

NATIONAL ENDOWMENT for the ARTS



OFFICE OF INSPECTOR GENERAL

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Performance Audit of the
Georgia Council for the Arts
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**National Endowment for the Arts
Office of Inspector General**

**Performance Audit of the Georgia Council for the Arts
(OIG-25-01)**

EXECUTIVE SUMMARY

We conducted a performance audit of the Georgia Council for the Arts (Council) for the period of October 1, 2020 through September 30, 2023. During this audit period, the National Endowment for the Arts (NEA) closed three Council awards totaling \$3,806,963 in NEA funds, and \$6,603,495 in total reported costs. One award included \$507,900 in additional funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and another included \$904,000 in additional funding from the American Rescue Plan (ARP) Act.

Based on our review, we determined the Council generally complied with award criteria and met program requirements of each award. However, we identified opportunities for improvement in the Council's subrecipient notification policies and procedures, suspension and debarment policies and procedures, and panelist conflict of interest processes. Additionally, we identified two subaward cost findings that resulted in \$3,360 in questioned costs. Because one of these findings was related to ARP funds, we identified a \$1,560 potential refund due to the NEA.

We provided six recommendations to address these issues – four to the Council and two to the NEA. We believe these recommendations, if implemented, will help ensure the Council meets Federal and NEA requirements and better manages its awards.

Table of Contents

Introduction	1
Background	1
Audit Scope, Objectives, and Methodology	2
Prior Audits	4
Audit Results	6
Subaward Management	6
Finding 1 – Subrecipient Notification	6
Subawarding Controls	7
Finding 2 – Subrecipient Suspension and Debarment	7
Finding 3 – Conflicts of Interest	8
Subrecipient Costs	9
Finding 4 – Unsupported Cost	10
Finding 5 – Unapproved Activity Cost	10
Recommendation Summary	APPENDIX A
Breakdown of Award Costs	APPENDIX B
Award Criteria	APPENDIX C
Management Responses	APPENDIX D

INTRODUCTION

The following sections provide background on the National Endowment for the Arts (NEA), Office of Inspector General (OIG), and Georgia Council for the Arts (Council); and a summary of this audit's objectives, scope, and methodology.

BACKGROUND

NEA: The NEA is an independent Federal agency and the largest Federal funder of the arts and arts education in communities nationwide. It has three project-based grant opportunities: Grants for Arts Projects, Challenge America, and Our Town. It also has a Partnership grant program that provides grant funding to six regional arts organizations, six US jurisdictions, and all 50 states.

NEA awards usually require a one-to-one cost share/match, which requires awardees to report at least two dollars of allowable costs or third-party contributions for every one dollar received from the NEA. The awards are subject to regulations established by the Office of Management and Budget (OMB) in the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (2 CFR 200), and specific terms and conditions established by the NEA in award documents.

NEA OIG: The NEA OIG was established in 1989 pursuant to Public Law 100-504, "The Inspector General Act Amendments of 1988," (IG Act). We perform audits, evaluations and reviews of operations and activities of NEA programs and recipients of NEA grants, cooperative agreements and contracts (awards), in accordance with the Government Auditing Standards. Additionally, we investigate reports of waste, fraud, and mismanagement involving federal funds.

We primarily conduct independent performance audits of NEA award recipients to determine whether the NEA's funds were used for their intended purpose and whether the auditees complied with established laws, regulations, and NEA-specific guidance on the administration and management of its funds. We report the results of our work to the auditee, NEA, and Congress through Semiannual Reports to Congress, as required by the IG Act of 1988.

The Council: The Council is a state arts agency that is dedicated to cultivating the growth of vibrant, thriving Georgia communities through the arts. It achieves its mission by providing statewide grant funding as well as programs and services that support the industry, preserve the state's cultural heritage, encourage tourism, and increase access to high-quality arts experiences. The Council currently provides grant funding through six main programs:

- Bridge – \$12,000 to \$50,000 in general operating support for non-profit arts organizations affected by the COVID-19 pandemic.
- Project – \$1,000 to 8,000 to non-profits, government entities, public libraries, schools, and colleges/universities (eligible entities) for art and capacity-building projects.
- Arts Education Program – \$1,500 to \$8,000 to eligible entities for arts programs delivered to K-12 students in a variety of disciplines.

