

# NATIONAL ENDOWMENT for the ARTS

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## NATIONAL ENDOWMENT FOR THE ARTS OFFICE OF INSPECTOR GENERAL

**Performance Audit Report on Selected Awards to  
South Carolina Arts Commission  
Columbia, SC**

**Report No. OIG-22-02**

**March 15, 2022**

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## SUMMARY

We conducted a performance audit on two National Endowment for the Arts (NEA) Partnership awards issued to the South Carolina Arts Commission (Commission) – Awards No. 17-6100-2046 (2017 award) and 1809847-61-18 (2018 award). Based on our review, we determined the Commission generally met the financial and compliance requirements in the award documents. However, we determined the following areas require improvement. The Commission:

- Included \$20,000 in unallowable subaward costs on its 2017 award's Federal Financial Report (FFR).
- Included \$12,870 in unsupported costs on its FFRs: \$7,090 for the 2017 award and \$5,780 for the 2018 award.
- Included \$8,300 in unapproved foreign travel costs on its 2018 award's FFR.
- Included \$3,858 in unallowable lobbying costs on its 2017 award's FFR.
- Did not establish effective controls over purchasing cards.
- Did not establish documented procedures for determining cost allowability.
- Did not comply with Federal record retention requirements.
- Did not notify all subrecipients of Federal subaward management requirements.
- Did not verify potential vendors or subrecipients were eligible to participate in Federal programs and activities.

We believe the evidence obtained during the audit provides a reasonable basis for our findings and conclusions based on our audit objectives. We are questioning \$45,028 in costs on the two awards – \$30,948 on the 2017 award's FFR, and \$14,080 on the 2018 award's FFR. The report includes 13 recommendations to address the audit findings – nine to the Commission and four to the NEA.

## INTRODUCTION

### AUDITEE BACKGROUND

The South Carolina Arts Commission (Commission) is a state agency dedicated to promoting equitable access to the arts and supporting the cultivation of creativity in South Carolina. The Commission achieves its mission by producing and presenting statewide programs and events, issuing grants, and providing consulting services to local organizations, governments, schools, and individuals. The Commission is supported by annual appropriations from the State Legislature, funds from the National Endowment for the Arts (NEA), and private donations. These funds are primarily used to maintain the State art collection, pay personnel expenses, and issue grants.

The Commission experienced significant internal changes during the audit period. It transitioned to a new electronic grants management system, converted from a manual grants application process to electronic, operated with reduced staffing levels, and had a complete change-over in senior management.

## OBJECTIVES, SCOPE, AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The objectives of this audit were to determine whether:

- The Commission’s financial management system and recordkeeping comply with requirements established by the Office of Management and Budget (OMB) and the NEA;
- The Commission fulfilled the financial and compliance requirements in the award documents, including any required cost share/matching; and
- Reported award costs were reasonable, allocable, and allowable.

We limited the scope of our audit to two awards closed during the period of October 1, 2018 through September 30, 2021 – Awards No. 17-6100-2046 (2017 award) and 1809847-61-18 (2018 award). Both awards were Partnership grants issued to support activities in the NEA-approved state plan. Approved activities included issuing subawards, conducting general operations, and managing the statewide Poetry Out Loud program. Additionally, both awards received additional funding to support the Folk and Traditional Arts program. Lastly, both awards required a one-to-one cost share match, both received extensions to the award period, and the 2017 award was amended to de-obligate \$54 from the award (see table below).

Award No.	Award Period	Original Award Amount	De-obligated Award Funds	Final Award Amount	Reported Costs
17-6100-2046	07/01/17 – 06/30/19	\$791,900	\$(54)	\$791,846	\$3,433,821
1809847-61-18	07/01/18 – 06/30/21	800,300	-	800,300	2,765,093
<b>Total</b>		<b>\$1,592,200</b>	<b>\$(54)</b>	<b>\$1,592,146</b>	<b>\$6,198,914</b>

We conducted audit work to identify and test the operation and reliability of the Commission’s significant internal controls relevant to the audit objectives. As a result, we are not stating an opinion on the effectiveness and efficiency of the Commission’s overall internal control system. We identified two significant internal control components that were relevant to our audit objectives - control activities and monitoring. Control activity principles require the Commission to design and implement control activities that achieve mission objectives and respond to risks. Monitoring principles require the Commission to establish and operate activities to monitor and evaluate the internal control system, addressing deficiencies on a timely basis. Tests of these controls included audit work to verify the reliability of computer-processed data (CPD) provided by the Commission. Due to restrictions caused by the COVID-19 pandemic, tests of controls over CPD to ensure data reliability were conducted through virtual meetings and screen-sharing walk-throughs. We determined the data obtained and used for the purposes of this audit was reliable.

