

National Endowment for the Arts
Office of Inspector General
Semiannual Report



October 1, 2014 through March 31, 2015

TABLE OF CONTENTS

PAGE

A MESSAGE FROM THE INSPECTOR GENERAL

INTRODUCTION AND DEFINITIONS

NATIONAL ENDOWMENT FOR THE ARTS	1
OFFICE OF INSPECTOR GENERAL	1
DEFINITIONS	3

AUDITS, INSPECTIONS, EVALUATIONS AND RELATED ACTIVITIES

COMPLETED AUDITS AND REPORTS	5
COMPLETED INSPECTIONS AND REPORTS	5
COMPLETED SPECIAL REVIEWS, EVALUATIONS AND REPORTS	5
COMPLETE ADVISORY MEMORANDA AND LETTERS	7
AUDIT RESOLUTION AND CORRECTIVE ACTIONS	7
REPORTS ISSUED WITH QUESTIONED COSTS	7
REPORTS ISSUED WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE	8
REPORTS ISSUED WITH RECOMMENDATIONS OPEN FOR MORE THAN 180 DAYS	8
AUDITS, INSPECTIONS, EVALUATIONS AND RELATED ACTIVITIES PLANNED OR IN-PROGRESS	8

OTHER PLANNED REVIEWS

INVESTIGATIVE ACTIVITIES

TABLE OF CONTENTS (CONTINUED)

PAGE

OTHER ACTIVITIES

ACTIVITIES WITHIN THE INSPECTOR GENERAL COMMUNITY	9
SIGNIFICANT MANAGEMENT DECISIONS	10
ACCESS TO INFORMATION	10
REVIEW OF LEGISLATION AND REGULATIONS	10
PEER REVIEW ACTIVITY	10
AUDIT PEER REVIEWS	10
WEB SITE	11

TABLES

TABLE 1: SUMMARY OF REPORTS ISSUED DURING THE REPORTING PERIOD	12
TABLE 2: INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS	14
TABLE 3: INSPECTOR GENERAL ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE	15
TABLE 4: REPORTS WITH RECOMMENDATIONS ON WHICH CORRECTIVE ACTIONS HAVE NOT BEEN COMPLETED	16
TABLE 5: INVESTIGATIVE DATA	17
TABLE 6: SUMMARY OF INSPECTOR GENERAL REPORTING REQUIREMENTS	18

CONTACTING THE OFFICE OF INSPECTOR GENERAL	19
---	-----------



OFFICE OF INSPECTOR GENERAL
WASHINGTON DC 20506

April 30, 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 March 31, 2015.

During this reporting period, we issued two audit reports, three evaluation reports, and two memoranda which included twenty-six recommendations. There were no investigations opened or in progress. Our reports can be found at <http://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 one 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 March 31, 2015. The OIG consists of five full-time positions, the Inspector General (IG), three auditors and an 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 Office of Inspector General (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 Office of Inspector General (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 Office of Inspector General 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 Office of Inspector General to provide and receive independent quality assurance review 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 March 31, 2015, two audit reports, three evaluation reports, and two memoranda which included twenty-six recommendations.

Two reports were issued to NEA. One of the reports, related to NEA's FY 2014 financial statement audit, contained no recommendations. The second report related to NEA's compliance with the Federal Information Security Management Act of 2002, contained one recommendation, which was implemented during the reporting period.

Three reports, based on evaluations of grantees' financial management systems and compliance with NEA and Federal requirements, contained thirteen recommendations to the grantees and one recommendation to NEA, all of which were implemented during the reporting period. One of the reports included questioned costs and a potential refund. The grantee submitted the refund, which was accepted by NEA.

The two memoranda issued to NEA contained eleven recommendations. One memorandum was related to a grantee's eligibility to receive NEA funds. The second memorandum was related to NEA's programs and operations. All of the recommendations were implemented during the reporting period.

Table 1 (page 12-13) provides a summary of reports issued during this period.

Completed Audits and Reports

A-15-01 Audit of the NEA Fiscal Year 2014 Financial Statements

The *Accountability of Tax Dollars Act of 2002* requires the OIG or an independent external auditor, as determined by the IG, to audit the agency financial statements. Under a competitively awarded contract monitored by the OIG, Leon Snead & Company, an independent certified public accounting and management consulting firm, received a one-year contract, with a four-year option, in January 2011 to audit NEA's financial statements. The audit was conducted following Generally Accepted Government Auditing Standards (GAGAS) and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as revised. In addition, the firm provided reports on internal controls and compliance with laws and regulations for matters relevant to the financial statement audit. The 2014 Financial Statement Audit Report was issued November 17, 2014, and resulted in an unmodified (clean) opinion.

