

# **NATIONAL ENDOWMENT FOR THE ARTS**

## **OFFICE OF INSPECTOR GENERAL**



### **SEMIANNUAL REPORT TO THE CONGRESS**

**APRIL 1, 2013 - SEPTEMBER 30, 2013**

# **SEMIANNUAL REPORT TO THE CONGRESS**

**APRIL 1, 2013 - SEPTEMBER 30, 2013**

**OFFICE OF INSPECTOR GENERAL**

**NATIONAL ENDOWMENT FOR THE ARTS**

October 30, 2013

## MEMORANDUM

TO: Joan Shigekawa  
Senior Deputy Chairman

FROM: Tonie Jones  
Inspector General

SUBJECT: **Semiannual Report to the Congress: April 1, 2013 - September 30, 2013**

The Inspector General Act of 1978 (IG Act), as amended (5 USC App.), calls for the preparation of semiannual reports to the Congress summarizing the activities of the Office of Inspector General (OIG) for the six-month periods ending each March 31 and September 30. I am pleased to enclose the report for the period from April 1, 2013 - September 30, 2013.

The IG's report is intended to cover audits, inspections, evaluations, investigations and other reviews conducted by the OIG. The report also indicates the status of management decisions whether to implement or not to implement recommendations made by the OIG. The former President's Council on Integrity and Efficiency developed the reporting formats for Tables I and II to ensure consistent presentation by the Federal agencies. The tables provide only summary totals and do not include a breakdown by auditee.

The IG Act requires that you transmit this report to the appropriate committees of the Congress within 30 days of receipt, together with any comments you may wish to make. Comments that you might offer should be included in your "Report on Final Action," a management report that is required to be submitted along with the IG's report. We will work closely with your staff to assist in the preparation of the management report. The due date for submission of both reports is November 30, 2013.

I appreciate the continuing support we have received from the Chairman's Office and your managers. Working together, I believe we have taken positive steps to improve NEA programs and operations. We look forward to continuing these efforts.

## TABLE OF CONTENTS

	<u>PAGE</u>
<b>NATIONAL ENDOWMENT FOR THE ARTS</b>	1
<b>OFFICE OF INSPECTOR GENERAL</b>	1
<b>SUMMARY OF WORK COMPLETED BY THE OIG</b>	2
Audits/Inspections/Evaluations/Reviews	2
Audit Resolution	2
Inspections	2
Investigations	2
Audit of NEA Fiscal Year 2013 Financial Statements	3
NEA's Compliance with the Federal Information Security Management Act of 2002	3
Review of Legislation, Rules, Regulations and Other Issuances	4
Technical Assistance	4
Web Site	4
Other Activities	4
Strategic Plan & Five-Year Audit Plan	5
<b>SECTIONS OF REPORT</b>	6
<u><b>SECTION 1</b></u> - Significant Problems, Abuses and Deficiencies	6
<u><b>SECTION 2</b></u> - Recommendations for Corrective Action	6
<u><b>SECTION 3</b></u> - Recommendations in Previous Reports on Which Corrective Action Has Not Been Implemented	6
<u><b>SECTION 4</b></u> - Matters Referred to Prosecuting Authorities	7
<u><b>SECTION 5</b></u> - Denials of Access to Records	7
<u><b>SECTION 6</b></u> - Listing of Reports Issued	8
<u><b>SECTION 7</b></u> - Listing of Particularly Significant Reports	9
<u><b>SECTION 8</b></u> - Statistical Tables Showing Total Number of Audit Reports, Inspection Reports and Evaluation Reports, and the Dollar Value of Questioned Costs	9
<u><b>SECTION 9</b></u> - Statistical Tables Showing Total Number of Audit Reports, Inspection Reports and Evaluation Reports, and the Dollar Value of Recommendations that Funds be Put to Better Use by Management	9

## **TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
<b><u>SECTION 10</u></b> - Audit Reports, Inspection Reports and Evaluation Reports Issued Before the Commencement of the Reporting Period for Which No Management Decision Has Been Made by the End of the Reporting Period	9
<b><u>SECTION 11</u></b> - Significant Revised Management Decisions Made During the Period	9
<b><u>SECTION 12</u></b> - Significant Management Decisions With Which the Inspector General Disagrees	9
<b>TABLE I</b> - Inspector General Issued Reports With Questioned Costs	10
<b>TABLE II</b> - Inspector General Issued Reports With Recommendations That Funds Be Put To Better Use	11
<b>Definitions of Terms Used</b>	Appendix A
<b>Strategic Plan &amp; Five-Year Audit Plan 2014 – 2018</b>	Appendix B

## **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 to 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, musical theater, opera, presenting, 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. Through the Consolidated and Further Continuing Appropriations Act, 2013, NEA received \$145.729 million, net a 0.16% across-the-board rescission included in Division F, Section 1101(c)(1), and a 0.2% across-the-board rescission included in Division G, Section 3004(c)(1). This appropriation was further subject to a reduction of \$7.346 million per a sequestration order issued by the President on March 1, 2013.

## **OFFICE OF INSPECTOR GENERAL**

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. The mission of the OIG is to:

- Conduct and supervise independent and objective audits, inspections and evaluations relating to NEA programs and operations;
- Promote economy, effectiveness, and efficiency within the NEA;
- Prevent and detect fraud, waste, and abuse in NEA programs and operations;
- Review and make recommendations regarding existing and proposed legislation and regulations relating to NEA programs and operations; and
- Keep NEA Chairman and Congress fully and currently informed of problems in NEA programs and operations.

On October 14, 2008, the President signed the Inspector General Reform Act of 2008 (Public Law 110-409), which amends the previous IG Act of 1978 by enhancing the independence of the Inspectors General and creating a Council of the Inspectors General on Integrity and Efficiency (Council).

This semiannual report summarizes NEA OIG's major activities, initiatives, and results for the six-month period ending September 30, 2013. NEA OIG consists of four full-time positions, the Inspector General and three auditors. Currently, NEA 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 General Services Administration's Office of Inspector General (GSA OIG) to provide investigative coverage for us on a reimbursable basis as needed. (No investigative coverage from GSA 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 NEA OIG with legal services pursuant to the new requirements reflected in the 2008 Act. An NCUA OIG staff member

has been assigned to provide such services on an as-needed basis. We also have a Memorandum of Understanding with the US International Trade Commission's Office of Inspector General (US/ITC OIG) to provide technical assistance with our evaluation of NEA's compliance with the Federal Information Security Management Act of 2002.

## **SUMMARY OF WORK COMPLETED BY THE OIG**

During the six-month period ending September 30, 2013, NEA OIG conducted the following audits, inspections, evaluations, reviews, investigations, and other activities.

### **Audits/Inspections/Evaluations/Reviews**

During the recent semiannual period, NEA OIG issued three reports which contained twelve recommendations based on audits and evaluations performed by OIG personnel. One report, to an NEA grantee, contained four recommendations which remain open. Two reports to NEA relating to grantees contained eight recommendations, all of which were implemented during this reporting period.

