



## OFFICE OF INSPECTOR GENERAL

# FREQUENTLY ASKED QUESTIONS

### Financial and Program Management

Federal award recipients are responsible for compliance with both the award terms and conditions and the applicable Federal requirements. The following responses address frequently asked questions related to FY 15 and later NEA awards and 2 CFR 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.<sup>1</sup>

#### What financial records must be maintained?

Financial management systems should include records sufficient to prepare the financial reports and permit the tracing of funds to establish that the money has been used in accordance with Federal regulations and the terms and conditions of the award. Accounting records must identify the source and application of funds which support each award activity. Expenditures for each award must be tracked separately. Expenditure accounts should be set up to reflect the approved cost categories and the records should be kept current. Supporting documentation (electronic or paper-based) such as cancelled checks, invoices, contracts, etc., must be retained for at least three years from the date the Federal Financial Report is filed.

#### Are written policies and procedures for the management of Federal awards required?

Yes. Both the NEA *General Terms and Conditions* and the *Uniform Guidance* include requirements for written policies and procedures. For example, there must be written policies and procedures for:

- Procuring property and services (procurement transactions),
- Determining the allowability of costs and for managing payments,
- Establishing Standards of Conduct, including conflict of interest,
- Ensuring that contractors or recipients are not debarred or suspended prior to the award or payment of Federal funds (2 CFR 180 Subpart C), and
- Minimizing the time elapsing between the receipt and the disbursement of award funds to avoid having excessive Federal funds on hand.

Remember, an auditor will not only verify that policies and procedures are documented, but will verify that they are implemented. Carefully review the *Uniform Guidance* and the *General Terms* to ensure all requirements are met.

#### Are we still required to maintain personnel activity reports?

The *Uniform Guidance* requires compensation for personnel services be based on records that accurately reflect the total activity for which each employee is compensated, not to exceed 100%. Records must

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<sup>1</sup> Effective December 26, 2014, the OMB Circulars which governed the management of Federal assistance awards were replaced with 2 CFR 200 *Uniform Guidance: Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The guidance supersedes and streamlines OMB Circulars A-21, A-87, A-110, A-122, A-89, A-102, A-133 and A-50. The guidance can be found at [http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl). Furthermore, NEA's General Terms for Fiscal Year 2015 awards include new guidance, incorporating 2 CFR 200.

support both the Federal funds and cost share or matching requirement. This can be done through your accounting/payroll systems and/or through the maintenance of personnel activity reports. However, NEA may require personnel activity reports or other documentation as a condition of your award, if necessary. (See *General Terms* Section 18.2 *Standards for Documentation of Personnel Expenses*)

**Do we have to do anything if for unforeseen reasons, the grant advance will not be immediately disbursed upon receipt?**

Yes. The *Uniform Guidance*, §200.305(b) *Payment*, requires for recipients (other than states) to have payment methods that minimize the time elapsing between the transfer of funds from the United States Treasury (or a the pass-through recipient) and the disbursement by the recipient.

The Uniform Guidance also specifies that recipients shall maintain advances of Federal funds in interest-bearing accounts unless certain conditions apply, such as, total receipts of less than \$120,000 in Federal awards per year. NEA's *General Terms* state that requests for advance payment are limited to your immediate cash needs and are not to exceed anticipated expenditures for a 30-day period. Funds should be returned to the NEA if you find yourself in the position where an advance has been received and will not be disbursed within the next 30 days.

**Can we carry over the remaining grant award balance and spend it under the following year's grant?**

Each grant is separate and distinct; therefore, only costs that are incurred under the grant during the grant period can be included. Separate records of expenditures must be maintained for each grant.

**We have a small staff. What can we do to provide better internal controls?**

Segregate as many of the financial functions as possible.

1. For income, accept only checks or electronic payments, not cash.
2. For expenditures, ensure that the person who signs the checks is someone other than the person who approves the vouchers and/or prepares the checks.
3. For electronic payments ensure that the person who authorizes payments or transactions is someone other than the person who processes or executes payment.
4. Try to maintain an audit trail so that at least once a quarter, someone such as a Board member, can perform a quick audit/review of the financial transactions.
5. Keep records current and balance monthly.
6. Cross-train staff to perform more than one function in the process, if necessary.

**Where can I get copies of the *Uniform Guidance*?**

The guidance can be found and downloaded from the GPO website at [http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl), where it will be updated or clarified as those actions occur. Alternatively, the initial *Uniform Guidance* that was announced in December 2013 (as interim) is obtainable from the U.S. Government Publishing Office, Washington, D.C. 20402 or call toll-free: 202-512-1800 or 1-866-512-1800 (Washington DC and International Customers).