Additionally, we conducted reviews of the Commission’s financial procedures and performance outcomes to determine compliance with award requirements. This audit work included reviews of procedures and supporting documentation, and interviews with Commission staff.

Lastly, we conducted tests of subawards and transactions to determine the allowability of reported costs. We conducted risk assessments to determine subaward and costs transaction selection methods, and the testing levels necessary to support findings and conclusions. Based on the risk assessment results, we judgmentally selected six subawards from each selected award for compliance testing. We also judgmentally selected 25 cost items from each selected award for cost allowability testing. Selected cost items included payroll, purchasing card, procurement, travel, and subaward transactions.

## **PRIOR AUDIT COVERAGE**

The NEA Office of Inspector General (OIG) had not issued any audit reports on the Commission in the past five years. The South Carolina Office of the State Auditor conducted reviews of agreed-upon procedures for fiscal years (FY) 2019 and 2020. Engagement procedures included tests of payroll and non-payroll transactions, journal entries, and reporting packages, as well as select tests of controls over disbursements. We determined the results were relevant to our audit, but did not identify any findings that impacted our audit.

The Commission was also included in the state’s annual Single Audit reports. As of our review, the most recent Single Audit report was issued by the South Carolina Office of State Auditor on March 31, 2021, for FY ended June 30, 2020. The Commission was included in the report’s Schedule of Expenditures of Federal Awards (SEFA), though not selected for review as a major program. The report stated that the SEFA was fairly stated, in all material respects, in relation to the basic financial statements as a whole. Additionally, the auditors did not identify any major weaknesses or significant deficiencies in statewide operations that impacted the Commission.

## **AUDIT RESULTS**

The following sections present a detailed discussion of the audit findings.

### **UNALLOWABLE PROGRAM COSTS**

During our review, we determined the Commission included \$20,000 in unallowable program costs on its Federal Financial Report (FFR) for the 2017 award. These subaward costs were issued under the Commission's Individual Artist Fellowships program and were composed of \$5,000 subawards to four artists based on their artistic merit and review of their prior work. The subawards did not include any performance requirements, and did not have any restrictions on use of funds. We determined these subawards were honorifics and therefore unallowable.

NEA awards are subject to the following:

- **NEA General Terms, 13. Cost Principles, 13.2 Selected costs and their allowability under Partnership Agreements, 13.2.f states:** Support to individual artists may be allowable if the award funds programs and activities and is not a one-time monetary

recognition award. Awards to individuals should include presentations, training, research, and/or creation of an artwork, with tangible outcomes required by the subaward. This is considered a stipend to the artist for work undertaken and completed.

- Because neither the NEA Partnership Agreement funds nor the matching funds can support a fellowship solely as an honorific, costs for this type of program must not be included in the Partnership Agreement budget.

Commission officials stated they did not intend to include Fellowship costs in the 2017 award. The Commission typically removes all Fellowship costs from award FFRs, but this process was not documented and therefore not followed when there was a temporary change in reporting personnel. We determined the Commission did not establish controls over the final reporting process that ensured award FFRs only included costs from agency programs selected for participation in the award.

Including unallowable costs on award FFRs could lead to an audit conclusion that the Commission did not meet the minimum cost share/match requirements, potentially resulting in a refund due to the NEA. We reduced the 2017 award's allowable costs by \$20,000 and determined the Commission still exceeded the minimum cost share/match requirement (see Appendix A). Therefore, the NEA is not due a potential refund and we are not requesting additional documentation.

We recommend the Commission document and implement controls over its final reporting process that ensure award FFRs only include allowable costs from agency programs selected for participation in the award.

We recommend the NEA disallow \$20,000 in unallowable program costs from the 2017 award.

*The Commission concurs with this finding and recommendation (see Appendix B).*

## **UNSUPPORTED COSTS**

During our review, we identified six transactions that included unsupported subrecipient costs – three for each award. We were unable to determine the allowability of these costs without the supporting documentation. As a result, we are questioning \$12,870 in unsupported costs: \$7,090 for the 2017 award and \$5,780 for the 2018 award.