### **Audit Resolution**

At the beginning of the six-month period, there was one report awaiting a management decision to allow or disallow questioned costs for four awards in the amount of \$163,000 with potential refunds of \$141,933. During the current period, management decisions were made to (1) allow \$8,000 in questioned costs, (2) disallow \$135,000 in questioned costs and (3) terminate an award in the amount of \$20,000.

Management made a decision on two awards to allow questioned costs in the amount of \$8,000. Management accepted documentation to support \$2,000 of the questioned costs for one award. The organization submitted a refund of \$6,000 to the NEA for the second award. Therefore, potential refunds were reduced by \$6,933. A management decision was also made for the remaining award to disallow questioned costs in the amount of \$135,000, with a potential refund of \$135,000. (See Table I)

### **Inspections**

NEA OIG did not conduct any inspections during the recent six-month period.

### **Investigations**

Along with the OIGs for the National Endowment for Humanities and the National Science Foundation, we conducted an investigation of a Massachusetts public broadcasting company. Based on our review, we determined that the broadcasting company was in violation of the award terms, administrative policies and procedures and Federal regulations. It was also determined that the broadcasting company did not have an adequate accounting system to track and account for Federal grant funds.

We referred the matter to the US Attorney's Office for the District of Massachusetts, which commenced negotiations with the broadcasting company. The US Attorney's Office entered into a civil settlement requiring the company to repay a total of \$300,170—of which \$1,746 was NEA funds—and a five-year compliance plan to strengthen its oversight of Federal funds.

NEA OIG did not open any new allegation cases during the recent six-month period.

### **Audit of NEA Fiscal Year 2013 Financial Statements**

The *Accountability of Tax Dollars Act of 2002* requires NEA OIG or an independent external auditor, as determined by the Inspector General, to audit the agency financial statements. Under a competitively awarded contract monitored by NEA 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 will be conducted following Generally Accepted Government Auditing Standards and US Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as revised. In addition, the firm will provide reports on internal controls and compliance with laws and regulations for matters relevant to the financial statement audit. The report is scheduled to be issued by the required deadline.

### **NEA's Compliance with the Federal Information Security Management Act of 2002**

Federal Information Security Management Act of 2002 (FISMA) requires that each Federal agency 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.

NEA OIG completed a full FISMA evaluation in Fiscal Year (FY) 2012 using the most recent applicable FISMA requirements and guidelines published by OMB, the US Department of Homeland Security and the National Institute of Standards and Technology. The assessment found that although NEA made progress in complying with FISMA, some additional improvements were needed. NEA OIG made four recommendations. One corrective action has been implemented. Corrective actions are in process for the three remaining recommendations.

During the prior reporting period, two evaluation reports were issued on NEA's network perimeter security and patching programs. The evaluations were performed by US/ITC OIG on behalf of the NEA OIG. The evaluation of NEA's perimeter security concluded that while NEA's perimeter defense is effective, continuous attention and improvement are required to ensure that it remains effective in the future. The report contained seven recommendations. The evaluation of NEA's patching program concluded that NEA has not implemented an effective, comprehensive system maintaining patch levels. The report contained six recommendations. Corrective actions for all of the recommendations are in process.

During the FY 2011 FISMA evaluation, NEA OIG made eleven recommendations, nine of which have been implemented. The remaining two are in process.

NEA OIG is currently conducting the FY 2013 FISMA evaluation, which is due to OMB on November 30, 2013.



## **Review of Legislation, Rules, Regulations and Other Issuances**

NEA OIG is required to review and comment on proposed legislation and regulations for potential impact on NEA and its operations. During this reporting period, NEA OIG provided analyses and written commentaries on NEA and other government publications/reports and regulations.

## **Technical Assistance**

NEA OIG provided technical assistance to NEA grantees and their independent auditors. Our efforts included, for example, clarifying and interpreting the audit requirements of OMB Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*," and advising some of the first-time and smaller organizations on implementing practical accounting systems and internal controls sufficient to assure compliance with their grant agreements.

NEA OIG also assisted NEA staff with technical issues related to auditing, accounting, and audit followup.

## **Web Site**

NEA OIG maintains an ongoing Internet presence ([www.arts.gov/about/OIG/Contents.html](http://www.arts.gov/about/OIG/Contents.html)) to assist and inform NEA employees and grantees. The site includes pages for *Reporting Fraud, Waste and Abuse; Reports; Guidance; Recovery Act; Career Opportunities; Frequently Asked Questions and Other Resources*.

## **Other Activities**

During this period, NEA OIG participated in the activities of the Council. We allocated resources for responding to information requests from and for the Congress and other agencies. We have also participated in various efforts by the Council and other Federal agencies to develop effective oversight strategies for Federal awards. We continued our oversight of *American Recovery and Reinvestment Act of 2009* (ARRA) funds with an emphasis on award recipients' management of ARRA funds.

The *Government Accountability Office's Government Auditing Standards* requires audit organizations that perform audits or attestation engagements to have an appropriate system of quality control and to undergo external peer reviews at least once every 3 years. Federal audit organizations can receive a rating of Pass, Pass with deficiencies, or Fail. A peer review of NEA OIG was conducted in August 2010 by the Federal Trade Commission's Office of Inspector General. NEA OIG received a rating of Pass. The Consumer Product Safety Commission's Office of Inspector General is currently conducting our peer review for 2013.

The *Improper Payments Information Act (IPIA) of 2002*<sup>3</sup> and OMB Circular A-123, Appendix C, *Management's Responsibility for Internal Control: Requirements for Effective Measurement and Remediation of Improper Payments*, require agencies to review all programs and activities, identify those that are susceptible to significant erroneous payments, and determine an annual estimated amount of erroneous payments. The IPIA was followed by the *Improper Payments Elimination and Recovery Act (IPERA)* in 2010 and a series of OMB memoranda which included requirements for Inspectors General to annually review and report on their agency's compliance with IPERA. We issued our annual report for 2013.

---

<sup>3</sup> P.L. 111-204.

## **Strategic Plan & Five-Year Audit Plan**

We have issued our Strategic Plan & Five-Year Audit Plan for the Years 2014 – 2018. Our planning methodology is built around the concept of issue areas and issues. The issue areas are broad categories of prime importance: they highlight the priorities of our customers - NEA management, the Congress and the American people. The individual issues, expressed as questions, represent an assessment of the most significant concerns facing NEA. The methodology also includes the formulation of annual audit work plans.

## SECTIONS OF REPORT

The following sections of this report discuss the 12 areas specifically required to be included according to Section 5(a) of the IG Act of 1978, as amended. Table I shows Inspector General issued reports with questioned costs and Table II shows that there were no Inspector General issued reports with recommendations that funds be put to better use.

