

REPORT DIGEST

**ILLINOIS ARTS COUNCIL AND FOUNDATION
FINANCIAL AND COMPLIANCE AUDIT
(IN ACCORDANCE WITH THE SINGLE AUDIT ACT OF 1984, AND
OMB CIRCULAR A-128)
FOR THE TWO YEARS ENDED JUNE 30, 1995**

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

FAILURE TO OBTAIN BUREAU OF THE BUDGET APPROVAL PRIOR TO SUBMITTING FEDERAL GRANT APPLICATIONS

The Council does not submit its application for federal assistance to the Bureau of the Budget for approval prior to submitting the application to the National Endowment for the Arts (NEA) for funding consideration.

For Fiscal Year 1995, the Council submitted the grant application to the NEA on October 25, 1993. The Bureau of the Budget did not approve the grant application for submission to the NEA until November 3, 1993. The Council submitted the grant application to the NEA for Fiscal Year 1994, on October 8, 1992. The Bureau of the Budget did not approve the grant application until October 27, 1992.

According to the Bureau of the Budget Act, 20 ILCS 3005/5.1, each State agency subject to this Section shall, at least 45 days before submitting its application to the federal agency, report in detail to the Illinois Commission on Intergovernmental Cooperation (Commission) what the grant is intended to accomplish and the specific plans for spending the federal dollars received pursuant to the grant. The Commission shall immediately forward such materials to the Bureau.

Failure to submit the NEA grant application to the Bureau of the Budget before submission to the NEA is in violation of State statute. Any federal grant money received, if not properly approved by the State, may subsequently have to be returned. (Finding 1, page 8)

Council officials agreed to comply with the Bureau of the Budget Act by submitting appropriate forms to the Commission at least 45 days prior to the grant deadline, whenever NEA grant announcements and grant deadlines allow that much lead-time.

FEDERAL FINANCIAL ASSISTANCE SPENT OUTSIDE THE GRANT PERIOD

During the audit period, the Council expended \$75,656 NEA Basic State Operating Grant funds outside the grant period.

The final Federal Report (Form 269A) for Fiscal Year 1994 (grant period July 1, 1993 -June 30, 1994) of the Basic State Operating grant does not reconcile to the agency records. Total administrative expenses reported on the final federal report were \$298,152. Actual administrative costs paid from the federal funds were only \$222,496. The \$75,656 of unexpended federal funds was carried over and expended on Fiscal Year 1995 grant costs. The final federal report for Fiscal Year 1995 was not available for examination. The final report is not due until the extended due date of January 2, 1996.

The NEA General Terms & Conditions for Organizational Grant Recipients Part 13 (b) states, grantees are responsible for ensuring that all project activities and the commitment of project funds take place within the official grant period. Grantees are also responsible for ensuring that all obligations incurred under a grant are liquidated within 90 days after the end date of the grant.

The Common Rule Uniform Administrative Requirements to State and Local Governments, Subpart C states, when a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted.

The Council is spending money outside the grant period and submitting inaccurate federal reports. These practices could lead to the loss of federal funding for the arts. (Finding 9, page 93).

Council officials agreed with our recommendation to charge costs to the Basic State Operating grant to the correct grant period and reconcile federal financial reports to the Council's records. Any excess funds should be returned to the NEA or a request made to the NEA to carryover the funds to the subsequent period.

OTHER FINDINGS

The remaining findings are less significant and have been given appropriate attention by the Council. We will review the Council's progress towards the implementation of our recommendations in our next audit. Responses to our findings and recommendations were provided by Lori Spear Montana, Executive Director, and Richard Carlson, Fiscal Officer.

AUDITORS' OPINION

Our auditors state that the financial statements of the Illinois Arts Council and Foundation at June 30, 1995 and 1994 are fairly presented.

WILLIAM G. HOLLAND, Auditor General

WGH:LAD:drh

SUMMARY OF AUDIT FINDINGS

<u>Number of This Audit</u>	<u>Prior Audit</u>
Audit findings	7 8
Repeat audit findings	0 4
Prior recommendations implemented or not repeated	8 10

SPECIAL ASSISTANT AUDITORS

Our special assistant auditors for this audit were McGreal, Johnson and McGreal.

**ILLINOIS ARTS COUNCIL AND FOUNDATION
FINANCIAL AND COMPLIANCE AUDIT
For The Two Years Ended June 30, 1995**

EXPENDITURE STATISTICS	FY 1995	FY 1994	FY 1993
●Total Expenditures (All Funds)	\$7,379,959	\$7,207,742	\$7,662,088
<u>OPERATIONS TOTAL</u> % of Total Expenditures	\$1,349,558 18.3%	\$1,233,254 17.1%	\$1,360,254 17.7%
Personal Services % of Operations Expenditures Average No. of Employees	\$856,401 63.5% 22	\$800,265 64.9% 21	\$873,838 64.3% 22
Other Payroll Costs (FICA, Retirement) % of Operations Expenditures	\$158,951 12.0%	\$147,228 12.0%	\$163,554 12.0%
Contractual Services % of Operations Expenditures	\$117,693 8.7%	\$130,184 11.0%	\$150,007 11.0%
All other Operations Items % of Operations Expenditures	\$ 216,513 16.0%	\$155,577 12.6%	\$172,855 12.7%
<u>GRANTS TOTAL</u> % of Total Expenditures	\$6,030,401 81.7%	\$5,974,488 82.9%	\$6,301,834 82.3%
●Cost of Property and Equipment	\$222,894	\$222,094	\$219,837

SELECTED ACTIVITY MEASURES	FY 1995	FY 1994	FY 1993
●Federal Grant Receipts .	\$749,910	\$579,624	\$1,012,134
●Foundation Revenues	\$17,179	\$2,196	\$51,818
AGENCY DIRECTOR(S)			
During Audit Period: Mr. Richard Huff, Executive Director (through November 15, 1993) Ms. Rhoda Pierce, Acting Executive Director (through March 31, 1995) Currently: Ms. Lori Spear Montana			