NEA awards are subject to the following:

- **2 CFR 200.403 Factors Affecting Allowability of Costs (g) (v. 2019) states:** Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: Be adequately documented.
- **NEA General Terms, 18. Record Retention and Access, 18.1 states:** Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three (3) years from the date of submission of the final Federal Financial Report (FFR). Exceptions include if litigation, claim, or audit is started before the expiration of the three-year period, or if we notify you in writing to extend the retention period.

Commission officials stated financial and accessibility issues related to the ongoing COVID-19 pandemic made it difficult for the subrecipients to provide the requested documents.

Including unsupported costs on award FFRs could lead to an audit conclusion that the Commission did not meet minimum cost share/matching requirements, potentially resulting in a refund due to the NEA. We reduced each award's allowable expenditures by the unsupported costs and determined the Commission still exceeded the minimum cost share/match requirement (see Appendix A). Therefore, the NEA is not due a potential refund and we are not requesting additional documentation.

We recommend the Commission document and implement controls that ensure reported costs are supported.

We recommend the NEA disallow \$12,870 in unsupported costs: \$7,090 from the 2017 award and \$5,780 from the 2018 award.

*The Commission concurs with this finding and recommendation (see Appendix B).*

### **UNAPPROVED FOREIGN TRAVEL COSTS**

During our review of the 2018 award, we identified two subrecipient transactions totaling \$8,300 for airline tickets to Sierra Leone as part of a cultural exchange program. The 2018 award's approved program activities did not include foreign travel, and the Commission did not request necessary permission from the NEA. As a result, we are questioning the allowability of these costs.

NEA awards are subject to the following:

- **NEA General Terms, 14. Travel, 14.3 Foreign Travel states in part:** Foreign travel is defined as any travel outside Canada, Mexico, the United States, and its territories and possessions. The Office of Grants Management must give written approval for all foreign travel not originally approved in your award before travel is undertaken.

Commission officials stated they did not consider NEA travel requirements when selecting this subaward for participation in the 2018 award. We determined the Commission did not establish controls over subawards that ensured NEA travel requirements were considered when selecting subgrants for participation in NEA awards.

Including unapproved foreign travel costs on award FFRs could lead to an audit conclusion that the Commission did not meet minimum cost share/matching requirements, potentially resulting in a refund due to the NEA. We reduced the 2018 award's allowable expenditures by \$8,300 and determined the Commission still exceeded the minimum cost share/match amount (see Appendix A). Therefore, the NEA is not due a potential refund and we are not requesting additional documentation.

We recommend the Commission document and implement controls over subawards that ensure project costs meet NEA travel requirements.



We also recommend the NEA disallow \$8,300 in foreign travel costs from the 2018 award.

*The Commission concurs with this finding and recommendation (see Appendix B).*

### **UNALLOWABLE LOBBYING COSTS**

During our review of the 2017 award, we identified one subrecipient transaction for \$3,858 related to lobbying activities. This cost was a partial payment towards a catered luncheon with state legislators as part of the subrecipient's arts advocacy efforts. Subrecipient supporting documentation stated the day's advocacy efforts helped influence state funding decisions, including overriding a veto and increasing future appropriations. As a result, we are questioning the allowability of this cost.

NEA awards are subject to the following:

- **2 CFR 200.450 Lobbying (c) (v. 2019) states in part:** In addition to the above, the following restrictions apply to nonprofit organizations and institutions of higher education:
  - (1) Costs associated with the following activities are unallowable:
    - (iii) Any attempt to influence:
      - (B) The enactment or modification of any pending Federal or state legislation through communication with any member or employee of the Congress or state legislature (including efforts to influence state or local officials to engage in similar lobbying activity);
      - (D) Any government official or employee with a decision to sign or veto enrolled legislation.
- **NEA General Terms, 5. Lobbying states in part:** You may not conduct political lobbying, as defined in the statutes and regulations listed below, within your Federally-supported project. In addition, you may not use Federal funds for lobbying specifically to obtain awards. For definitions and other information on these restrictions, refer to the following:
  - 5.2 Lobbying (2 CFR 200.450)** describes the cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans as unallowable project costs. The regulation generally defines lobbying as conduct intended to influence the outcome of elections or to influence elected officials regarding pending legislation, either directly or through specific lobbying appeals to the public.

Commission officials stated they did not consider NEA allowability requirements when selecting this subgrant for participation in the 2017 award. We determined the Commission did not establish controls over subawards that ensured NEA cost allowability requirements were considered when selecting grants for participation in NEA awards.