### **SECTION 1 – Significant Problems, Abuses and Deficiencies**

Audits, evaluations and other reviews conducted by NEA 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:

- Not accounting for costs separately by grant award; (e.g., accounting structures that do not provide accurate and complete information about all financial transactions related to each Federally-supported project);
- Reported grant project costs did not agree with the accounting records, (e.g., financial status reports were not always prepared directly from the general ledger, subsidiary ledgers or worksheets);
- Personnel costs charged to grant projects were not supported by adequate documentation, (e.g., personnel activity reports were not maintained to support allocations of personnel costs to NEA projects);
- Grantees needed to improve internal controls, (e.g., ensuring that contractors and recipients are not debarred or suspended from receiving Federal funds prior to the payment or award of Federal funds and developing written policies and procedures for the management of Federal awards).

### **SECTION 2 – Recommendations for Corrective Action**

To assist grantees in correcting or avoiding the deficiencies identified in Section 1, NEA OIG utilizes two “*Financial Management Guides*,” one for non-profit organizations and the other for state and local governments. The guides are not offered as complete manuals of procedures; rather, they are intended to provide practical information on what is expected from grantees in terms of fiscal accountability. The guides are available at [www.arts.gov/about/OIG/Guidance.html](http://www.arts.gov/about/OIG/Guidance.html).

The guides discuss accountability standards in the areas of financial management, internal controls, audit, and reporting. The guides also contain sections on unallowable costs and shortcomings to avoid. In addition, the guides include short lists of useful references and some sample documentation forms.

### **SECTION 3 – Recommendations in Previous Reports on Which Corrective Action Has Not Been Implemented**

Prior to this period, we became aware of significant deficiencies in the management of Federal awards by a NEA grant recipient. We performed a limited scope audit which confirmed the deficiencies and as a result, we issued eleven recommendations to the grant recipient and two recommendations to NEA. NEA implemented corrective actions for the two recommendations. The grant recipient implemented corrective actions for three of the eleven recommendations. Therefore, eight recommendations remain open, which includes the disallowed questioned costs in the amount of \$135,000, with a potential refund of \$135,000.

**SECTION 4 – Matters Referred to Prosecuting Authorities**

No matters were referred to prosecuting authorities during this reporting period.

**SECTION 5 – Denials of Access to Records**

No denials of access to records occurred during this reporting period.

**SECTION 6 – Listing of Reports Issued and OIG Hotline Contacts**

<b><u>REPORT NUMBER</u></b>	<b><u>TITLE</u></b>	<b><u>DATE OF REPORT</u></b>
	<i>Limited Scope Audit Report</i>	
LS-13-04	District of Columbia Commission on the Arts and Humanities (DC).....	09/23/13
	<i>Special Reviews</i>	
R-13-04	Recommendation for Debarment Actions <sup>4</sup> .....	02/21/13
	<i>Financial Analysis Report</i>	
FA-13-01	New Federal Theatre (NY).....	08/28/13

**TOTAL REPORTS - 3**

*Contacts*

Telephone Calls.....	2
Email .....	0
Standard Mail.....	0
Referred by Other Sources.....	0
Fax.....	0

**TOTAL CONTACTS – 2**

---

<sup>4</sup> Report No. R-13-04 was not included in prior semi-annual reporting due to sensitive information.

**SECTION 7 – Listing of Particularly Significant Reports**

There were no particularly significant reports during the reporting period.

**SECTION 8 – Statistical Tables Showing Total Number of Audit Reports, Inspection Reports, and Evaluation Reports and the Dollar Value of Questioned Costs**

Table I of this report presents the statistical information showing the total number of audit reports, inspection reports, and evaluation reports and the total dollar value of questioned costs.

**SECTION 9 – Statistical Tables Showing Total Number of Audit Reports, Inspection Reports, and Evaluation Reports and the Dollar Value of Recommendations that Funds be Put to Better Use by Management**

As shown on Table II, there were no audit reports, inspection reports and evaluation reports with recommendations that funds be put to better use by management.

**SECTION 10 – Audit Reports, Inspection Reports, and Evaluation Reports Issued Before the Commencement of the Reporting Period for Which No Management Decision Has Been Made by the End of the Reporting Period**

As shown on Table I, there were no audit reports issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period.

**SECTION 11 – Significant Revised Management Decisions Made During the Period**

No significant revised management decisions were made during the reporting period.

**SECTION 12 – Significant Management Decisions With Which the Inspector General Disagrees**

There were no significant management decisions that the Inspector General disagreed with during the reporting period.

## TABLE I

### INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS

	<u>NUMBER</u>	<u>QUESTIONED COSTS</u>	<u>UNSUPPORTED COSTS</u>	<u>POTENTIAL REFUNDS <sup>5</sup></u>
A. For which no management decision has been made by the commencement of the reporting period	<u>1</u>	<u>163,000</u>	<u>(28,000)</u>	<u>141,933</u>
B. Which were issued during the reporting period	<u>1</u>	<u>48,000</u>	<u>(0)</u>	<u>24,000</u>
Subtotals (A + B)	<u>2</u>	<u>211,000</u>	<u>(28,000)</u>	<u>165,933</u>
C. For which a management decision was made during the reporting period <sup>6</sup>	<u>1</u>	<u>163,000</u>	<u>(28,000)</u>	<u>141,933</u>
(i) Dollar value of disallowed costs	<u>1</u>	<u>155,000</u>	<u>(20,000)</u>	<u>135,000</u>
(ii) Dollar value of costs not disallowed	<u>1</u>	<u>8,000</u>	<u>(8,000)</u>	<u>6,933</u>
D. For which no management decision has been made by the end of the reporting period	<u>0</u>	<u>48,000</u>	<u>(48,000)</u>	<u>24,000</u>
Reports for which no management decision was made within six months of issuance	<u>0</u>	<u>0</u>	<u>(0)</u>	<u>0</u>

<sup>5</sup> The potential refund amount may not equal the questioned cost amount because matching requirements must be considered and the grantee may be either under or over matched. In addition, historically, the potential refund generally is reduced significantly as a result of the audit follow-up process, which includes examination of documentation submitted by the grantee.

<sup>6</sup> In one report, management decisions were made to (1) not accept \$135,000, (2) terminate a \$20,000 award, (3) accept \$2,000 in questioned costs. The organization also refunded \$6,000 to the NEA.

