

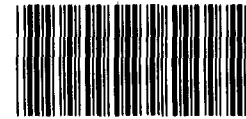
GAO

Fact Sheet for Congressional
Committees

September 1991

GRANT ADMINISTRATION

Implementation of National Endowment for the Arts Reauthorization Act



144849

General Government Division

B-244312

September 17, 1991

The Honorable Claiborne Pell, Chairman
The Honorable Nancy Kassebaum
Ranking Minority Member
Subcommittee on
Education, Arts and the
Humanities
Committee on Labor and
Human Resources
United States Senate

The Honorable William Ford, Chairman
The Honorable William F. Goodling
Ranking Minority Member
Committee on Education
and Labor
House of Representatives

Section 112 of the Arts, Humanities, and Museum Amendments of 1990 (Section 318, P.L. 101-512) requires us to study the National Endowment for the Arts' (NEA) staffing policies, including its use of consultants and its use of contractors as administrative staff. As agreed with the Committees, we met the requirements of Section 112 by addressing seven issues focusing on NEA's operating practices and procedures.

In particular, the information we obtained addressed NEA practices such as the membership of review panels, limitations on the number of terms of a review panel member, conflict of interest requirements, detailed grant application reporting requirements, and the institution of interim reporting and installment grant payment procedures. Detailed responses for each issue are contained in appendixes I through VII.

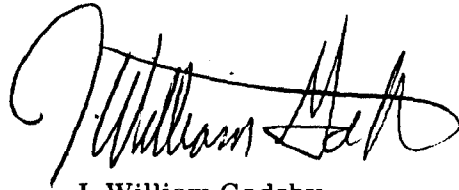
NEA made procedural changes to meet the requirements of its reauthorization act. It now requires all panels to have a knowledgeable lay person as a member, limits the panel members to serving no more than 3 consecutive years, and requires all panels to be free of conflicts of interest. Further, NEA now requires all applicants to provide a project description. NEA also requires interim reports from certain grantees and makes installment payments for certain grants.

We developed the information in this fact sheet between January and May 1991 from interviews with NEA program directors and senior management. In addition, we reviewed program guidelines, agency guidelines, other agency documents such as memorandums and reimbursement forms, NEA's report to Congress on the panel process, and the President's Independent Commission report on NEA. We also obtained the minutes of several National Council on the Arts (NCA) meetings and attended NCA meetings and a panel review session. NCA consists of the NEA chairman and 26 members, appointed by the President with the advice and consent of the Senate, to advise the NEA chairman. NCA provides advice on policy matters and makes the final recommendations to the NEA chairman for approval or rejection of a grant application. The NEA chairman by law must accept an NCA recommendation for rejection. However, the chairman can either approve or reject an application recommended by NCA for approval.

