

NATIONAL ENDOWMENT for the ARTS



OFFICE OF INSPECTOR GENERAL

Report No. A-25-02

Performance Audit of the
National Endowment for the Arts' Compliance with
Payment Integrity Information Act of 2019
Requirements for Fiscal Year 2024

May 22, 2025

REPORT RELEASE RESTRICTION

In accordance with Public Law 110-409, The Inspector General Report Act of 2008, this report shall be posted on the National Endowment for the Arts (Arts Endowment) Office of Inspector General (OIG) website no later than three (3) days after its approval and issuance by the Arts Endowment OIG. Information contained in this report should not be used for purposes other than those intended without prior approval from the Arts Endowment OIG regarding its applicability.

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

**Performance Audit of the National Endowment for the Arts' Compliance
with Payment Integrity Information Act of 2019 Requirements
for Fiscal Year 2024
(A-25-02)**

EXECUTIVE SUMMARY

We conducted a performance audit of the National Endowment for the Arts (Arts Endowment) compliance with Payment Integrity Information Act of 2019 requirements for fiscal year (FY) 2024. Based on our review, we determined the Arts Endowment complied with all applicable requirements (see table below). We provided the draft report to Arts Endowment management prior to issuance and they provided a response indicating agreement with the results of the audit (see Appendix B).

Legal Requirements		Compliant?
1a	Published payment integrity information with the annual financial statement and in the accompanying materials to the annual financial statement of the Arts Endowment for the most recent FY in accordance with OMB guidance.	Yes
1b	Posted the annual financial statement and accompanying materials required under guidance of OMB on the agency website.	Yes
2a	Conducted improper payment risk assessments for each program with annual outlays greater than \$10 million at least once in the last three years.	Yes
2b	Adequately concluded whether the program is likely to make improper payment (IP) and unknown payment (UP) above or below the statutory threshold.	Yes
3	Published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the annual financial statement.	N/A
4	Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.	N/A
5a	Published an IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.	N/A
5b	Demonstrated improvements to payment integrity or reached a tolerable IP and UP rate.	N/A
5c	Developed a plan to meet the IP and UP reduction target.	N/A
6	Reported an IP and UP estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statement.	N/A

Table of Contents

Introduction	1
Background	1
Audit Objectives, Scope, and Methodologies	2
Prior Audits	2
Audit Results	4
Audit Criteria	Appendix A
Management Responses	Appendix B

INTRODUCTION

The following sections provide background on the National Endowment for the Arts (Arts Endowment), Office of Inspector General (OIG), and Payment Integrity Information Act of 2019 (PIIA); a summary of this audit’s objectives, scope, and methodology; and a summary of our review of prior audits.

BACKGROUND

Arts Endowment: The Arts Endowment seeks to bring meaningful arts experiences to all Americans. Established by Congress in 1965, it is an independent federal agency that is the largest funder of the arts and arts education in communities nationwide and a catalyst of public and private support for the arts. The agency operates from one location in Washington DC, but partners closely with the nation’s 56 state and jurisdictional arts agencies, 6 regional arts organizations, and private entities, leveraging resources to provide more arts funding and arts programs across the country. The Arts Endowment’s primary activities include grantmaking to nonprofit arts organizations, public arts agencies and organizations, and individual writers and translators. It also is a national leader in the field and a convener on issues important to the arts community and people working at the intersections of arts and other fields such as health, community development, and education, among others.

The Arts Endowment’s fiscal year (FY) 2024 appropriation from Congress was \$207 million, from which it issued more than \$163 million in grant awards. It has three grant programs with annual outlays greater than \$10 million in FY 2024 – Partnerships, Grants for Arts Projects, and Leadership.

Arts Endowment OIG: The Arts Endowment OIG primarily conducts independent performance audits in accordance with *Government Auditing Standards* (GAS) to ensure our work is accurate, balanced and objective, and focused on adding value. We also independently investigate reports of waste, fraud, and mismanagement involving Arts Endowment funds. We report the results of our work to the auditee, Arts Endowment, National Council for the Arts, and Congress.

PIIA: PIIA repealed and replaced the Improper Payments Information Act of 2002, the Improper Payments Elimination and Recovery Act of 2010, the Improper Payments Elimination and Recovery Improvement Act of 2012, and the Fraud Reduction and Data Analytics Act of 2015. It aims to improve efforts to identify and reduce government-wide improper payments. Agencies are required to identify and review all programs and activities they administer that may be susceptible to significant improper payments based on guidance provided by the Office of Management and Budget (OMB). Payment integrity information is published with the agency’s annual financial statement in accordance with payment integrity guidance in OMB Circular A-136. The agency must also publish any applicable payment integrity information required in the accompanying materials to the annual financial statement in accordance with applicable guidance. The most common accompanying materials to the annual financial statement are the payment integrity information published on paymentaccuracy.gov. Agency Inspectors General are required to review payment integrity reporting for compliance and issue an annual report.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGIES

Audit Objectives: The objective of our audit was to determine whether the Arts Endowment complied with PIIA for FY 2024.

Audit Scope: Our audit scope was to review the payment integrity information in the Arts Endowment's annual financial statement and the accompanying materials to the financial statement for FY 2024.

Audit Methodologies: We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, 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.

Our review followed the methodologies established in the Council of Inspectors General on Integrity and Efficiency guidance for reviewing agency compliance with PIIA during FY 2024. However, the Arts Endowment was not included in the Office of Management and Budget's (OMB's) high-priority programs list, therefore we omitted the related guidance procedures. Additionally, there were no open prior PIIA report recommendations to the Arts Endowment, therefore guidance procedures related to corrective actions did not apply. Finally, the Arts Endowment did not exceed the statutory threshold¹, therefore estimates and reduction target guidance did not apply.