**TABLE II**

**INSPECTOR GENERAL ISSUED REPORTS  
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE**

	<b><u>NUMBER</u></b>	<b><u>DOLLAR VALUE</u></b>
A. For which no management decision has been made by the commencement of the reporting period	0	0
B. Which were issued during the reporting period	0	0
Subtotals (A + B)	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 action	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
Reports for which no management decision was made within six months of issuance	0	0



## DEFINITIONS OF TERMS USED

The following definitions apply to terms used in reporting audit statistics:

<b>Questioned Cost</b>	A cost that the Office of Inspector General (OIG) questioned because of alleged violation with a provision of a law, regulation, contract, other agreement or document governing the expenditure of funds; such cost is not supported by adequate documentation; or the expenditure of funds for the intended purpose is unnecessary or unreasonable.
<b>Unsupported Cost</b>	A cost which the OIG questioned because the cost was not supported by adequate documentation at the time of the audit.
<b>Disallowed Cost</b>	A questioned cost that management has sustained or agreed should not be charged to the NEA grant or cooperative agreement.
<b>Funds Be Put To Better Use</b>	A recommendation made by the OIG that funds could be used more efficiently if management took actions to implement and complete the recommendation.
<b>Management Decision</b>	Management's evaluation of the findings and recommendations contained in the audit report and the issuance of management's final decision, including actions to be taken. Interim decisions and actions are not considered final management decisions for the purpose of the tables in this report.
<b>Final Action</b>	The completion of all actions that management has concluded in its management decision with respect to audit findings and recommendations. If management concluded that no actions were necessary, final action occurs when a management decision was made.

**STRATEGIC PLAN  
&  
FIVE-YEAR AUDIT PLAN  
2014- 2018**

National Endowment for the Arts  
Office of Inspector General

October 2013

# Table of Contents

	<u>Page</u>
INTRODUCTION .....	1
Foreword.....	1
OIG Mission Statement .....	1
Duties and Responsibilities of the Inspector General .....	1
Authority of the Inspector General.....	2
Jurisdiction of the Inspector General .....	3
Planning Methodology.....	3
OIG Resource Requirements .....	4
STRATEGIC ISSUE AREAS.....	5
Issue Area 1: NEA Program Activities .....	5
Issue Area 2: NEA Administrative Operations .....	6
Issue Area 3: OIG Administration and Investigations .....	7
PERFORMANCE MEASURES .....	9
FIVE-YEAR AUDIT PLAN .....	10
Audit Plan FY 2014 .....	11
Audit Plan FY 2015 .....	12
Audit Plan FY 2016 .....	13
Audit Plan FY 2017 .....	14
Audit Plan FY 2018 .....	15
Other Activities .....	16

# INTRODUCTION

## Foreword

The National Endowment for the Arts (NEA) Office of Inspector General (OIG) was established in 1989 pursuant to Public Law 100-504, "The Inspector General Act Amendments of 1988" (IG Act). On October 14, 2008, the President signed the Inspector General Reform Act of 2008 (Public Law 110-409), which amends the previous IG Act to enhance the independence of the Inspectors General, to create a Council of the Inspectors General on Integrity and Efficiency, and other purposes. This document describes the plan of NEA OIG for discharging its ongoing responsibilities under the IG Act, and for meeting its operational objectives for the period from fiscal year 2014 through fiscal year 2018.

This strategic plan is also a response to the General Accounting Office Report No. B-244053, "Inspectors General: Action Needed to Strengthen OIGs at Designated Federal Entities." That report recommended that OIGs develop strategic plans, prepare annual work plans for each year of a five-year period, and report the plans to their entity heads and, in their semiannual reports, to the Office of Management and Budget (OMB) and the Congress.

## OIG Mission Statement

NEA OIG is a team of skilled personnel dedicated to helping NEA reach its essential goals and objectives. To this end, NEA OIG independently conducts activities such as audits, evaluations, investigations and special reviews with accuracy, balance and objectivity. Working with management to help avoid problems before they occur, our mission is to: promote economy, efficiency and effectiveness in NEA activities; prevent and detect fraud, waste and abuse; advocate ethics in government; and keep the Chairman and the Congress fully and currently informed about problems and deficiencies relating to the administration of NEA programs and operations.

In achieving our mission, the staff of NEA OIG will be fair and equitable, performing our duties with honesty and integrity. We will strive to be leaders and innovators in our field of expertise and will be accountable for meeting our responsibilities. We will cooperate with all components of NEA, giving proper recognition to the rights, authorities and duties of its employees and the public it serves.

## Duties and Responsibilities of the Inspector General

The Inspector General (IG) shall:

- Provide policy direction for, and conduct, supervise, and coordinate audits (including evaluations and other reviews that are conducted in accordance with applicable government standards) and investigations relating to the programs and operations of NEA;
- Review existing and proposed legislation and regulations to determine their impact on economy and efficiency in the administration of, and the prevention and detection of fraud, waste and abuse in NEA programs and operations;

- Recommend policies and conduct, supervise, or coordinate activities both internal and external to NEA, for the promotion of economy and efficiency, and the prevention and detection of fraud, waste and abuse in NEA programs and operations;
- Keep the NEA Chairman and the Congress fully and currently informed concerning fraud and other serious problems, abuses, and deficiencies relating to the administration of programs and operations financed by NEA, or the identification and prosecution of participants committing such fraud or abuse;
- Comply with standards established by the Comptroller General of the United States for audits of Federal establishments, organizations, programs, activities and functions (Government Auditing Standards);
- Give particular regard to the activities of the Comptroller General of the United States with a view toward avoiding duplication and ensuring effective coordination and cooperation;
- Establish guidelines for determining when it shall be appropriate to use non-Federal auditors, and give due regard to assuring that any work performed by non-Federal auditors complies with the Comptroller General's standards; and
- Report expeditiously to the Attorney General whenever the IG has reasonable grounds to believe there has been a violation of Federal criminal law.

## **Authority of the Inspector General**

To carry out these responsibilities, the Congress has given the IG:

- Access to all records, reports, audits, reviews, documents, papers, recommendations, or other material available to NEA which relate to its programs and operations;
- Authority to conduct such investigations and reviews that are, in the judgment of the Inspector General, necessary or desirable;
- Authority to request information or assistance from any Federal, state or local government agency or unit thereof, as may be necessary for carrying out the duties and responsibilities of the Inspector General Act;
- Authority to issue subpoenas;
- Authority to administer and take an oath, affirmation or affidavit from any person when necessary;
- Direct and prompt access to the NEA Chairman;
- Authority to select, appoint and employ such officers and employees as may be necessary for carrying out the functions, powers and duties of NEA OIG; and
- Within the limits of the established budget, authority to contract for audits, studies, analyses and other services.

## **Jurisdiction of the Inspector General**

NEA OIG consolidates audit and investigative capabilities under the direction of a single official, the IG, who in turn reports directly to the NEA Chairman and the Congress. Three important features characterize NEA OIG: independence, objectivity and integrity.

Although under the Chairman's general supervision, the Chairman may not prevent or prohibit the IG from initiating, performing, or completing any audit or investigation. The IG is also vested with special authorities that facilitate the performance of his or her mandate, and it is from these provisions that the element of independence derives.

The IG legislation states that there should be no conflicting policy responsibilities between the IG and the Agency, thereby ensuring objectivity and independence. The IG's sole responsibility is auditing, investigating, and initiating other activities designed to promote economy and efficiency, and detect and prevent fraud, waste and abuse.

