



**NATIONAL ENDOWMENT FOR THE ARTS  
OFFICE OF INSPECTOR GENERAL**

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**FINANCIAL MANAGEMENT SYSTEM &  
COMPLIANCE EVALUATION**

**OF THE**

**FLORIDA ORCHESTRA**

**ST. PETERSBURG, FL**

**REPORT NO. SCE-09-07**

**September 28, 2009**

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**REPORT RELEASE RESTRICTION**

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# INTRODUCTION

## BACKGROUND

The Florida Orchestra (Orchestra) is recognized as Tampa Bay's leading performing arts institution, one of the leading professional symphony orchestras in Florida, and one of the best regional orchestras in America.

Founded as the Florida Gulf Coast Symphony in 1968, the Orchestra was established by representatives of the Tampa Philharmonic and the St. Petersburg Symphony. The Orchestra performs more than 100 concerts annually in the tri-city area of Tampa, Clearwater, and St. Petersburg.

## 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)*. The evaluation was conducted in accordance with the President's Council on Integrity and Efficiency Quality Standards for Inspections, as applicable.

## PRIOR AUDIT COVERAGE

During the past five years, the NEA Office of Inspector General has not issued any audit reports on Federal grants awarded to the Orchestra. As of our site visit on July 29, 2009, the most recent issued independent auditor's report on the Orchestra is as of June 30, 2008. The audit was conducted by Lewis, Birch and Ricardo, an independent CPA firm, which issued an unqualified (clean) opinion. The Orchestra was not to subject to the audit requirements of OMB Circular A-133.

## RESULTS OF EVALUATION

Our evaluation concluded that the Orchestra reported costs incurred outside of the grant period and unallowable costs. We found that the Orchestra did not have the required Section 504 self-evaluation on file. We also found that the Orchestra did not have written financial management procedures.

## **COSTS INCURRED OUTSIDE OF THE GRANT PERIOD**

The Orchestra reported costs totaling \$804 which were incurred outside the grant period on its final Financial Status report. The NEA *Instructions for Completing the Financial Status Report* state that organizations are to:

*Indicate total project outlays (total funds spent minus any refunds) within the period of support indicated in your award letter or as amended.*

We are recommending the Orchestra develop and implement procedures to ensure that only costs for the specific grant period are reported on the final Financial Status Report.

## **UNALLOWABLE COSTS**

The Orchestra reported \$1,000 of miscellaneous in-kind costs (cigars) which are not allowable under OMB Circular A-122. According to OMB Circular A-122, costs must be reasonable for the performance of an award. A reasonable cost is generally recognized as ordinary and necessary for the operation of the organization or the performance of the award.

We are recommending that the Orchestra develop and implement procedures to ensure that only accurate and allowable costs are reported on the final Financial Status Report (FSR). Those procedures should ensure that the employees, who prepare the FSRs, are familiar with the cost principles of OMB Circular A-122.

Based on the findings above, we are disallowing and reducing costs claimed under the grant by \$1,804. However, since the Orchestra has more than exceeded its matching requirements even if the above costs are disallowed, we are not requiring any additional action to support costs for the grant.

## **SECTION 504 SELF-EVALUATION**

The Orchestra did not have the required Section 504 self-evaluation on file. As noted in NEA's *General Terms*, "A Section 504 self-evaluation must be on file at your organization." A *Section 504 Self-Evaluation Workbook*, which can be completed online, is available at [www.arts.gov/about/504Workbook.html](http://www.arts.gov/about/504Workbook.html).

Section 504 of the Rehabilitation Act of 1973, as amended, provides for equal opportunity to enter facilities and participate in programs and activities. It does not require that every part of every facility or program be accessible. The important considerations are that individuals with disabilities have the same opportunities in employment, the same opportunities to enter and move around in facilities, the same opportunities to communicate and the same opportunities to participate in programs and

activities as non-disabled people. Further, it is important to offer employment, programs, and services in settings that are integrated rather than to segregate individuals with disabilities with special programs.

## **FINANCIAL MANAGEMENT PROCEDURES**

The Orchestra did not have written financial management procedures. OMB Circular A-110 states that recipients of federal awards should have:

*Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.*

The written procedures should include methods for making payments and rules for satisfying matching requirements, accounting for program income and expenses, etc. It could also incorporate publications such as the NEA *General Terms*, NEA's *Financial Management Guide for Non-profit Organizations*, and applicable OMB Circulars.

The officials stated that the Orchestra plans to release an accounting manual by August 31, 2009.

## **EXIT CONFERENCE**

An exit conference was held with the Orchestra officials on July 29, 2009 and a follow-up telephone call on September 25, 2009. The Orchestra officials generally concurred with our findings and recommendations.

## **RECOMMENDATIONS**

1. Develop and implement procedures to ensure that only costs incurred within the grant period be included in the total outlays.
2. Develop and implement procedures to ensure that only accurate and allowable costs are reported on the final Financial Status Reports (FSR). Those procedures should ensure that the employees, who prepare the FSRs, are familiar with the cost principles of OMB Circular A-122.
3. Conduct a Section 504 self-evaluation to ensure compliance with the Rehabilitation Act of 1973, as amended.
4. Develop written financial management procedures.