- Vibrant Communities – \$1,000 to \$5,000 to eligible entities in counties where no other eligible entity received a Project, Bridge, or Arts Education grant.
- Cultural Facilities – \$10,000 to \$75,000 to non-profits and government entities for the renovation, restoration, preservation, or acquisition of an arts facility, and the purchase of equipment that supports arts programs.
- Literary Event Grants of Georgia – \$50 to \$250 in writer’s fees to any organization that provides funding for literary events involving writers from the Georgia Writer’s Registry.

The Council operates under the umbrella of the Georgia Department of Economic Development, and its primary sources of funding come from state appropriations and NEA grants. During the COVID-19 pandemic, the Council received significant increases in specialized funds from both the State of Georgia and the NEA. The NEA issued extra funding to the Council from both the Coronavirus Aid, Relief, and Economic Security (CARES) and American Rescue Plan (ARP) Acts to help save arts sector jobs and non-profits.

The Council experienced significant workload increases during this time as new programs were created, and existing programs adapted, to manage these additional funds and meet the changing needs of the industry it served. The Council created a one-time grant program (Resiliency Grant) to issue its NEA CARES Act funds, then restructured its Partner Grant program into the Bridge Grant program to issue its NEA ARP Act funds. The Bridge Grant continues to offer operating support using ARP funds issued directly to the state.

The Council also experienced significant staffing changes during the pandemic. At the start of the pandemic, the Council operated with a staff of five, with key positions being Executive Director, Grants Program Director, and Arts Education Manager. During the pandemic, the Council experienced long-term vacancies in all three positions, primarily operating on a staff of four. In January 2023, the Council fell to a staff of three and was not fully staffed again until February 2024. The Council currently operates with a staff of seven, recently adding two new grant manager positions.

During our audit, we remained aware of these operational changes, and considered their potential impacts when evaluating cause for our findings.

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

Audit Scope: We limited our audit scope to three awards closed within the audit period of October 1, 2020 through September 30, 2023 – Award Nos. 1855978-61-19 (2019 award), 1863313-61-20 (2020 award), and 1886898-61-21 (2021 award). All three awards were issued under NEA’s Partnership program to support programs, services, and activities associated with the Council’s NEA-approved strategic plan. The Council limited its NEA Partnership activities to issuing subawards through its grant programs. Initially, all three awards required a one-to-one cost share/match, which required the Council to have allowable costs totaling at least twice as much as the award money it received. For example, an NEA grant of \$10,000 with a one-to-one cost share/match requires at least \$20,000 in allowable costs.

The NEA amended the 2019 award to add \$507,900 in CARES Act funds, and the 2020 award to add \$904,000 in ARP funds; neither CARES nor ARP funds required a cost share/match from the Council. Also, the Council did not request payment for all the Partnership funds awarded, causing the NEA to de-obligate \$0.72 from the 2019 award, \$0.75 from the 2020 award, and \$0.25 from the 2021 award. The table below provides a breakdown of NEA award actions and the Council's reported costs.

Table 1: Partnership Award Financial Actions

Action	2019 Award	2020 Award	2021 Award	Totals
Partnership Funds Awarded	\$755,795.00	\$802,735.00	\$836,535.00	\$2,395,065.00
CARES Act funds awarded	507,900.00	-	-	507,900.00
ARP Act funds awarded	-	904,000.00	-	904,000.00
Partnership funds de-obligated	(0.72)	(0.75)	(0.25)	(1.72)
Total Funds Issued	\$1,263,694.28	\$1,706,734.25	\$836,534.75	\$3,806,963.28
Cost Share/Match Required	\$755,794.28	\$802,734.25	\$836,534.75	\$2,395,063.28
The Council's Reported Costs	\$2,154,784.45	\$2,654,236.51	\$1,794,474.11	\$6,603,495.07

The NEA also amended all three awards to extend their periods of performance and final reporting deadlines. This caused the 2019 award's performance period to overlap both the 2020 and 2021 awards, and the 2020 award's performance period to overlap the 2021 award. The table below provide a breakdown of the extensions.

Table 2: Award Extension Dates

	2019 Award	2020 Award	2021 Award
Initial Period of Performance	July 01, 2019 – June 30, 2020	July 01, 2020 – June 30, 2021	July 01, 2021 – June 30, 2022
Amended Period of Performance	July 01, 2019 – December 31, 2022	July 01, 2020 – June 30, 2022	July 01, 2021 – November 30, 2022
Initial Reporting Deadline	September 28, 2020	September 28, 2021	October 28, 2022
Amended Reporting Deadline	March 31, 2023	October 28, 2022	March 30, 2023

Audit Objectives: The objectives of this audit were to determine whether:

- The Council's financial management system and recordkeeping complied with requirements established by OMB and the NEA;
- The Council fulfilled the financial and compliance requirements in the award documents, including any required cost share/matching; and
- The Council's reported award costs were reasonable, allocable, and allowable.