The investigative jurisdiction of NEA OIG includes all allegations of fraud, abuse and mismanagement, and any apparent or suspected violations of statute, order, regulation or directive in connection with any program or operation of NEA.

The audit jurisdiction of NEA OIG encompasses a wide range of audit services, including audits and special reviews. Audits are characterized as: financial or performance; full-scope or limited-scope; and external (focusing on the records of recipients of NEA funding) or internal (focusing on operations and activities carried on within NEA). Special reviews are used to appraise and provide information about particular programs or projects. They include inspections (typically focused on compliance issues), evaluations (commonly focused on assessments of grantees' financial management systems and grantee compliance), and electronic data processing reviews (focused on data centers, application systems or telecommunication systems). As part of our audit and review process, we examine audit reports issued by other Federal agencies, state auditors, and independent public accountants to determine whether the results of audits have either a past, current or potential effect on NEA awards and what action, if any, is required by NEA. In addition, reviews may be conducted of individual awards to ensure proper reporting of expenditures.

The Inspector General's jurisdiction also includes the review of existing and proposed legislation and regulations relating to NEA programs and activities. This is essentially a reactive activity, limited to commenting on and making recommendations about the impact of the legislation or regulation on economy and efficiency or the prevention of fraud, waste and abuse. As an adjunct to the legal requirement, the Inspector General is consulted as a matter of NEA policy prior to issuance of internal directives and other significant pronouncements.

The Inspector General's jurisdiction is not always limited to the areas listed above. The IG may, as circumstances dictate, be given special assignments by the NEA Chairman.

## **Planning Methodology**

The planning methodology that we have adopted is built around the concepts of issue areas and issues. Issue areas are broad categories of prime importance: they highlight the priorities of our customers -- NEA management, the Congress, and the American people -- and contain a number of narrower topics or individual issues. The individual issues, expressed as questions, represent an assessment of the most significant concerns facing NEA.

The methodology also includes the formulation of annual audit work plans. The annual plan defines the work to be done by: identifying individual jobs; assigning priorities; linking jobs to the strategic issue areas; allocating staff among issue areas and issues; and serving as a device for communicating with NEA officials. The work plans will, of course, require periodic updates to reflect shifts in issue emphasis as well as changes in audit resources.

It is expected that issue area planning will:

- Establish multi-year audit objectives consistent with NEA and congressional needs;
- Focus NEA OIG's resources on issues that represent the greatest risk to NEA and those that offer the most opportunity for adding value;
- Reflect NEA OIG's budget requests and resource allocation decisions; and
- Provide a basis for measuring results and ensuring accountability.

## **OIG Resource Requirements**

NEA OIG staff currently consists of four full-time positions, namely, the IG and three other auditors. There is no investigator or general counsel on staff. To provide a reactive investigative capability, we have a Memorandum of Understanding with the General Services Administration's Office of Inspector General (GSA OIG) whereby GSA OIG agrees to provide investigative coverage for us on a reimbursable basis as needed. We have a Memorandum of Understanding with the National Credit Union Administration's Office of Inspector General that details procedures to be used for providing NEA OIG with legal services pursuant to the new requirements reflected in the 2008 Act. We also have a Memorandum of Understanding with the US International Trade Commission's Office of Inspector General to provide technical assistance for our evaluation of NEA's compliance with the Federal Information Security Management Act of 2002.

It is possible that the resources provided for NEA OIG may, at some time, need to be changed. Any such adjustment should be based on periodic evaluations of NEA OIG as gauged by the performance measures identified in this strategic plan and available resources.

# STRATEGIC ISSUE AREAS

## Issue Area 1: NEA Program Activities

Major functions include:

- Project monitoring; allowable costs; and compliance with reporting requirements, and general terms and conditions
- Audit followup
- Grant award process

**Issue 1.1:** Does NEA evaluate completed projects to assess the benefits and accomplishments attributable to NEA funding?

**Strategy:** NEA OIG will work with NEA management to assess the effectiveness of NEA practices for reviewing the results obtained by recipients' projects as well as NEA's program initiatives.

**Issue 1.2:** Does NEA ensure that the recipients of funding are held accountable for meeting their particular reporting requirements and for complying with the terms and conditions applicable to their awards?

**Strategy:** NEA OIG will conduct audits and special reviews (such as evaluations) to verify accountability, allowability, and compliance with terms and conditions. In addition, NEA OIG will continue to review the implementation of corrective actions and advise management as to the effectiveness of the actions and whether the desired results were achieved. Furthermore, NEA OIG will provide technical assistance to grantees on how to maintain a financial management system and on how to comply with the financial aspects of the terms and conditions.

**Issue 1.3:** Are NEA's standards for determining grantee eligibility consistent with the Agency's mission and legislated objectives?

**Strategy:** NEA OIG will survey these measures to assess NEA compliance and evaluate the extent to which stated purposes are being achieved.

**Issue 1.4:** Does NEA provide potential applicants with information that is both appropriate and adequate regarding its funding initiatives?

**Strategy:** NEA OIG will survey this function to assess timeliness, adequacy of content, and effectiveness in reaching potential applicants.

**Issue 1.5:** Does NEA ensure that applications are processed and evaluated in accordance with legislative requirements and NEA policies?

**Strategy:** NEA OIG will survey and document the existing policies and procedures at the NEA program level, Advisory Panel (Panel)



level and the National Council on the Arts (Council) level. Subsequent efforts will focus on areas in which compliance may be improved.

**Issue 1.6:** Do NEA's policies and procedures for its AccessAbility program adequately provide a framework consistent with legislative requirements?

**Strategy:** NEA OIG will conduct surveys and analyses as warranted to assess policies and initiatives for promoting AccessAbility's goals and objectives.

## **Issue Area 2: NEA Administrative Operations**

Major functions include:

- Information systems
- Financial management
- Budget administration
- Procurement and facilities
- Human resources
- Internal controls
- Freedom of Information and Privacy Acts

**Issue 2.1:** Is NEA efficiently and effectively addressing the need to modernize its information management systems, and in a manner that allows it to continue meeting current operational needs while maintaining consistency with provisions of the Computer Security Act, OMB Circular No. A-130 and the Federal Information Security Management Act of 2002?

**Strategy:** NEA OIG will continue to assist management by: participating in task groups; periodically reviewing and commenting on implementation issues; and performing internal control reviews on new systems with a focus on security and problem prevention.

**Issue 2.2:** Does NEA's financial management system provide the management information needed for: (1) budget planning and formulation, budget allocation, and budget review and follow up; and (2) monitoring costs and expenditures in accordance with the requirements and initiatives of Congress, OMB, the Department of the Treasury, and the Accountability of Tax Dollars Act of 2002?