Neither audit objectives nor scope included evaluation of the Arts Endowment's overall system of internal control. However, we included audit procedures necessary to understand the Arts Endowment's controls over compiling, validating, and reporting FY 2024 PIIA information. This included key information system controls over data used by the Arts Endowment to comply with PIIA requirements. Based on our review, we determined the data obtained and used for the purposes of this audit was reliable.

Finally, we conducted an overall assessment of audit evidence and verified evidence used throughout the audit was reliable, credible, and valid; and we were able to obtain sufficient, appropriate evidence to address audit objectives.

PRIOR AUDITS

We reviewed the Arts Endowment OIG website and Federal database of OIG reports (Oversight.gov) for reports on Arts Endowment operations issued during FY 2024, and identified three audit reports relevant to our audit objective. These were the Data Act audit report, issued

¹ PIIA defines the statutory threshold as the sum of a program or activity's improper payments and payments whose propriety cannot be determined by the executive agency due to lacking or insignificant documentation that may have exceeded (i) \$10 million of all reported program or activity payments of the executive agency made during that fiscal year and 1.5% of program outlays; or (ii) \$100 million.

November 15, 2023, the Financial Statement Audit (FSA) report for FY 2023, issued November 15, 2023, and the FSA report for FY 2024, issued November 15, 2024.

DATA Act (A-24-01): The FY 2023 Data Act review was conducted by Williams, Adley & Co – DC, LLP (WA) in conjunction with the FY 2023 FSA. The review followed GAGAS and included reviews of internal controls over data source systems and testing to determine the accuracy of a statistically representative sample of Arts Endowment payment transactions. This review found a 2.15% error rate in the accuracy of 180 tested transactions, and a less than 1% error rate for data reporting completeness and timeliness. Importantly, the accuracy test results found the error rate was related to inconsistencies in the obligation date, not payee or amount data, and the auditors did not find this error significant enough to be a finding.

FSA FY 2023 (A-24-01) & FSA FY 2024 (A-25-02): Both FSAs were conducted by WA in accordance with GAGAS and did not find any material weaknesses in the Arts Endowment’s financial reporting internal controls, nor reportable noncompliance with applicable tested laws, regulations, contracts, and grant agreements. The financial statements’ Other Information sections include reports from Arts Endowment management on their compliance with PIIA. According to the auditor’s reports, they read the information and compared it to the financial statements, but did not conduct audit work to verify the reliability of Other Information sections.

The results of these three audits included reviews of controls over transaction processing and data accuracy, and testing to determine the accuracy of the financial data. We determined these results were relevant to our audit objective; therefore, we conducted audit procedures to verify the reliability of the audit work as evidence. We reviewed the audit teams’ independence and competence during the engagements, and verified the audit procedures complied with GAGAS. Based on our review, we determined the auditors and audit procedures met GAGAS requirements; therefore, we relied on this work as evidence during our audit.

AUDIT RESULTS

We determined the Arts Endowment complied with applicable PIIA requirements (see table below).

Legal Requirements		Compliant?
1a	Published payment integrity information with the annual financial statement and in the accompanying materials to the annual financial statement of the Arts Endowment for the most recent FY in accordance with OMB guidance.	Yes
1b	Posted the annual financial statement and accompanying materials required under guidance of OMB on the agency website.	Yes
2a	Conducted improper payment risk assessments for each program with annual outlays greater than \$10 million at least once in the last three years.	Yes
2b	Adequately concluded whether the program is likely to make improper payment (IP) and unknown payment (UP) above or below the statutory threshold.	Yes
3	Published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the annual financial statement.	N/A
4	Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.	N/A
5a	Published an IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.	N/A
5b	Demonstrated improvements to payment integrity or reached a tolerable IP and UP rate.	N/A
5c	Developed a plan to meet the IP and UP reduction target.	N/A
6	Reported an IP and UP estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statement	N/A

AUDIT CRITERIA

The following lists criteria used during the audit.

- Public Law 116-117 (*Payment Integrity Information Act of 2019*)
- OMB Annual Data Call Instructions
- OMB Payment Integrity Question and Answer Platform
- 31 United States Code 3321 (*Disbursing Authority in the Executive Branch*)
- M-21-19 - OMB Circular A-123, Appendix C (*Requirements for Payment Integrity Improvement*), March 2021
- OMB Circular A-136 (Financial Reporting Requirements), May 30, 2024
- Government Accountability Office's Green Book (*Standards for Internal Controls in the Federal Government*)
- CFO Council guide to determine a tolerable rate of improper payments, as defined in OMB Circular A-123, Appendix C.

MANAGEMENT RESPONSES



MEMORANDUM

Date: May 21, 2025

To: Ron Stith, Inspector General

From: William Wiggins, Chief Financial Officer

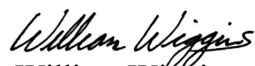
Subject: Management's Response to Inspector General's Performance Audit of the NEA's Compliance with the Payment Integrity Act of 2019

The Office of the Chief Financial Officer (OCFO) has reviewed your draft performance audit of the National Endowment for the Arts (Arts Endowment) compliance with Payment Integrity Act of 2019 (PIIA) requirements for fiscal year 2024.

OCFO takes its obligation to comply with the PIIA and operate in accordance with the related guidance set forth by the Office of Management and Budget seriously. We are pleased that the Office of Inspector General has, based on its review, determined that the Arts Endowment has complied with all the Act's applicable requirements.

We have no comments or response other than to express our appreciation for your providing the opportunity to review your report prior to its finalization.

Sincerely,


William Wiggins
Chief Financial Officer