**Where can I find the Catalog of Federal Domestic Assistance (CFDA) numbers?**

CFDA numbers are visible for all awards at My Grant at a Glance on NEA's Manage Your Award webpage at <http://arts.gov/grants/manage-your-award> and on your award document.

## **When is my organization required to have an audit performed in accordance with the Single Audit Act?**

Whenever a recipient expends \$750,000 or more of Federal funds in a fiscal year, it is required to perform a single audit, formerly known as the OMB Circular A-133 audit. Requirements can be found in the *Uniform Guidance, Subpart F - Audit Requirements*.

## **We expended less than \$750,000 in Federal funds during the year, does that mean that we will not be audited?**

A recipient, even if exempt from the *Uniform Guidance* single audit requirements, is still required to make its records available for review or audit by appropriate officials of the awarding Federal agency, pass-through entity or Government Accounting Office.

The NEA Office of Inspector General routinely conducts audits of recipients of NEA funds to verify compliance with Federal laws and agency regulations.

## **When will the Single Audit Compliance Supplement be updated to implement the *Uniform Guidance*?**

The *2015 Compliance Supplement* is expected to be released sometime in 2015 and will implement changes to complement the *Uniform Guidance*, such as streamlining the audit objectives and procedures for the 14 types of compliance requirements.

## **I still have questions regarding the new *Uniform Guidance*. Who can I contact?**

You may find some of your questions on the Council on Financial Assistance Reform website at <https://cfo.gov/cofar/>, under *Resources for Understanding the Uniform Guidance*. You may also contact the NEA Contracts & Grants office at [grants@arts.gov](mailto:grants@arts.gov) or the NEA Office of Inspector General at [oig@arts.gov](mailto:oig@arts.gov).

## **Audits**

### **If selected by the NEA OIG for audit or evaluation, what should we expect?**

You will be contacted by one of NEA OIG auditors by mail, fax or phone. Additional information may be requested by the auditor at that time to determine the scope of the audit. Upon completion of the audit, a report will be prepared and a letter will be sent indicating whether there are any findings and recommendations where corrective action must be taken. Your organization will be given 30 days from the date of the letter to provide a response to the recommendations.

### **What are some of the most common findings in NEA audits?**

The five most common findings are as follows:

1. Not reporting accurate costs or including unallowable costs;
2. Not having written policies and procedures to ensure that contractors and recipients are not debarred or suspended from receiving Federal assistance prior to the award or payment of Federal funds;
3. Not having written policies and procedures for the management of Federal awards;
4. Not maintaining a Section 504 self-evaluation at the organization; and
5. Not maintaining supporting documentation for costs charged to the NEA grant.

## **Alternative Method of Payment - Cost Reimbursement**

### **Why is our organization on the cost reimbursement method of payment and what is it?**

Recipients are placed on the cost reimbursement method of payment if NEA OIG auditors determine that the recipient's financial management system or condition needs improvement. The auditors may also determine that there are serious noncompliance issues. As a specific award condition, the recipient will be required to provide additional documentation and finance its grants operations with its own working capital prior to the recipient being reimbursed by the NEA. Documentation requirements for the cost reimbursement method of payment can be found on the NEA OIG website at <http://arts.gov/oig/guidance>.

### **How do we get off the cost reimbursement method of payment and return to the regular method of payment?**

If your organization's financial management systems and/or financial condition has improved since it was placed on the cost reimbursement method of payment, you should provide NEA OIG with a written request and the documents listed in *Request for Removal from Alternative Method of Funding* - found on the OIG's Guidance website at: <http://arts.gov/oig/guidance>.

Upon completion of the OIG's review of the organization's financial information and assessment of compliance with its current or most recent NEA grants, NEA's Audit Followup Official will make a determination as to whether the organization will return to the regular method of payment. The information should be sent to: Office of Inspector General, National Endowment for the Arts, 400 7th Street, SW, Washington, D.C. 20506.

### **Who can I contact if I have any further questions?**

If you have questions on the financial management of NEA awards, you may call the Inspector General's Office at 202-682-5402, fax the office at 202-682-5649 or email any individual in the OIG directory.

If you have any questions about amending the scope of the grant, contact the Grants & Contracts Office at [grants@arts.gov](mailto:grants@arts.gov) or 202-682-5403 .

Grant guidelines and applications can be found at <http://arts.gov/grants>.