LS-15-01 Limited Scope Audit Report on Selected NEA Grants to Louisiana Division of the Arts

The audit concluded that Louisiana Division of the Arts (LDOA) generally complied with the financial management system requirements established by OMB and NEA for Federal awards. However, we made two recommendations for improvement in its management of Federal awards; timely final

report submissions and maintaining a Section 504 self-evaluation at the organization, as required. LDOA implemented corrective actions for both 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

R-15-01 Fiscal Year 2014 Evaluation of National Endowment for the Arts' Compliance with the Federal Information Security Management Act of 2002 (FISMA)

FISMA requires each Federal agency to develop, document, and implement an agency-wide program for providing security for the information and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source. This information is provided to senior management and others to enable them to determine the effectiveness of overall security programs.

To ensure the confidentiality and integrity of data entrusted to NEA, and to develop strategies/best practices for improving information security, the evaluation was completed using the most recent applicable FISMA requirements and guidelines

published by OMB, the U.S. Department of Homeland Security (DHS) and the National Institute of Standards and Technology.

The FY 2014 FISMA evaluation concluded that NEA has established a security program for protecting its IT infrastructure and is generally compliant with FISMA legislation. We determined that the specific program areas, as indicated in DHS' FY 2014 FISMA OIG checklist, met the level of performance. We did not identify any material weaknesses in the program areas. However, we made one recommendation to improve NEA's management of contractor systems. Corrective action was implemented during this reporting period.

SCE-15-01 Financial Management System and Compliance Evaluation on Selected NEA Grants to Confluences (WA)

The evaluation concluded that Confluences did not comply with the financial management system requirements established by OMB and NEA for Federal awards. Several areas of noncompliance were identified, including significant delays in projects funded by NEA grants. Confluences did not have adequate supporting documentation for in-kind costs, written policies and procedures for the management of Federal awards and to ensure that debarred or suspended contractors or recipients did not receive Federal assistance. Confluences also did not maintain a Section 504 self-evaluation at the organization, as required. There were also questioned costs related to the unsupported in-kind costs in the amount

of \$1,453, with a potential refund of \$37. The report included six recommendations to Confluences to improve compliance. We also issued one recommendation to NEA to place Confluences on the reimbursement method of payment. Corrective actions for all of the recommendations were implemented during this reporting period.

SCE-15-02 Financial Management System and Compliance Evaluation on Selected NEA Grants to Northwest Heritage Resources (NWHR) (WA)

The evaluation concluded that NWHR did not comply with the financial management system requirements established by OMB and NEA for Federal awards. NWHR did not have written policies and procedures in place to ensure that grant funds are not commingled. NWHR did not have written policies and procedures to ensure that debarred or suspended contractors or recipients did not receive Federal assistance. NWHR did not have a Section 504 self-evaluation on file. Also, NWHR did not have written policies and procedures in place for the management of Federal awards. The report included five recommendations. Corrective actions for all of the recommendations were implemented during 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, included five recommendations. NEA concurred with the recommendations and implemented corrective actions during this reporting period. The second memorandum, related to NEA's programs and operations, included six recommendations, all of which were implemented during 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 47 open recommendations from prior reports. Based on appropriate evidence and documentation provided to support implementation of corrective actions, 39 of those recommendations were closed:

- Thirteen recommendations were related to NEA's information systems security program.
- Twenty-six recommendations were related to grantees' management of NEA awards.

Reports Issued with Questioned Costs

At the beginning of the six-month period, there was one report awaiting a management decision to allow or disallow questioned costs:

SCE-14-05 Financial Management System and Compliance Evaluation on Selected NEA Grants to the State Education Agency Directors of Arts Education (SEADAE) (DE)

At the beginning of the period, a management decision to allow or disallow questioned costs in the amount of \$121,740, with a potential refund of \$24,594, had not been made. During the current period, the grantee provided documentation to support all of the questioned costs. Management accepted the documentation to support all of the questioned costs, eliminating the potential refund.

Table 2 (page 14) 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 15) 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 16) 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 two mandatory reviews during the next reporting period that will assess NEA's financial oversight and information security.