Audit Methodologies: To accomplish the first audit objective, we designed and conducted reviews of the Council’s compliance with Federal requirements and award terms and conditions. Audit procedures included reviews of documented procedures, interviews with Council staff, tests of compliance, and independent verification of information where necessary and available.

To accomplish the second audit objective, we designed and conducted reviews of the Council’s performance outcomes, reported costs, and the financial impact of audit findings. Audit procedures included reviews of internal Council documents and financial reports, publicly available information, and interviews with Council staff.

To accomplish the third audit objective, we designed and conducted tests of subawards and subrecipient transactions. Audit procedures included risk assessments to determine test selection methods and levels of testing necessary to support findings and conclusions. Auditor’s judgment was used to select individual test items. As a result, findings and conclusions based on tested items cannot be projected onto the total population.

In accordance with generally accepted government auditing standards, we conducted a review to determine whether internal controls were significant to audit objectives. We identified three significant internal control components that were relevant to audit objectives – control environment, control activities, and monitoring activities. Based on these results, we limited our review of the Council’s internal controls to those related to Federal award management, data protection, program monitoring, and reporting (relevant processes). As a result, we did not provide an opinion on the Council’s overall internal control structure.

We reviewed the Council’s manual and automated procedures for the relevant procedures and identified significant controls for further review. We tested the significant controls’ operation and reliability, including audit work to verify the reliability of computer-processed data provided by the Council. Based on our review, we determined the data obtained and used for the purposes of this audit was reliable.

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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

PRIOR AUDITS

The NEA OIG has not issued any audit reports on Federal awards to the Council within the past five years. As of the planning phase of this audit, Georgia’s State Accounting Office issued Annual Comprehensive Financial Reports on the operations of the State of Georgia for fiscal years (FY) ended June 30, 2021 and 2022 (comprehensive reports), and corresponding annual audit reports on the State’s compliance with Uniform Guidance requirements (Single Audit reports). We considered the information within these reports while planning our audit, but did not rely on the independent auditors’ work or conclusions when conducting audit procedures.

FY 2021 Review: The Georgia Department of Audits & Accounts (DAA) audited the State's basic financial statements included in each comprehensive report. For FY 2021, the auditors issued unqualified opinions on the financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, four of the five major funds, and aggregate remaining fund information for the State of Georgia. The auditors issued a disclaimer on the Unemployment Compensation Fund due to the lack of sufficient appropriate evidence regarding Fund balances. We determined that was irrelevant to our audit as the Unemployment Compensation Fund was managed separately from the Council.

In the FY 2021 Single audit report, the Council was included in the report's Schedule of Expenditures of Federal Awards (SEFA), but not selected as a major program. Auditors found that the SEFA was fairly stated, in relation to the basic financial statements as a whole, with the exception of the Unemployment Compensation Fund, for the same reasons stated in the comprehensive report. We determined this did not affect our audit.

FY 2022 Review: For FY 2022, the auditors issued unqualified opinions on the financial statements of the governmental activities, aggregate discretely presented component units, four of the five major funds, and aggregate remaining fund information for the State of Georgia. The DAA issued a disclaimer on the Unemployment Compensation Fund and business-type activities due to the lack of sufficient appropriate evidence regarding Fund balances. We determined that was irrelevant to our audit as the Unemployment Compensation Funds was managed separately from the Council.

In the FY 2022 Single audit report, the Council was included in the report's SEFA, but not selected as a major program. Auditors found that the SEFA was fairly stated, in relation to the basic financial statements as a whole, with the exception of the Unemployment Compensation Fund and business-type activities, for the same reasons stated in the comprehensive report. We determined this did not affect our audit.

AUDIT RESULTS

We determined the Council generally complied with award criteria and met each award's program requirements. However, we identified opportunities for improvement in the Council's procedures and controls for subaward management, subawarding controls, and subrecipient costs.

SUBAWARD MANAGEMENT

When a Federal award recipient uses award funds to issue its own grants, the Federal award recipient becomes a pass-through entity, the associated grants become subawards, and the grant recipients become subrecipients (2 CFR 200.1). Federal regulations and NEA award terms and conditions establish subaward issuance and monitoring requirements (subawarding requirements) for pass-through entities.