**Strategy:** NEA OIG will conduct, through an independent auditor, financial related audits to verify the integrity of budget execution, the propriety of transactions, the validity of account balances, and the accuracy of financial reports.

**Issue 2.3:** Does NEA effectively assure that procurement actions comply with Federal and its requirements?

**Strategy:** NEA OIG will periodically review NEA's procurement activities in accordance with Federal and Agency requirements.

**Issue 2.4:** Do NEA's policies and procedures provide a framework for the efficient and effective use of human resources that are consistent with Equal Employment Opportunity (EEO) goals and objectives?

**Strategy:** NEA OIG will conduct surveys and analyses as warranted to: (1) identify patterns and trends; (2) evaluate NEA responsiveness to employee complaints or grievances; and (3) assess management initiatives for promoting EEO goals and objectives.

**Issue 2.5:** Are NEA's internal controls adequate to deter and detect fraud, waste, abuse, and mismanagement?

**Strategy:** NEA OIG will conduct audits and other reviews to uncover any weaknesses in internal controls and will prepare management reports with recommendations for corrective action, if applicable.

**Issue 2.6:** Do NEA's policies and procedures on Freedom of Information Act (FOIA) and the Privacy Act adhere to Federal laws and regulations?

**Strategy:** NEA OIG will periodically review NEA's policies and procedures for adherence to the Federal laws and regulations on FOIA and the Privacy Act.

### **Issue Area 3: OIG Administration and Investigations**

Major Functions Include:

- Audit universe
- Lines of communication
- Allegations' review
- Staff professionalism
- Regulatory review

**Issue 3.1:** Does NEA OIG maintain an up-to-date audit universe, complete with weighted criteria for assessing audit priorities?

**Strategy:** NEA OIG will update its universe of discrete auditable areas, revising and prioritizing the criteria as appropriate.

**Issue 3.2:** Does NEA OIG promote open relations and positive interaction with NEA officials and others?

**Strategy:** NEA OIG will: seek frequent feedback from the Chairman, senior staff and NEA managers as appropriate; actively participate on NEA committees or task forces when opportunities exist to add value. In addition, NEA OIG, when appropriate, will establish relations with Congressional committees, GAO, the Department of Justice and other law enforcement agencies, and the OIG community.

**Issue 3.3:** Does NEA OIG maintain an investigative capability that is appropriate for NEA?

**Strategy:** NEA OIG will continue to maintain a formal memorandum of understanding with the GSA OIG to provide for the temporary assignment of professional criminal investigators as needed. OIG auditors will screen allegations and other indications of possible misconduct to determine whether there is a sufficient basis for investigation. If so, NEA OIG will, as appropriate, either refer the case to another investigative authority, request the temporary assignment of a criminal investigator from GSA OIG, or investigate the case as a civil matter with the expectation that, after the necessary evidence is gathered and evaluated, the matter will be referred to NEA management for administrative action.

**Issue 3.4:** Does NEA OIG foster the professional growth of its staff?

**Strategy:** NEA OIG will establish a staff feedback process to encourage the open exchange of information and ideas, and will continue to budget training funds adequately to satisfy the continuing education standards established by the Comptroller General.

**Issue 3.5:** Does NEA OIG review existing and proposed legislation and regulations to determine their effect on the programs and operations of NEA?

**Strategy:** NEA OIG will continue to work with management, devising a process for ensuring that legislative and regulatory proposals are evaluated for their impact on NEA.

## PERFORMANCE MEASURES

These measures are expected to help NEA OIG recognize successes, document achievements, evaluate progress toward goals, and identify needs for improvement. The measures are structured along the requirements of the IG Act and are intended to allow comparisons to previous periods.

- Feedback from customers on the value added by audit reports and other reviews of programs and operations;
- Assessment of the significance of recommendations implemented to correct deficiencies, which should lead to improved operations;
- The number of technical and advisory activities that benefited from OIG participation;
- The number of laws and regulations reviewed.

# FIVE-YEAR AUDIT PLAN

## 2014 - 2018

The following list of audits and audit-related efforts show how NEA OIG plans to use its available audit resources to implement the strategies previously discussed. The objectives of each project have been identified along with a short description of the work to be performed. While the plan is flexible and subject to revision based on management's input and changing conditions, it reflects our current assessment of relative risks and the most effective use of limited audit resources.

Criteria for selection include:

- Statutory requirements and recommendations from other sources of Federal authority such as OMB or US Government Accountability Office (GAO);
- Requests from NEA Chairman or other high authority;
- Importance of the activity to NEA's mission;
- Extent of NEA resources committed to the activity;
- Potential for fraud and other unlawful or improper acts;
- NEA needs as identified through consultation with representatives of management;
- Extent of audit coverage provided by GAO, consultants or other outside sources;
- Newness, changed conditions, or sensitivity of the activity;
- Adequacy of the existing internal control systems for the activity;
- Availability of audit staff with needed expertise; and
- Extent and results of prior reviews by NEA OIG.
- The review and reporting requirements of the American Recovery and Reinvestment Act of 2009 (ARRA).

Note: The following pages reflect each year's audit plan. In addition, on the very last page there is a list of audits, evaluations or reviews that may be added at anytime to one of the upcoming years. For purposes of our audit plans, "grantee" refers to NEA grantees, cooperators or contractors.

## AUDIT PLAN - FY 2014

**Grantee Audits.** Conduct audits and other reviews to: 1) determine the adequacy of grantees' financial systems for managing and accounting for Federal funds, 2) evaluate the current financial condition of grantee organizations, and 3) verify compliance with the terms and conditions of NEA awards. The number of on-site audits to be conducted will depend on the availability of auditors and travel funds. (Issue 1.2)

**Evaluations.** Conduct evaluations of grantees to determine the adequacy of financial management systems and ensure that recordkeeping complies with the requirements established by OMB and NEA's General Terms and Conditions. Evaluations will be limited to reviewing records of one to two awards. The availability of auditors, travel funds and the review and reporting requirements for ARRA, will dictate the number of evaluations. Anticipate more than 10 evaluations this year. (Issue 1.2)

**ARRA Reviews.** Conduct evaluations and audits to (1) determine whether ARRA recipients are in compliance with NEA and ARRA guidelines, and (2) compare grantees' reported versus projected data concerning numbers, types, and locations of jobs preserved with NEA's ARRA grants. The availability of auditors, travel funds and ARRA review and reporting requirements will dictate the number of evaluations and audits. Most ARRA reviews will be performed concurrently with grantee audits and evaluations. (Issue 1.2)

**Special Reviews.** Conduct reviews of grantees' financial information, audit reports and other materials to: 1) determine compliance with relevant OMB circulars, 2) evaluate audit findings to determine effect on NEA grants, and 3) make recommendations, if any, is required by the grantees or NEA. An indeterminate number of reports will be examined throughout the year. (Issue 1.2)