Including unallowable lobbying costs on award FFRs could lead to an audit conclusion that the Commission did not meet minimum cost share/matching requirements, potentially resulting in a refund due to the NEA. We reduced the 2017 award's allowable expenditures by \$3,858 and determined the Commission still exceeded the minimum cost share/match amount (see

Appendix A). Therefore, the NEA is not due a potential refund and we are not requesting additional documentation.

We recommend the Commission document and implement controls over subawards that ensure NEA cost allowability requirements are considered when selecting program grants for participation in the award.

We recommend the NEA disallow \$3,858 in lobbying costs from the 2017 award.

*The Commission concurs with this finding and recommendation (see Appendix B).*

## **PURCHASING CARD PROCEDURES**

The Commission established a three-step control process over purchasing card (p-card) transactions. Budget Managers were responsible for reviewing and approving purchases made on their behalf by p-card account holders; the P-Card Administrator was responsible for reviewing monthly statements and ensuring documentation requirements were met; and the Finance Director was responsible for ensuring data was entered into the financial system correctly. During our review, we determined the Commission selected Budget Managers as p-card account holders, and did not establish controls that prevented the account holders from making purchases under their own budgets. Furthermore, we determined the Administrator and Finance reviews did not act as mitigating controls because they do not include reviews to determine whether each purchase is valid and payable. We tested six monthly statements across both awards and identified account holders reviewing and approving their own purchases on five of the six statements – two for the 2017 award and three for the 2018 award. Based on our review, we determined the design of the Commission's internal control over p-card purchases was inadequate.

NEA awards are subject to the following:

- **2 CFR 200.303 Internal Controls (a) (v. 2019) states:** The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government," issued by the Comptroller General of the United States, or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Commission officials stated that the self-approval process was an anomaly caused by a short-term change in Finance Department leadership. However, we identified instances of self-approval starting in November 2017, prior to the staffing change in September 2018. As a result, we determined the Commission did not establish an effective control structure over p-card transactions.

Independent review of p-card transactions by a person with knowledge of department needs and responsibility over department finances is necessary to prevent inappropriate, wasteful, or fraudulent purchases.

We recommend the Commission document and implement controls over p-card transactions that prevent account holders from reviewing and approving their own purchases.

*The Commission concurs with this finding and recommendation (see Appendix B).*

## **COST ALLOWABILITY PROCEDURES**

The Commission established documented policy to only include allowable subaward and agency costs on Federal awards. However, the Commission's documented procedures for determining cost allowability were based on the State of South Carolina's established cost requirements, which did not fully address the cost requirements established in 2 CFR 200, *Subpart E - Cost Principles*, and the NEA's *General Terms*, Section 13. *Cost Principles*. We determined the Commission did not establish additional procedures for determining whether subaward or agency costs reported on its FFRs met Federal allowability requirements.

NEA awards are subject to the following:

- **2 CFR 200.302 *Financial Management*, (b)7 (v. 2019) states:** The financial management system of each non-Federal entity must provide for the following: Written procedures for determining the allowability of costs in accordance with *Subpart E - Cost Principles* of this part, and the terms and conditions of the Federal award.
- **NEA *General Terms 13. Cost Principles*, 13.1(b) states in part:** The allowability of costs for work performed under your NEA award, including costs incurred under subawards made with Federal or matching funds, is determined in accordance with the NEA Partnership program guidelines and General Terms and the Uniform Guidance Subpart E – Cost Principles. All costs included in the approved project budget or reported on payment requests and financial reports for the award, whether supported with Federal or required cost share/matching funds or any voluntary cost share, must be: Allocable and in conformance with these cost principles.

Commission officials stated they thought the State's cost allowability requirements were sufficient, and did not realize additional considerations were necessary. We determined the Commission did not conduct reviews of its procedures to ensure its policies were being enforced. Without documented procedures for determining whether subaward or agency costs comply with Federal award requirements, the Commission could report unallowable costs on award FFRs.

We recommend the Commission document and implement procedures and controls that ensure subaward and agency costs reported on award FFRs comply with the cost principles established in 2 CFR 200, *Subpart E - Cost Principles*, and the *General Terms*, Section 13. *Cost Principles*.

