



MEMORANDUM

Memo 17-01

DATE: November 15, 2016

TO: Jane Chu, Chairman

FROM: Ron Sih, Inspector General

SUBJECT: Top Management Challenges for the National Endowment for the Arts

The Consolidated Reports Act of 2000 and OMB Circular A-136, *Financial Reporting Requirements*, require that the Office of Inspector General provide the agency head with a summary of the top management and performance challenges facing the agency. It is our assessment that the areas of financial management, human capital, information technology, and grantee accountability represent the top management and performance challenges for NEA. Following is a discussion of each challenge area.

Financial Management. NEA's top financial management challenge for FY 2017 and beyond will be to keep pace with the various government-wide modernization efforts and regulatory changes, while maintaining accounting operations and improving efficiency and effectiveness of NEA work procedures, systems and staff cross-training.

During FY 2016, NEA filled key positions in the Finance Office, including the Finance Director position. While these positions have been filled, the new staff and Director are challenged with getting acclimated to the NEA financial reporting system while also working to comply with regulatory changes and modernization requirements. The most recent being the DATA Act (Public Law No. 113-101) that requires all Federal agencies, including NEA to transform all spending information into open data.

The financial management team is also faced with assisting the NEA in developing and bringing on-line its new electronic grants management system that is being developed with the National Endowment for the Humanities.

Human Capital. NEA's top human capital challenge is ensuring an effective human capital strategy to work with hiring managers to attract candidates with the right skills, ability and knowledge to replace retiring long term employees, while also continuing high quality service delivery. This challenge is one that is affecting most Federal agencies.

Information Technology. NEA's top information technology management challenge continues to be the need to transition to a new, more robust electronic grants management system (eGMS). This need is being addressed through an OMB-approved partnership with NEH to jointly develop a new shared system. Work on this cloud-based system began in September 2012. The new eGMS, built on a more flexible, operationally efficient platform, is supposed to be fully integrated with NEA business processes and seamlessly connected to both Grants.gov and the DELPHI financial system. NEA expects to transition to the system in FY 2017.

Also, new government-wide requirements for information security in recent years provide challenges to all Federal agencies, including NEA. The Federal Information Security Modernization Act of 2014 (FISMA), as amended, requires each Federal agency to develop, document, and implement an agency-wide information security program to provide information security over the operations and assets of the agency.

Although we have identified improvement opportunities in the information security program, NEA is continually making progress in complying with the ever increasing information system security requirements. Privacy reporting has been included as part of the FISMA reporting process in light of the occurrence of data theft and losses at several Federal agencies. The E-Government Act and Privacy Act provide legislative guidance for the control and dissemination of personal information and personally identifiable information. This will continue to be an area requiring attention in NEA.

Grantee Accountability. NEA also faces the challenge, along with the Federal grantee community, to help grantees fully implement the accountability requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

There continues to be a limited number of grantees that have not complied with all applicable Federal grant requirements. These organizations are typically identified by NEA's grants and contracts teams and referred to NEA OIG for audit or review. Upon evaluating these organizations, NEA OIG has identified the following five most common findings: (1) not ensuring that contractors and grant recipients have not been debarred or suspended from receiving Federal assistance prior to paying or awarding them Federal funds; (2) not having written policies and procedures for the management of Federal awards; (3) not reporting accurate and allowable costs incurred on the Federal Financial Report; (4) not maintaining a Section 504 self-evaluation at the organization, and (5) not maintaining supporting documentation for costs charged to NEA grants.

We acknowledge and encourage NEA's efforts to continue identifying opportunities to improve grantee compliance with government-wide grant requirements. Continued development and implementation of web-based tools and technical assistance efforts will, in our opinion, improve the likelihood of grantee compliance.

NEA OIG has strong support from NEA management and looks forward to continuing our work together to help NEA deliver its mission with excellence and integrity. We welcome any comments on our assessment.

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