All three Partnership awards' approved activities included subawarding, and their respective Federal Financial Reports (FFRs) contained subaward costs. During the audit, we reviewed the Council's subawarding selection, issuance, and monitoring procedures and controls, and generally found they met Federal and NEA requirements for subaward management. However, we determined the Council did not fully comply with subawarding requirements for subrecipient notification.

Finding 1 – Subrecipient Notification: We determined the Council did not provide accurate subaward information to subrecipients.

Pass-through entities are required to notify subrecipients of their participation in the Federal award and identify the award name, identification number, project description, and period of performance (2 CFR 200.332(a)(1)¹). Pass-through entities are also required to notify subrecipients about the amount of award funds in each subaward, the total amount of that award's funds issued to the subrecipient to date, and the total amount of Federal funds issued to the subrecipient from all the pass-through entity's active Federal awards (2 CFR 200.332(a)(1)²).

Proper award and funding notifications are important for subrecipient decision-making, management, and cost allocation. Additionally, award project description notification is necessary to meet Federal Funding Accountability and Transparency Act reporting requirements. Finally, proper notification helps the Council track its funding amounts and meet its own subaward management requirements. This is especially important because the Council allows

¹ 2 CFR 200 was revised in 2020; at the time of the award the reference number for this requirement was 2 CFR 200.331(a).

² 2 CFR 200 was revised in 2020; at the time of the award the reference number for this requirement was 2 CFR 200.331(a).

applicants to receive grants from multiple programs each year, and all three NEA award periods of performance overlapped.

The Council established a subaward issuance process that used a standard template to auto-populate current NEA award information into contract documents. We determined the template did not include the NEA award identification number or project description. As a result, subrecipients did not know which NEA award and project they participated in.

Council officials stated they thought their language complied with the requirements because every year their templates are reviewed and approved by state lawyers. We determined the Council's reliance on external individuals to understand Federal subawarding requirements and ensure compliance caused this finding.

Council Recommendation 1: We recommend the Council update its contract templates to include the required information.

Council Recommendation 2: We recommend the Council establish and conduct periodic internal reviews of its subawarding processes to ensure understanding of, and compliance with, Federal and NEA subawarding requirements.

The Council concurs with the finding and recommendations (see Appendix D for full management response).

SUBAWARDING CONTROLS

Federal award management requirements state that award recipients must establish and maintain effective internal controls that provide reasonable assurance of compliance with Federal statutes, regulations, and award terms and conditions (2 CFR 200.303(a)). We determined the Council established and maintained effective controls over computer processed data and systems access, and generally established effective manual controls over subawarding processes and procedures. However, we determined the Council did not establish controls to ensure subawards were not issued to entities suspended or debarred from participating in Federal programs, and did not establish controls to ensure panelists conflicts of interest were prevented.

Finding 2 – Subrecipient Suspension and Debarment: We determined the Council did not ensure subrecipients were not suspended or debarred from participating in Federal award programs.

Federal regulations state that entities that are debarred, suspended, or otherwise ineligible to participate in Federal programs or activities cannot receive subawards (2 CFR 200.214). Federal regulations also state that pass-through entities must verify that potential subrecipients are not suspended or debarred (2 CFR 180.300). These regulations were enacted, in part, to prevent entities and individuals convicted of defrauding the government from receiving additional Federal funds or benefits from Federal awards. NEA General Terms and Conditions for Partnership Awards (GTCP) provides guidance on how to meet these requirements (GTCP, 23).

To meet regulation requirements, the Council included a clause in its subaward contract template that requires subrecipients to comply with eligibility requirements. We determined the contract language does not prevent an ineligible entity from applying for and receiving a subaward. For example, a debarred entity could complete the application, pass the panel review and funding processes, and receive a subaward without answering any Council questions or reviews about its suspension or debarment status. As a result, we determined the Council's debarment and suspension process did not provide reasonable assurance that ineligible entities were prevented from receiving Federal funds. We identified 360 different subrecipients across all three awards that were affected by this finding. We tested 26 subrecipients and verified none were suspended or debarred by checking the subrecipients' registration and status on SAM.gov, the Federal registration system for doing business with the government.

Council officials stated they thought the contract language met the requirements because their state lawyer reviewed and approved their annual templates. We determined the Council's reliance on external individuals to understand Federal subawarding requirements and ensure compliance caused this finding. We also determined the Council's staffing shortages and increased workloads impacted its ability to provide increased oversight of applicant eligibility, though these factors were addressed after the Council added two positions and became fully staffed in April 2024.