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. The audit report will be issued by the required deadline.

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 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 by the required deadline.

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 2015, 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 17) 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 OIG 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 <http://arts.gov/oig/reports/external-peer-reviews>.

During FY 2015, we are scheduled to conduct a peer review of another Federal IG.

Web Site

We maintain an ongoing Internet presence (www.arts.gov/about/OIG/Contents.html) 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.*

TABLE 1: SUMMARY OF REPORTS ISSUED DURING THE REPORTING PERIOD

Report No.	Report Date	Report Title	Questioned Costs	Unsupported Costs	Funds Put To A Better Use
SCE-15-01	Oct 20, 2014	Financial Management System and Compliance Evaluation of NEA Grants to Confluences (WA)	1,453	1,453	0
R-15-01	Nov 14, 2014	Fiscal Year 2014 Evaluation of NEA's Compliance with the Federal Information Security Management Act of 2002	0	0	0
SCE-15-02	Nov 19, 2014	Financial Management System and Compliance Evaluation of NEA Grants to Northwest Heritage Resources (WA)	0	0	0
A-15-01	Nov 17, 2014	National Endowment for the Arts Audit of Financial Statements as of and for the Years Ended September 30, 2014 and 2013	0	0	0

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

Report No.	Report Date	Report Title	Questioned Costs	Unsupported Costs	Funds Put To A Better Use
LS-15-01	Dec 22, 2014	Limited Scope Audit Report on Selected NEA Grants to Louisiana Division of the Arts (LA)	0	0	0
M-15-03	Jan 21, 2015	Alternative Methods of Funding	0	0	0
M-15-04	Jan 5, 2015	Payment Request Review for Commonwealth Council for Arts and Culture of the Northern Mariana Islands	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	1	121,740	0	24,594
B.	Which were issued during the reporting period	1	1,453	1,453	37
	Subtotals (A+B)	2	123,193	1,453	24,631
C.	For which a management decision was made during the reporting period	0	0	0	0
	(i) dollar value of the disallowed costs	1	1,453	1,453	37
	(ii) dollar value of the cost not disallowed	1	121,740	0	24,594
D.	For which no management decision was made by the end of the reporting period	0	0	0	0
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	NEA should develop policy implementing Homeland Security Presidential Directive 12, <i>Policy for a Common Identification Standard for Federal Employees and Contractors</i> , including the use of Personal Identity Verification smartcards for logical access to NEA's network and information systems. Also implement the use of automatic encryption on all NEA mobile/computer devices that carry Agency information. The report included four recommendations; one of which remains open. Corrective actions are in progress.
R-13-03	Feb 15, 2013	Evaluation of NEA Perimeter Security	NEA should improve its perimeter security by implementing ongoing scanning to detect vulnerabilities and remediate current web server vulnerabilities. The report included seven recommendations; two of which remain open. Corrective actions are in progress.

TABLE 5: INVESTIGATIVE DATA

Civil/Criminal Investigative Activities	Number of Recommendations
Referrals to Prosecutors	0
Civil Settlements	0
Investigative Recoveries	0
Hotline Contacts	
Telephone Calls	0
Email	0
Standard Mail	0
Referred by Other Sources	0
Referred to Other Sources	0
Fax	0
Total	0
Freedom of Information Act Requests	
Requests Received	1
Requests Processed	1
Total	1

TABLE 6: SUMMARY OF INSPECTOR GENERAL REPORTING REQUIREMENTS

IG ACT Reference	Reporting Requirement	Page(s)
Section 4(a)(2)	Review of legislation and regulations	10
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	8 and 16
Section 5(a)(4)	Matters referred to prosecutive authorities	9
Section 5(a)(5)	Summary of instances where information was refused	10
Section 5(a)(6)	List of audit reports by subject matter, showing dollar value of questioned costs and funds put to better use	12-13
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	14
Section 5(a)(9)	Statistical tables showing number of reports and dollar value of recommendations that funds be put to better use	15
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	7
Section 5(a)(11)	Significant revised management decisions	10
Section 5(a)(12)	Significant management decisions with which the inspector general disagrees	10
Section 6(b)(2)	Access to information	10
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>	10

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

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.