*The Commission concurs with this finding and recommendation (see Appendix B).*

## **RECORD RETENTION PROCEDURES**

The Commission does not have written policies and procedures that meet Federal record retention requirements. The Commission followed the state's record retention policy for reporting on Federal assistance, which required the Commission to retain all agency documents related to a Federal award for a period of three years from the close of the fiscal year. Additionally, the Commission required subrecipients to retain relevant documents for five years from the end of the project. However, we determined that the 2017 and 2018 awards' retention periods were extended past the retention periods established by the Commission.

NEA awards are subject to the following:

- **2 CFR 200.333 *Retention Requirements for Records* states in part:** Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity, in the case of a subrecipient.
- **General Terms, 18. *Record Retention and Access*, 18.1 states in part:** Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to the Federal award must be retained for a period of three years from the date of submission of the final Federal Financial Report.

Commission officials stated they did not consider the impact of award period extensions when establishing their record retention policies. Without adequate record retention policies, Commission and subrecipient documents could be destroyed prior to the end of the retention period. This could result in documentation issues during subsequent audits.

We recommend the Commission update its record retention policies to meet Federal award requirements.

*The Commission concurs with this finding and recommendation (see Appendix B).*

## **SUBRECIPIENT NOTIFICATION PROCEDURES**

The Commission established policy to include disclosures of NEA award information and Federal award management requirements in all subaward contract documents. However, it did not establish procedures on how to include the notifications, or controls to ensure procedures were followed. As a result, the Commission did not notify any of its 2017 or 2018 award subrecipients that they were participating in a Federal award. We identified 450 subawards that did not include the required information – 258 from the 2017 award and 192 from the 2018 award.

NEA awards are subject to the following:

- **2 CFR 200.331 *Requirements for Pass-Through Entities (a) (v. 2019)* states in part:** All pass-through entities must ensure that every subaward is clearly identified to the

subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

- (1) Federal award identification;
  - (2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the Federal award.
- **NEA *General Terms, 24. Flow-through of National Policy and Other Legal Requirements to Subrecipients states:*** The Federal requirements associated with the NEA award also “flow down” to the subrecipients of Federal funds or funds that are used to meet the required cost share/match. Therefore, in addition to informing the subrecipient that they are receiving a Federal subaward, or one that is being used to match a Federal grant, you must provide them with information regarding the National Policy Requirements that are applicable to all Federal awards. These include requirements that prohibit discrimination, ensure accessibility of all facilities and programs funded with Federal monies, provide for the protection of environmental and historic resources, and more.

Commission officials stated these subawards were issued during a period where the Commission was transitioning from manual to automated contract generation and they did not realize the NEA information was omitted. We determined the absence of Commission subaward notification procedures and controls contributed to the size and duration of the issue.

Without notification of Federal subaward requirements, subrecipients could mismanage their subawards. For example, records could be destroyed prior to the end of the retention period, unallowable costs could be reported on final reports, and/or subrecipient project costs could be reported on multiple Federal awards.

We recommend the Commission document and implement procedures and controls that ensure subaward documents include identification of the NEA award and notification of subaward management requirements.

*The Commission concurs with this finding and recommendation (see Appendix B).*

## **SUSPENSION AND DEBARMENT PROCEDURES**

We determined the Commission did not verify Federal eligibility for 34 vendors and 301 subrecipients across both awards. The Commission established policies to verify potential vendors and subrecipients were not suspended or debarred from participation in Federal awards. However, it established procedures that verified potential vendors and subrecipients were not suspended or debarred from participating in state programs. We determined the state-level review did not incorporate Federally debarred or suspended individuals and entities.

NEA awards are subject to the following:

- **2 CFR 200.213 *Suspension and Debarment (v. 2019)* states:** Non-Federal entities are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.
- **2 CFR 180.300 *What must I do before I enter into a covered transaction with a person at the next lower tier?* states:** When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:
  - i. Checking SAM exclusions;
  - ii. Collecting a certification from that person; or
  - iii. Adding a clause or condition to the covered transaction with that person.

Commission officials stated they did not realize their established procedures did not meet Federal requirements. We determined the Commission did not review their procedures to ensure their policies were enforced.

Without procedures and controls in place to verify eligibility, suspended or debarred individuals or entities could participate in Federal programs and activities.

We recommend the Commission document and implement procedures and controls that ensure potential vendors and subrecipients are eligible to participate in NEA award programs and activities.