Council Recommendation 3: We recommend the Council document policies and implement procedures for subrecipient suspension and debarment that meet NEA guidelines.

The Council concurs with the finding and recommendation (see Appendix D for full management response).

Finding 3 – Conflicts of Interest: We determined the Council did not ensure panelist conflicts of interest were identified and avoided.

NEA General Terms and Conditions for Partnership Awards requires award recipients to have written conflict of interest policies that ensure all employees, board member, officers, or agents involved in the selection, award, and administration of grants or contracts, avoid conflicts of interest (GTCP 7). This is to prevent people with a vested interest in an organization from improperly steering contracts or grants to that organization.

The Council uses a panel review process to evaluate and score eligible grant applications, and has a documented conflict of interest policy for its panelists. The policy defines conflicts of interest, and informs panelists that they should not participate in evaluating or scoring an application assigned to them when a conflict of interest occurs. However, we determined there are no written procedures in place for a panelist to notify the Council of a conflict, nor for the Council to ensure an application is not reviewed or scored by a panelist with an undisclosed conflict. As a result, we determined the Council's policy does not reasonably prevent a panelist with a conflict of interest from participating in the affected application's review process, and there are no procedures or controls in place to detect a panelist who chose not to disclose a

conflict. We identified 80 unique panelists that participated in Council grant panels, and tested 11 to determine whether a conflict of interest occurred.

To determine whether an undetected conflict occurred, we reviewed a selection of panelists' background against the applications they reviewed. We identified nine panelists who reviewed three or more applications across the awards, and two panelists who reviewed the same applicant at least twice. We obtained panelists biographies collected by the Council during the panelist selection process and reviewed them against publicly available information to determine whether an affiliation went undeclared, and then against the reviewed applications to determine whether a conflict occurred. We did not identify any undeclared affiliations or conflicts of interest.

Council officials stated they thought their policy met the requirements. We determined this was reasonable, but did not negate the finding. We also determined the Council's staffing shortages and increased workloads impacted its policy decision-making, though these factors were addressed after the Council added two positions and became fully staffed in April 2024.

Council Recommendation 4: We recommend the Council document policies and implement procedures and controls to ensure panelist conflicts of interest are identified and addressed.

The Council concurs with the finding and recommendation (see Appendix D for full management response).

SUBRECIPIENT COSTS

NEA General Terms and Conditions for Partnership Awards requires award recipients to submit FFRs within 120 days of the award's period of performance end date (GTCP 16(E)). These FFRs provide a final accounting of actual costs incurred by the recipient and applied to the award, whether funded by the NEA or claimed as a cost share/match. All costs reported on FFRs must meet cost allowability principles established in Federal award regulations.

NEA General Terms and Conditions for Partnership Awards further limits allowable FFR costs to each NEA award's approved activities and period of performance (GTCP 5). For example, if an award was issued to support a recipient's Folk Arts Director's salary and issue subgrants, then reported costs must be limited to those items incurred within the period of performance. Travel costs or the Executive Director's salary would be considered unallowable, as would Folk Arts Director salary costs incurred before or after the period of performance. Additional restrictions were placed on pandemic-related funds added to the awards. Both CARES and ARP Act subawards' allowable costs were restricted to supporting salaries, benefits, and select operating costs.

When a state agency includes a subaward on its FFR, costs paid by subaward funds become part of the Federal award's reported costs. This means the cost allowability principles also apply to subaward costs included on FFRs as either Federal or recipient cost share. We determined the Council complied with cost allowability requirements and limitations, and generally ensured that its subrecipients did as well.

However, during our tests of subrecipient cost allowability we identified two transactions (out of 91 tested) that did not meet cost allowability requirements – one transaction from the 2021 award and one from the 2020 award. Though we questioned these costs, we did not find issue with the Council’s subaward management or cost allowability procedures and controls given the limited number of incidents resulting from a risk-based selection.

Finding 4 – Unsupported Cost: One subrecipient was not able to provide sufficient documentation to support an \$1,800 cost included in its final cost report to the Council.

NEA General Terms and Conditions for Partnership Awards states that any cost reported on FFRs must, among other things, be adequately documented for reporting and auditing purposes (GTCP 13.A). NEA FFR instructions provide further guidance on supporting documentation. Also, Federal regulations states that a cost must be adequately documented in order to be allowable under Federal awards (2 CFR 200.403).

