drawn from observing or performing different activities, etc.); and
- Where can you be contacted or when will you contact us again.

While anonymous complaints are welcome, please understand that a lack of sufficient and specific information may mean that our office is unable to investigate the allegation. NEA OIG will not disclose the identity of a complainant or informant without consent, unless the Inspector General determines that such disclosure is unavoidable during the course of the investigation. Federal employees are protected against reprisal for disclosing information to the Inspector General unless such disclosure was knowingly false.