**Audit Followup.** Track the status of recommendations for corrective action and provide the Audit Followup Official and other NEA managers with technical assistance in resolving audit findings. This activity will be ongoing throughout the year. (Issue 1.2)

**Information & Technology Management (ITM) and Privacy Management Review.** Determine whether NEA's ITM policies, procedures, and practices are adequate for meeting its operational and security needs, and whether they conform to accepted standards and requirements. Review of security matters will be undertaken in accordance with the Federal Information Security Management Act of 2002. Privacy review will be done in accordance with OMB guidance. (Issue 2.1) (Issue 2.6)

**Financial Statement Audit.** Provide oversight of the independent CPA firm conducting the financial statement audit of NEA. (Issue 2.2)

**Investigations.** Investigate all allegations of fraud, waste, abuse, mismanagement, employee misconduct or any apparent or suspected violation of law or official regulations. Although the number of investigative reviews to be conducted cannot be predicted with confidence, in recent years, the annual rate of new cases opened is two to three. (Issue 3.3)

**Regulatory Review.** Review existing and proposed legislation and regulations for effect on NEA programs and operations. This activity will be ongoing throughout the year. (Issue 3.5)

## AUDIT PLAN - FY 2015

**Grantee Audits.** Conduct audits and other reviews to: 1) determine the adequacy of grantees' financial systems for managing and accounting for Federal funds, 2) evaluate the current financial condition of grantee organizations, and 3) verify compliance with the terms and conditions of NEA grants. The number of on-site audits to be conducted will depend on the availability of auditors and travel funds. (Issue 1.2)

**Evaluations.** Conduct evaluations of grantees to determine the adequacy of financial management systems and ensure that recordkeeping complies with the requirements established by OMB and NEA's General Terms and Conditions. Evaluations will be limited to reviewing the records of one to two grants. The availability of auditors, travel funds and the work requirements for ARRA will dictate the number of evaluations. Anticipate more than 10 evaluations this year. (Issue 1.2)

**ARRA Reviews.** Conduct evaluations and audits to (1) determine whether ARRA recipients are in compliance with NEA and ARRA guidelines, and (2) compare grantees' reported versus projected data concerning numbers, types, and locations of jobs preserved with NEA's ARRA grants. The availability of auditors, travel funds and ARRA review and reporting requirements, will dictate the number of evaluations and audits. Most ARRA reviews will be performed concurrently with grantee audits and evaluations. (Issue 1.2)

**Special Reviews.** Conduct reviews of grantees' financial information, audit reports and other materials to: 1) determine compliance with relevant OMB circulars, 2) evaluate audit findings to determine effect on NEA grants, and 3) make recommendations, if any, is required by the grantees or NEA. An indeterminate number of reports will be examined throughout the year. (Issue 1.2)

**Audit Followup.** Track the status of recommendations for corrective action, and provide the Audit Followup Official and other NEA managers with technical assistance in resolving audit findings. This activity will be ongoing throughout the year. (Issue 1.2)

**Information & Technology Management (ITM) and Privacy Management Review.** Determine whether NEA's ITM policies, procedures, and practices are adequate for meeting its operational and security needs, and whether they conform to accepted standards and requirements. Review of security matters will be undertaken in accordance with the Federal Information Security Management Act of 2002. Privacy review will be done in accordance with OMB guidance. (Issue 2.1) (Issue 2.6)

**Financial Statement Audit.** Provide oversight of the independent CPA firm conducting the financial statement audit of NEA. (Issue 2.2)

**Investigations.** Investigate all allegations of fraud, waste, abuse, mismanagement, employee misconduct or any apparent or suspected violation of law or official regulations. Although the number of investigative reviews to be conducted cannot be predicted with confidence, in recent years, the annual rate of new cases opened is two or three. (Issue 3.3)

**Regulatory Review.** Review existing and proposed legislation and regulations for effect on NEA programs and operations. This activity will be ongoing throughout the year. (Issue 3.5)

## AUDIT PLAN - FY 2016

**Grantee Audits.** Conduct audits and other reviews to: 1) determine the adequacy of grantees' financial systems for managing and accounting for Federal funds, 2) evaluate the current financial condition of grantee organizations, and 3) verify compliance with the terms and conditions of NEA grants. The number of on-site audits to be conducted will depend on the availability of auditors and travel funds. (Issue 1.2)

**Evaluations.** Conduct evaluations of grantees to determine the adequacy of financial management systems and ensure that recordkeeping complies with the requirements established by OMB and NEA's General Terms and Conditions. Evaluations will be limited to reviewing the records of one to two grants. The availability of auditors and travel funds will dictate the number of evaluations. Anticipate more than 13 evaluations this year. (Issue 1.2)

**Special Reviews.** Conduct reviews of grantees' financial information, audit reports and other materials to: 1) determine compliance with relevant OMB circulars, 2) evaluate audit findings to determine effect on NEA grants, and 3) make recommendations, if any, is required by the grantees or NEA. An indeterminate number of reports will be examined throughout the year. (Issue 1.2)

**Audit Followup.** Track the status of recommendations for corrective action, and provide the Audit Followup Official and other NEA managers with technical assistance in resolving audit findings. This activity will be ongoing throughout the year. (Issue 1.2)

**Information & Technology Management (ITM) and Privacy Management Review.** Determine whether NEA's ITM policies, procedures, and practices are adequate for meeting its operational and security needs, and whether they conform to accepted standards and requirements. Review of security matters will be undertaken in accordance with the Federal Information Security Management Act of 2002. Privacy review will be done in accordance with OMB guidance. (Issue 2.1) (Issue 2.6)

**Financial Statement Audit.** Provide oversight of the independent CPA firm conducting the financial statement audit of NEA. (Issue 2.2)

**Investigations.** Investigate all allegations of fraud, waste, abuse, mismanagement, employee misconduct or any apparent or suspected violation of law or official regulations. Although the number of investigative reviews to be conducted cannot be predicted with confidence, in recent years, the annual rate of new cases opened is two or three. (Issue 3.3)

**Regulatory Review.** Review existing and proposed legislation and regulations for effect on NEA programs and operations. This activity will be ongoing throughout the year. (Issue 3.5)



## AUDIT PLAN - FY 2017

**Grantee Audits.** Conduct audits and other reviews to: 1) determine the adequacy of grantees' financial systems for managing and accounting for Federal funds, 2) evaluate the current financial condition of grantee organizations, and 3) verify compliance with the terms and conditions of NEA grants. The number of on-site audits to be conducted will depend on the availability of auditors and travel funds. (Issue 1.2)

**Evaluations.** Conduct evaluations of grantees to determine the adequacy of financial management systems and ensure that recordkeeping complies with the requirements established by OMB and NEA's General Terms and Conditions. Evaluations will be limited to reviewing the records of one to two grants. The availability of auditors and travel funds will dictate the number of evaluations. Anticipate more than 20 evaluations this year. (Issue 1.2)