During our review of the 2021 award, we tested 29 transactions from eight different subrecipients and determined 28 transactions met the cost allowability requirements. For the remaining transaction, the subrecipient reported as an \$1,800 security expense for a theatre performance but was unable to provide enough documentation to verify allowability of this reported cost. Therefore, we are questioning this cost. We removed this cost from the 2021 award’s final reported costs and determined the Council still exceeded the minimum required cost share/match (see Table 3 in Appendix B).

Council officials stated they attempted to obtain the necessary documentation, but the subrecipient was not able to provide it due to a record retention issue. We determined this was reasonable, but did not negate the finding.

NEA Recommendation 1: We recommend the NEA disallow the \$1,800 in unsupported 2021 award costs.

The Council concurs with the finding (see Appendix D for full management response).

Finding 5 – Unapproved Activity Cost: One subrecipient included a \$1,560 cost that was not part of approved ARP program activities in its final cost report to the Council.

The 2020 award included ARP Act funds, and award documents stated that subawarded ARP Act funds were intended to support day-to-day business expenses and operating costs (NEA ARP Requirements & Guidance). Approved ARP subaward cost activities were limited to salary support, artist fees and stipends, facility costs (i.e., rent and utilities), health and safety supplies (i.e., personal protective equipment and hand sanitizer), and marketing and promotion costs. The Council issued ARP subawards through its Bridge Grant program, and established an ARP Bridge Grant handbook which informed subrecipients that eligible expenses included on final reports were limited to the above list.

During our review of the 2020 award, we tested 32 transactions from 11 different subrecipients and determined 31 transactions met the cost allowability requirements. For the remaining transaction, the subrecipient reported the cost to the Council as an office expense, which we determined could qualify as facility cost or health and safety supplies. However, subrecipient supporting documentation showed the cost was for repairing and painting an office space. We determined office repairs did not meet the day-to-day operating cost requirements established; therefore, we are questioning the allowability of this cost. We removed this cost from the 2020 award's final reported ARP costs and identified a \$1,560 potential refund due to the NEA (see Table 5 in Appendix B).

Council officials stated they did not realize the cost was unallowable because they did not require subrecipients to submit supporting documents with final reports. We determined this was reasonable, but did not negate the finding.

NEA Recommendation 2: We recommend the NEA disallow the \$1,560 unallowable ARP activity costs from the 2020 award and determine whether a refund is due (see Appendix B, Table 5).

The Council concurs with the finding (see Appendix D for full management response).

RECOMMENDATION SUMMARY

We recommend the Council:

1. Update its contract templates to include the required information.
2. Establish and conduct periodic internal reviews of its subawarding processes to ensure understanding of, and compliance with, Federal and NEA subawarding requirements.
3. Document policies and implement procedures for subrecipient suspension and debarment that meet NEA guidelines.
4. Document policies and implement procedures and controls to ensure panelist conflicts of interest are identified and addressed.

We recommend the NEA:

1. Disallow \$1,800 in unsupported 2021 award costs.
2. Disallow \$1,560 unallowable ARP activity costs from the 2020 award and determine whether a refund is due.

BREAKDOWN OF AWARD COSTS

CARES and ARP program funds do not have a cost share/matching requirement, therefore, we are separating CARES and ARP financial reviews from the standard Partnership reviews. This is to ensure the effects of CARES or ARP program cost findings are not hidden by any excessive cost share provided under Partnership program costs.

Partnership Program Cost Results

Table 1 – 2019 Award

NEA Partnership Funds Disbursed	755,794
Council Minimum Cost Share Required ³	755,794
 Total Reported Partnership Costs	 \$ 1,646,884
Less Cost Findings (None)	(0)
Potential Allowable Reported Costs	1,646,884
Less NEA Share of Allowable Reported Costs ⁴	(755,794)
Less Council Minimum Cost Share Required	(755,794)
Council Actual Cost Share Exceeded	<u>\$ 135,296</u>

Table 2 – 2020 Award

NEA Partnership Funds Disbursed	\$ 802,734
Council Minimum Cost Share Required	802,734
 Total Reported Partnership Costs	 \$ 1,750,237
Less Cost Finding (None)	(0)
Potential Allowable Reported Partnership Costs	1,750,237
Less NEA Share of Costs	(802,734)
Less Council Minimum Cost Share Required	(802,734)
Council Actual Cost Share Exceeded	<u>\$ 144,769</u>

Table 3 – 2021 Award

NEA Partnership Funds Disbursed	\$ 836,535
Council Minimum Cost Share Required	836,535
 Total Reported Costs	 \$ 1,794,474
Less Unsupported Cost (Finding 4)	(1,800)
Potential Allowable Reported Partnership Costs	1,792,674
Less NEA Share of Costs	(836,535)
Less Council Minimum Cost Share Required	(836,535)
Council Actual Cost Share Exceeded	<u>\$ 119,604</u>

³ Partnership award funds had a one-to-one cost share requirement, therefore the Council's minimum cost share required is equal to the amount of NEA Partnership funds disbursed.