ART WORKS.
arts.gov

NATIONAL ENDOWMENT FOR THE ARTS

CHAIRMAN'S SEMIANNUAL REPORT
ON FINAL ACTION
RESULTING FROM AUDIT REPORTS, INSPECTION
REPORTS, AND EVALUATION REPORTS

October 1, 2014 through March 31, 2015

Submitted
May 2015

TABLE OF CONTENTS

INTRODUCTION		1
REPORT ON FINAL ACTION RESULTING FROM AUDIT REPORTS, INSPECTION REPORTS AND EVALUATION REPORTS		
Section 1	Comments Relating to the Inspector General's Report	2
Section 2	Management Report on Final Action on Audits, Inspections, and Evaluations with Disallowed Costs for the Six-Month Period Ending March 31, 2015	3
Section 3	Management Report on Final Action on Audits, Inspections, and Evaluations with Recommendations to Put Funds to Better Use for the Six-Month Period Ending March 31, 2015	3
Section 4	Audit Reports, Inspection Reports, and Evaluation Reports for Which a Management Decision Was Made Prior to April 1, 2015, but on Which Final Action Has Not Occurred	3
Table A	Management Report on Final Action on Audits, Inspections, and Evaluations with Disallowed Costs for the Six-Month Period Ending March 31, 2015	4
Table B	Management Report on Final Action on Audits, Inspections, and Evaluations with Recommendations to Put Funds to Better Use for the Six-Month Period Ending March 31, 2015	5

INTRODUCTION

The Inspector General Act of 1978, as amended by the Inspector General Act Amendments of 1988 (Public Law 100-504), established independent, objective units within Federal agencies for the following purposes:

- To supervise and conduct audits and investigations of agency programs and operations;
- To lead, coordinate, and recommend policies for promoting economy, efficiency, and effectiveness in the administration of programs and operations, and to prevent and detect fraud and abuse therein; and
- To keep the agency head and the Congress informed about related problems and deficiencies and associated corrective action.

On October 14, 2008, the President signed the Inspector General Reform Act of 2008 (Public Law 110-409). The 2008 Act amends the previous IG Act of 1978 to enhance the independence of the Inspectors General, to create a Council of the Inspectors General on Integrity and Efficiency, and for other purposes.

Section 106(a) of P.L. 100-504 requires the Inspector General to report semiannually on the office's activities for the preceding six-month periods ending March 31st and September 30th. The report must (1) address significant problems, abuses, and deficiencies in the management of agency programs and operations identified during the reporting period, and (2) identify recommendations for corrective action. Section 106(b) directs the Inspector General to furnish this report within 30 days to the agency head, who is required to prepare a separate report on management decisions resulting from audit reports, inspection reports, evaluation reports, the status of disallowed costs, and final actions taken during the corresponding period, including any comments deemed appropriate. The agency head must transmit both reports to the Congress within the ensuing 30 days.

Accordingly, the Chairman presents the Arts Endowment's management report for the period October 1, 2014 through March 31, 2015.

REPORT ON FINAL ACTION RESULTING FROM AUDIT REPORTS, INSPECTION REPORTS, AND EVALUATION REPORTS

Section 1. Comments Relating to the Inspector General's Report

Audits/Inspections/Evaluations/Reviews. As reported in the Inspector General's *Semiannual Report to the Congress*, at the end of the reporting period there were no outstanding reports with questioned costs or potential refunds.

When the Audit Followup Official does disallow questioned costs, it is typically because the grantee or cooperator has responded inadequately to the Arts Endowment's request for supporting documentation, such as canceled checks, invoices, contracts, personnel activity reports, or testimonial evidence. Agency funds may represent only a small portion of an awardee's total project costs. Deficiencies normally are resolved through the Agency's audit resolution process, and refunds are infrequent.

OIG audit, inspection, and evaluation reports on Arts Endowment awardees are based upon reviews conducted by the OIG itself or upon OIG analysis of audits completed by outside auditors. The outside audits may be performed by State audit agencies, by other Federal agencies (generally the agency providing the greatest amount of Federal funding to an organization also supported by the Arts Endowment), or by independent public accountants engaged by awardees.

Technical Assistance: Improved Oversight. The Arts Endowment places a high priority on ensuring that employees are well informed about policies, procedures, and requirements related to grants administration and audits. During the period, the Grants & Contracts Office and the OIG continued to provide technical assistance and compliance evaluations for grantees. The Grants & Contracts Office routinely updates internal directives and guidance documents.

