



OFFICE OF INSPECTOR GENERAL

**FINANCIAL MANAGEMENT SYSTEM &
COMPLIANCE EVALUATION**

**ON SELECTED
NEA GRANTS TO**

Greater Philadelphia Cultural Alliance
Philadelphia, Pennsylvania

REPORT NO. SCE-13-01

February 7, 2013



REPORT RELEASE RESTRICTION

In accordance with Public Law 110-409, The Inspector General Act of 2008, this report shall be posted on the National Endowment for the Arts (NEA) website not later than three (3) days after it is made publicly available with the approval of the NEA Office of Inspector General. Information contained in this report may be confidential. The restrictions of 18 USC 1905 should be considered before this information is released to the public. Furthermore, information contained in this report should not be used for purposes other than those intended without prior consultation with the NEA Office of Inspector General regarding its applicability.

INTRODUCTION

BACKGROUND

The Greater Philadelphia Cultural Alliance ("the Alliance") is a nonprofit corporation established in 1972 by nine Philadelphia cultural institutions to coordinate historical and cultural activities for the Bicentennial Celebration. The Alliance leads, strengthens, and gives voice to more than 400 member organizations and the broader cultural sector in shaping regional policy decisions, increasing public engagement in arts and culture, and ensuring that culture remains a strategic competitive advantage for Philadelphia.

OBJECTIVE AND SCOPE

The objective of this financial management system and compliance evaluation by the National Endowment for the Arts (NEA) Office of Inspector General (OIG) is to determine whether the organization's financial management system and recordkeeping complies with the requirements established by the Office of Management and Budget (OMB), and NEA's *General Terms and Conditions for Grants and Cooperative Agreements to Organizations (General Terms)*. In addition, we evaluated the recipient's compliance with OMB and NEA guidance for the management of the American Reinvestment and Recovery Act of 2009 (Recovery Act) funding.

The Recovery Act provided \$50 million to the NEA to be distributed in direct grants to fund arts projects and activities which preserve jobs in the nonprofit arts sector threatened by declines in philanthropic and other support during the current economic downturn. Consistent with the language in the Act, eligible projects are generally limited to salary support and fees for artists or contracted personnel.

The review was conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency Quality Standards for Inspections and Evaluations, as applicable.

During the period under review, the Alliance had seven NEA grants active with awards totaling \$469,500. We judgmentally selected and reviewed two of the seven grants in which NEA funds were drawn down and costs had been reported. The two grants reviewed were Grant No. 09-6288-7048, a Recovery Act award, in the amount of \$250,000 and Grant No. 11-6200-7017 in the amount of \$53,000.

PRIOR AUDIT COVERAGE

NEA OIG has not issued any audit reports on Federal grants awarded to the Alliance. The most recent independent auditor's report on the Alliance was for the year ended June 30, 2012. The financial statement audit was conducted by Isdaner & Company, LLC Certified Public Accountants, which issued an unqualified (clean) opinion. The Alliance was not subject to the audit requirements of OMB Circular A-133.

RESULTS OF EVALUATION

Our evaluation concluded that the Alliance generally complied with the financial management system requirements established by OMB and NEA for Grant No. 11-6200-7017. The Alliance also complied with the requirements established by OMB and NEA for its Recovery Act funds awarded under Grant No. 09-6288-7048. However, we found that the Alliance did not have procedures in place to ensure that payments would not be made to contractors or recipients that were debarred or suspended from receiving Federal funds.

NEA *General Terms* states:

You must comply with requirements regarding debarment and suspension in Subpart C of 2 CFR part 180, as adopted by the Arts Endowment in Title 2 CFR, Chapter 32, Part 3254.

2 CFR Part 180, *OMB Guidelines to Agencies on Government-wide Debarment and Suspension (Nonprocurement)*, Subpart C, Section 180.300, states, in part:

You must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) **Checking the EPLS; or**
- (b) **Collecting a certification from that person if allowed by the Federal agency responsible for the transaction; or**
- (c) **Adding a clause or condition to the covered transaction with that person**

We recommend that the Alliance develop written policies and implement procedures to ensure that contractors and recipients are not debarred or suspended from receiving Federal funds prior to the payment or award of Federal funds.

EXIT CONFERENCE

A preliminary exit conference was held with Alliance officials on October 25, 2012. Subsequent to our site visit, a telephone exit conference was held on February 7, 2013. The Alliance officials concurred with our finding and recommendation.

RECOMMENDATIONS

We recommend that the Alliance develop written policies and implement procedures to ensure that contractors and recipients are not debarred or suspended from receiving Federal funds prior to the payment or award of Federal funds.