⁴ Because of the one-to-one cost share requirement, the NEA share of allowable reported costs is half the amount of reported allowable costs, up to the amount of Partnership funds disbursed.

CARES Program Cost Results**Table 4 – 2019 Award**

NEA CARES Funds Disbursed	\$ 507,900
Council Minimum Cost Share Required	0
Total Reported Costs	\$ 507,900
Less Cost Findings (None)	(0)
Potential Allowable Reported Costs	507,900
Less NEA Funds Disbursed ⁵	(507,900)
Potential Refund Due	\$ (0)

ARP Program Cost Results**Table 5 – 2020 Award**

NEA ARP Funds Disbursed	\$ 904,000
Council Minimum Cost Share Required	0
Total Reported Costs	\$ 904,000
Less Unapproved Activity Cost (Finding 5)	(1,560)
Potential Allowable Reported Costs	902,440
Less NEA ARP Funds Disbursed	(904,000)
Potential Refund Due	\$ (1,560)

⁵ Because there is no cost share, the table is designed to determine whether a potential refund is due to the NEA. To determine that, we calculate whether allowable reported costs exceed NEA funds disbursed.

AUDIT CRITERIA

The following provides extracts of relevant criteria used in the report. Skips in reference numbers indicate requirements or verbiage that were not applicable to report findings.

DEFINITIONS

NEA General Terms, 5. Definitions

Period of performance: The start and end date of the award. Only costs associated with approved activities incurred during this time period can be charged to the award.

2 CFR 200.1 Definitions

- ***Cost sharing or matching*** means the portion of project costs not paid by Federal funds or contributions (unless otherwise authorized by Federal statute).
- ***Federal share*** means the portion of Federal award costs that are paid using Federal funds.
- ***Internal controls*** for non-Federal entities means:
 1. Processes designed and implemented by non-Federal entities to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - i. Effectiveness and efficiency of operations;
 - ii. Reliability of reporting for internal and external use; and
 - iii. Compliance with applicable laws and regulations.
- ***Non-Federal entity*** means a State, local government, [Native American] tribe, Institution of Higher Education, or nonprofit organization that carries out a Federal award as a recipient or subrecipient.
- ***Pass-through entity*** means a non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.
- ***Period of performance*** means the total estimated time interval between the start of an initial Federal award and the planned end date, which may include one or more funded portions, or budget periods. Identification of the period of performance in the Federal award per 200.211(b)(5) does not commit the awarding agency to fund the award beyond the currently approved budget period.
- ***Project cost*** means total allowable costs incurred under a Federal award and all required cost share and voluntary committed cost sharing, including third-party contributions.
- ***Questioned Cost*** means a cost that is questioned by the auditor because of an audit finding:
 1. Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds;
 2. Where the costs, at the time of the audit, are not supported by adequate documentation; or
 3. Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.
 4. Questioned costs are not an improper payment until reviewed and confirmed to be improper as defined in OMB Circular A-123 Appendix C.

- **Recipient** means an entity, usually but not limited to non-Federal entities, that received a Federal award directly from a Federal awarding agency. The term recipient does not include subrecipients or individuals that are beneficiaries of the award.
- **Subaward** means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement the pass-through entity considers a contract.
- **Subrecipient** means an entity, usually but not limited to non-Federal entities, that receives a subaward from a pass-through entity to carry out part of a Federal award; but does not include an individual that is a beneficiary of such award. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

SUBAWARD MANAGEMENT

Subawarding

NEA General Terms, 22. Subawarding Federal or Cost Share/Matching Funds

An NEA subaward is an award made by you (sometimes called the prime or direct recipient) using Federal and/or cost share/matching funds for the purpose of carrying out a portion of a Federal award (200.331(a)). ...

If you make subawards as part of your Partnership award, you are considered a “pass-through” entity per the definition provided at 2 CFR Part 200 Subpart A “Acronyms and Definitions”, and you must comply with the requirements for monitoring and managing all subrecipients who receive subawards comprised of Federal and/or cost share/matching funds.