Web Site. The Agency continues to provide its "My Grant at a Glance" feature, which allows grantees to track the status of their payment requests and final report submissions online, and obtain historical reports of their grants back to at least 1988; the reports include the amount of the grant, the period of support, and a brief project description. The Arts Endowment continues to require electronic application submission through Grants.gov across all Arts Endowment programs, and requires all grantee final reports to be submitted electronically.

Other Activities. Arts Endowment staff continued to work closely with the OIG on issues of mutual interest, such as the independent audit of the Agency's financial statements for fiscal year 2014.

Section 2. Management Report on Final Action on Audits, Inspections, and Evaluations with Disallowed Costs for the Six-Month Period Ending March 31, 2015 (Table 2 of the OIG Report)

At the beginning of the period, there was one report awaiting a management decision to allow or disallow questioned costs. The grantee provided documentation to support all of the questioned costs. Management accepted the documentation, thereby eliminating the potential refund. During the period, there was one report with questioned costs. Management disallowed the questioned costs and the grantee refunded the Agency. At the end of the period, there were no reports awaiting final action (see Table A).

Section 3. Management Report on Final Action on Audits, Inspections, and Evaluations with Recommendations to Put Funds to Better Use for the Six-Month Period Ending March 31, 2015 (Table 3 of the OIG report)

There were no audits, inspections, or evaluations with recommendations to put funds to better use awaiting final action as of March 31, 2015 (see Table B).

Section 4. Audit Reports, Inspection Reports, and Evaluation Reports for Which a Management Decision Was Made Prior to April 1, 2015, but on Which Final Action Has Not Occurred (Table 4 of the OIG report)

There were two evaluation reports (related to the agency's information security program) for which a management decision was made prior to April 1, 2015, on which final action on three remaining recommendations has not yet occurred.

TABLE A

MANAGEMENT REPORT ON FINAL ACTION
ON AUDITS, INSPECTIONS, AND EVALUATIONS WITH DISALLOWED COSTS
FOR THE SIX-MONTH PERIOD ENDING MARCH 31, 2015

ITEM	# OF REPORTS	DISALLOWED COSTS	POTENTIAL REFUNDS
A. Audit/inspection/evaluation reports with management decisions on which final action had not been completed at the beginning of the reporting period. <i>See Note 1.</i>	0	\$0	\$0
B. Audit/inspection/evaluation reports on which management decisions were made during the reporting period. <i>See Note 2.</i>	1	\$1,453	\$37
Subtotal (A+B)	1	\$1,453	\$37
C. Audit/inspection/evaluation reports on which final action was taken during the reporting period, including:			
i. The dollar value of disallowed costs that were recovered by management through:			
a. Collection & offsets	1	\$1,453	\$37
b. Property	0	0	0
c. Other	0	0	0
ii. The dollar value of disallowed costs that were written off by management.	0	0	0
Subtotal (i + ii) <i>See Note 3</i>	1	\$1,453	\$37
D. Audit/inspection/evaluation reports for which no final action has been taken by the end of the reporting period. (A+B-C) <i>See Note 4.</i>	0	\$0	\$0

Notes:

1. Reports in which management has made a decision to disallow costs; however, final actions (e.g., collection, write-offs) were not completed by the beginning of the reporting period.
2. Reports in which management has made a decision, during the reporting period, to disallow costs.
3. Reports in which final actions were completed during the reporting period.
4. Reports in which management has made a decision to disallow costs; however, final action was not completed by the end of the reporting period.

TABLE B

MANAGEMENT REPORT ON FINAL ACTION ON AUDITS, INSPECTIONS,
AND EVALUATIONS WITH RECOMMENDATIONS TO PUT FUNDS TO BETTER USE
FOR THE SIX-MONTH PERIOD ENDING MARCH 31, 2015

ITEM	# OF REPORTS	FUNDS TO BE PUT TO BETTER USE
A. Audit/inspection/evaluation reports with management decisions on which final action had not been taken at the beginning of the reporting period.	0	\$0
B. Audit/inspection/evaluation reports on which management decisions were made during the period.	0	0
Subtotal (A+B)	0	0
C. Audit/inspection/evaluation reports on which final action was taken during the period:		
i. Dollar value of recommendations implemented:		
a. Based on management action	0	0
b. Based on proposed legislative action	0	0
ii. Dollar value of recommendations not implemented	0	0
Subtotal (i+ii)	0	0
D. Audit/inspection/evaluation reports needing final action at end of the period. (A+B-C)	0	\$0