*The Commission concurs with this finding and recommendation (see Appendix B).*

## **RECOMMENDATION SUMMARY**

We recommend the Commission:

1. Document and implement controls over its final reporting process that ensure award FFRs only include allowable costs from agency programs selected for participation in the award.
2. Document and implement controls that ensure reported costs are supported.
3. Document and implement controls over subawards that ensure project costs meet NEA travel requirements.
4. Document and implement controls over subawards that ensure NEA cost allowability requirements are considered when selecting program grants for participation in the award.
5. Document and implement controls over p-card transactions that prevent account holders from reviewing and approving their own purchases.
6. Document and implement procedures and controls that ensure subaward and agency costs reported on award FFRs comply with the cost principles established in 2 CFR 200, *Subpart E - Cost Principles*, and the *General Terms*, Section 13. *Cost Principles*.
7. Update its record retention policies to meet Federal award requirements.

8. Document and implement procedures and controls that ensure subaward documents include identification of the NEA award and notification of subaward management requirements.
9. Document and implement procedures and controls that ensure potential vendors and subrecipients are eligible to participate in NEA award programs and activities.

We recommend the NEA disallow:

1. \$20,000 in unallowable program costs from the 2017 award.
2. \$12,870 in unsupported costs: \$7,090 from the 2017 award and \$5,780 for the 2018 award.
3. \$8,300 in foreign travel costs from the 2018 award FFR.
4. \$3,858 in lobbying costs from the 2017 award FFR.

## BREAKDOWN OF AWARD COSTS

<i>Award No. 17-6100-2046</i>	
Total Reported Costs	\$3,433,821
Less Unallowable Program Costs	(20,000)
Less Questioned Unsupported Costs	(7,090)
Less Unallowable Lobbying Costs	(3,858)
Potential Allowable Reported Costs	<u>3,402,873</u>
Less NEA Disbursement	<u>(791,846)</u>
Potential Allowable Cost Share/Match	2,611,027
Less Required Cost Share/Match <sup>1</sup>	<u>(791,846)</u>
Commission Cost Share/Match Exceeded	<u><u>\$1,819,181</u></u>

<sup>1</sup> This award has a one-to-one cost share/match requirement for every NEA dollar disbursed; therefore, the Required Cost Share/Match is equal to the NEA Disbursement amount.

<i>Award No. 1809847-61-18</i>	
Total Reported Costs	\$2,765,093
Less Questioned Travel Costs	(8,300)
Less Questioned Unsupported Costs	(5,780)
Potential Allowable Reported Costs	<u>2,751,013</u>
Less NEA Disbursement	<u>(800,300)</u>
Potential Allowable Cost Share/Match	1,950,713
Less Required Cost Share/Match <sup>2</sup>	<u>(800,300)</u>
Commission Cost Share/Match Exceeded	<u><u>\$1,150,413</u></u>

<sup>2</sup> This award has a one-to-one cost share/match requirement for every NEA dollar disbursed; therefore, the Required Cost Share/Match is equal to the NEA Disbursement amount.



Promoting equitable access to the arts  
and supporting the cultivation of creativity  
in South Carolina.



March 8, 2022

Ron Stith  
Inspector General  
National Endowment for the Arts  
400 7th Street SW  
Washington, DC 20506

Dear Mr. Stith,

Thank you for your transmittal letter and draft audit report dated March 2, 2022. As requested, this letter constitutes our written response. We recognize and concur with the nine findings in the report and the included recommendations.

The Commission will document and implement controls in these areas:

- Final reporting process – ensure that award FFRs only include allowable costs from agency programs selected for participation in the award.
- Reporting of supported costs – ensure that subrecipients follow reporting requirement procedures provided by the Commission.
- Subawards – ensure that any future foreign travel is pre-approved by the Office of Grants Management and that NEA cost allowability requirements are considered when selecting program grants for participation in the award.
- Purchase card transactions – ensure that potential purchases go through independent review by agency management before card holders make purchases.

The Commission will document and implement procedures and controls in these areas:

- Subaward and agency costs reported on award FFRs - comply with the cost principles established in 2 CFR 200, *Subpart E - Cost Principles*, and the *General Terms*, Section 13. *Cost Principles*.
- Subaward documents – include identification of the NEA award and notification of subaward management requirements prior to award contract.
- Potential vendors and subrecipients – ensure that vendors and subrecipients are eligible to participate in NEA award programs and activities.

The Commission will update its record retention policies to meet Federal award requirements.

We look forward to the final report and are available to answer any questions.

Sincerely,

A handwritten signature in blue ink that reads "David T. Platts".

David T. Platts  
Executive Director