Subrecipient Notification

2 CFR 200.332 Requirements for pass-through entities

All pass-through entities must:

- a) 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
 - iii. Federal Award Identification Number (FAIN);
 - vii. Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
 - viii. Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current financial obligation;
 - ix. Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
 - x. Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);

Subrecipient Final Reporting***NEA General Terms, 16. Performance and Final Reporting***

(D) Subrecipients have 90 days after the period of performance end date of the Partnership Agreement to submit final report to you. As the pass-through entity, your final reports are due 30 days after that or 120 days from the end of the Partnership Agreement.

(E) Final Reports To close out your award you must submit the following no later than 120 days after the period of performance end date:

- Final Descriptive Report (FDR) that provides us with information on the performance of our award activities and associated data. This includes the data sequencing forms and other data documents that are submitted to the NEA's partner, the National Assembly of State Arts Agencies.
- A Federal Financial Report,
- Any required work product(s) as identified in the Reports Schedule Tab in Reach

FEDERAL AWARD MANAGEMENT**Internal Control Requirements*****2 CFR 200.303 Internal controls***

The non-Federal entity must:

- a) 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 (COSO).

Suspension and Debarment Requirements***NEA General Terms, 23. Requirements of Subawards made under a Partnership Agreement, Debarment and Suspension***

You must comply with requirements regarding debarment and suspension in Subpart C of 2 CFR 180, as adopted by the NEA in 2 CFR 32.3254. ... Per 180.300 Subpart C, this means checking SAM.gov for any exclusions, reviewing certifications (also available on Sam.gov), or adding a term or condition to the award with that entity (including subrecipients) regarding compliance with 180.300 Subpart C.

As of September 2021, due to security concerns, access to exclusions data in SAM.gov is no longer publicly available. Instead, have your subrecipients complete a self-certification that their organization is not disbarred, suspended, nor has any other exclusions or disqualifications.

2 CFR 200.214 Suspension and debarment

Non-Federal entities are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR 200.180. The regulations in 2 CFR 200.180 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.

Conflicts of Interest***NEA General Terms, 7. Conflicts of Interest (2 CFR 200.112, 200.318) and Criminal Disclosures (200.113),***

(A) You must have written conflict of interest policies that ensure all employees, board members, officers, or agents engaged in the selection, award, and administration of grants or contracts, avoid conflicts as described in 2 CFR 200.318.

2 CFR 200.318(c)(1)

The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection award, and administration of contracts. No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in, or a tangible personal benefit from, a firm considered for a contract. The officers, employees, and agents of the non-Federal entity may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, non-Federal entities may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employee, or agents of the non-Federal entity.

Cost Allowability Requirements***NEA General Terms for Partnerships, 13. Cost Principles***

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's Partnership Agreements guidelines and the Uniform Guidance Subpart E – Cost Principles.

NEA Instructions for completing the Federal Financial Report (FY18 and Later Awards), Section 10: Transactions

The expenses reported on your FFR should be consistent with the line items on your approved budget. ...

We understand that the project budget was your best estimate at the time of submission, and know that the actual costs vary from projections. On the FFR, you will report actual expenditures only.

Review your accounting and supporting documentation (such as invoices, contracts, receipts, checks, transaction reports, and bank statements) and report only actual, allowable, documented costs on the FFR. ...

NEA ARP Additional Requirements and Guidelines, Allowable and Allocable Costs, (2)

Subawarded ARP Act funds are intended to support day to day business expenses/operating costs and are limited to the following:

- Salary support, full or partial, for one or more staff positions.
- Fees and stipends for artists and/or contractual personnel to support the services they provide for specific activities.

- Facilities costs such as rent and utilities.
- Costs associated with health and safety supplies for staff and/or visitors/audiences (e.g., personal protective equipment, cleaning supplies, hand sanitizer, etc.).
- Marketing and promotion costs.

State arts agencies and regional arts organizations, as the pass-through entity, must ensure that ARP Act funds are used to cover only these specific cost items.

2 CFR 200.403 Factors affecting allowability of costs

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- g) Be adequately documented.



November 12, 2025

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

Dear Mr. Stith:

Georgia Council for the Arts (GCA) concurs with all of the findings and recommendations in the draft audit report. We have forwarded the report to the legal counsel for the Georgia Department of Economic Development, of which GCA is a division. Counsel will incorporate the required changes in our grant contract as well as draft a conflict of interest form that can be signed by grant panelists.

Please let me know if you need any additional information from GCA regarding the audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Tina Lilly".

Tina Lilly
Executive Director

cc: John Moffatt, GDECD Chief Financial Officer