**Special Reviews.** Conduct reviews of grantees' financial information, audit reports and other materials to: 1) determine compliance with relevant OMB circulars, 2) evaluate audit findings to determine effect on NEA grants, and 3) make recommendations, if any, is required by the grantees or NEA. An indeterminate number of reports will be examined throughout the year. (Issue 1.2)

**Audit Followup.** Track the status of recommendations for corrective action, and provide the Audit Followup Official and other NEA managers with technical assistance in resolving audit findings. This activity will be ongoing throughout the year. (Issue 1.2)

**Information & Technology Management (ITM) and Privacy Management Review.** Determine whether NEA's ITM policies, procedures, and practices are adequate for meeting its operational and security needs, and whether they conform to accepted standards and requirements. Review of security matters will be undertaken in accordance with the Federal Information Security Management Act of 2002. Privacy review will be done in accordance with OMB guidance. (Issue 2.1) (Issue 2.6)

**Financial Statement Audit.** Provide oversight of the independent CPA firm conducting the financial statement audit of NEA. (Issue 2.2)

**Investigations.** Investigate all allegations of fraud, waste, abuse, mismanagement, employee misconduct or any apparent or suspected violation of law or official regulations. Although the number of investigative reviews to be conducted cannot be predicted with confidence, in recent years, the annual rate of new cases opened is two or three. (Issue 3.3)

**Regulatory Review.** Review existing and proposed legislation and regulations for effect on NEA programs and operations. This activity will be ongoing throughout the year. (Issue 3.5)

## AUDIT PLAN - FY 2018

**Grantee Audits.** Conduct audits and other reviews to: 1) determine the adequacy of grantees' financial systems for managing and accounting for Federal funds, 2) evaluate the current financial condition of grantee organizations, and 3) verify compliance with the terms and conditions of NEA grants. The number of on-site audits to be conducted will depend on the availability of auditors and travel funds. (Issue 1.2)

**Evaluations.** Conduct evaluations of grantees to determine the adequacy of financial management systems and ensure that recordkeeping complies with the requirements established by OMB and NEA's General Terms and Conditions. Evaluations will be limited to reviewing the records of one to two grants. The availability of auditors and travel funds will dictate the number of evaluations. Anticipate 20 or more evaluations this year. (Issue 1.2)

**Special Reviews.** Conduct reviews of grantees' financial information, audit reports and other materials to: 1) determine compliance with relevant OMB circulars, 2) evaluate audit findings to determine effect on NEA grants, and 3) make recommendations, if any, is required by the grantees or NEA. An indeterminate number of reports will be examined throughout the year. (Issue 1.2)

**Audit Followup.** Track the status of recommendations for corrective action, and provide the Audit Follow-up Official and other NEA managers with technical assistance in resolving audit findings. This activity will be ongoing throughout the year. (Issue 1.2)

**Information & Technology Management (ITM) and Privacy Management Review.** Determine whether NEA's ITM policies, procedures, and practices are adequate for meeting its operational and security needs, and whether they conform to accepted standards and requirements. Review of security matters will be undertaken in accordance with the Federal Information Security Management Act of 2002. Privacy review will be done in accordance with OMB guidance. (Issue 2.1) (Issue 2.6)

**Financial Statement Audit.** Provide oversight of the independent CPA firm conducting the financial statement audit of NEA. (Issue 2.2)

**Investigations.** Investigate all allegations of fraud, waste, abuse, mismanagement, employee misconduct or any apparent or suspected violation of law or official regulations. Although the number of investigative reviews to be conducted cannot be predicted with confidence, in recent years, the annual rate of new cases opened is two or three. (Issue 3.3)

**Regulatory Review.** Review existing and proposed legislation and regulations for effect on NEA programs and operations. This activity will be ongoing throughout the year. (Issue 3.5)

## OTHER ACTIVITIES \*

**Accessibility.** Review NEA's policies and procedures for compliance with laws and regulations governing accessibility. (Issue 1.6)

**EEO.** Review NEA's policies and procedures for compliance with laws and regulations governing equal employment opportunities and the civil rights of NEA employees. (Issue 2.4)

**FOIA.** Review NEA's policies and procedures for adherence to Federal laws and regulations. (Issue 2.6)

**Grant Award Process.** Review NEA's policies and procedures for providing potential applicants with information that is appropriate and accurate. The review also will assess timeliness, adequacy of content, and effectiveness in reaching potential applicants. (Issue 1.4) Review NEA's policies and procedures employed by staff, advisory panelists and Council operations in the screening of grant applications and the awarding of grants to ensure there is fair and equitable treatment along with proper enforcement of the eligibility rules. (Issues 1.3 and 1.5)

**IPERA.** Review NEA's compliance with the *Improper Payments Elimination and Recovery Act of 2010*. (Issue 2.3)

**Procurement.** Review NEA's procurement activities for compliance with Federal regulations and Agency policies. (Issue 2.3)

**Supply Management.** Review policies and procedures to uncover any weaknesses in administrative controls. (Issue 2.5)

**Transit Benefits.** Review and test for adequacy of controls over NEA's transit benefits program. (Issue 2.5)

**Travel.** Review NEA's controls related to approving and monitoring the travel of NEA employees. In addition, ensure that travel's purpose is both reasonable and appropriate to NEA's mission. (Issue 2.5)

\* The above areas may be considered at any time for an audit, evaluation or review based on the discretion of NEA OIG.

## REPORTING WRONGFUL ACTS

Anyone, including NEA employees, who learns about or has reason to suspect the occurrence of any unlawful or improper activity related to NEA operations or programs, should contact NEA OIG immediately. A complaint/referral may be reported using any of the following methods:

Toll-free NEA OIG Hotline: 1-877-535-7448

Local Calls: 202-682-5479

Fax: 202-682-5649

Email: [oig@arts.gov](mailto:oig@arts.gov)

Website: [www.arts.gov/about/oig/fraud.html](http://www.arts.gov/about/oig/fraud.html)

You may also visit or write us at the National Endowment for the Arts, Office of Inspector General, Room 601, 1100 Pennsylvania Avenue, NW, Washington, DC 20506.

When contacting NEA OIG, it will help if you have answers to the following questions:

- Who are the parties involved (names, addresses and phone numbers if possible);
- What is the suspected activity (specific facts of the wrongdoing);
- When and where did the wrongdoing occur;
- How did you learn about the activity (from a third party, actual observation, conclusion drawn from observing or performing different activities, etc.); and
- Where can you be contacted or when will you contact us again.

While anonymous complaints are welcome, please understand that a lack of sufficient and specific information may mean that our office is unable to investigate the allegation. NEA OIG will not disclose the identity of a complainant or informant without consent, unless the Inspector General determines that such disclosure is unavoidable during the course of the investigation. Federal employees are protected against reprisal for disclosing information to the Inspector General unless such disclosure was knowingly false.