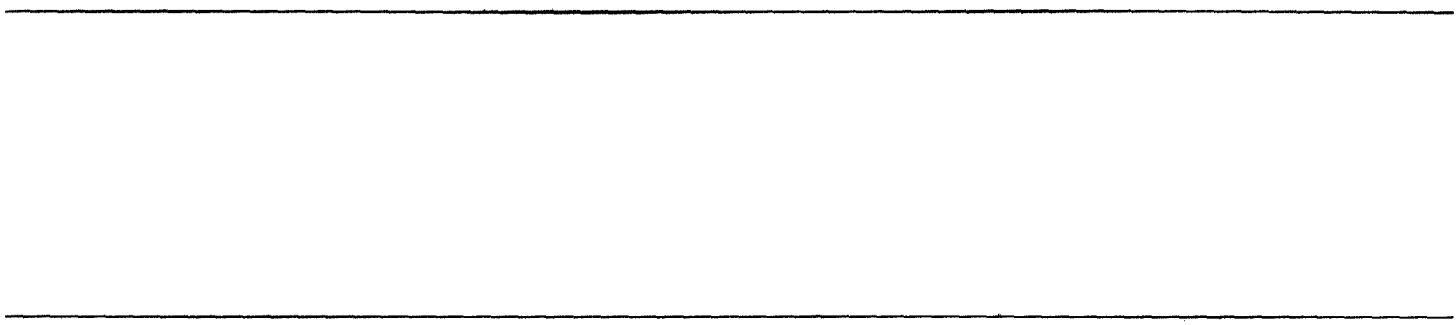
Agency Comments

In written comments, NEA officials agreed with the information in our report. They also provided some additional information and technical comments and updated certain information. (See app. VIII.)

Major contributors to this fact sheet are listed in appendix IX. If you have any questions relating to this material, please call me on (202) 275-8387.



J. William Gadsby
Director, Federal
Management Issues



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Abbreviations

IPA	Intergovernmental Personnel Act of 1970
NCA	National Council on the Arts
NEA	National Endowment for the Arts

Describe the Panel Process, Including Member Selection and Application Review.

The National Endowment for the Arts (NEA) panels review grant applications and make recommendations on funding. Panels range in size from 5 to 15 members. In fiscal year 1991, the NEA grant process involved a total of 143 panels in 17 programs, such as dance, music, and theater. NEA estimated that it will use a total of 1,236 panelists for fiscal year 1991, an increase from 780 in fiscal year 1990.

An NEA panel member is appointed to a 1-year term and may not serve more than 3 consecutive years. Therefore, panels are essentially rotating committees. In fiscal year 1991, 77 percent of the panel members rotated. Each panel is composed of experts in the program being reviewed, including artists, art administrators, representatives of state and local arts agencies, and knowledgeable lay people.

NEA Uses Policy and Grant Advisory Panels

There are two types of NEA panels: policy and grant advisory. Policy panels provide input on program guidelines, funding, practices, and priorities. Their meetings are open to the public. Grant advisory panels make the initial recommendation to the National Council on the Arts (NCA) for approval or rejection of a grant application. The recommendation includes a suggested grant amount for approved applications. These panels also provide input on program policies on the basis of their experiences. Except for state and local programs, the grant review portion of the panel meetings is closed to the public.

Panel Member Selection Procedures

The panel member selection process involves two steps. First, program directors develop a panel composition plan identifying the types of individuals and their substantive expertise, such as a folklorist, musician, or arts administrator, needed to review the grant applications being considered.

In the second step, program directors balance the panel membership by using eight criteria designed to ensure diversity of panelists. The eight criteria are expertise, geography, ethnicity, gender, aesthetic viewpoints, lay person participation, conflict of interest, and prior panel experience. Conflict of interest is considered before and after panel selection. The program director's proposed composition plan must be approved by the NEA chairman.

Because panels may vary in size, membership does not always meet all eight factors. For example, a panel of five people cannot represent all

six of NEA's geographical regions. However, NEA's policy is to have a lay person on all panels and to have all panels free of conflicts of interest.¹

The program director proposes the panel members and is responsible for providing background, such as biographical information. The program director also prepares an analysis of how the proposed panelists meet the composition plan and criteria. This material is reviewed by NEA's Program Coordination Office and NEA's Council and Panel Office. Next, the appropriate NEA deputy chairman reviews the lists and then forwards them to the chairman for approval.

According to program directors, panels are usually approved before program applications are received. To ensure that panels are free of any conflict of interest, NEA checks grant applications against panelists' affiliations. NEA's policy is that panelists may not have an application considered by the panel on which they are serving. Also, NEA requires panelists to sign a statement that declares all of their art-related affiliations.

Grant Application Review Starts Before Panel Meetings

Panelists begin to review grant applications 2 to 4 weeks before the panel meeting. During that time, each panelist receives a package containing information on NEA procedures; panelist duties and responsibilities; and detailed information on each grant applicant, including the application itself, supplementary information sheets, and, when appropriate, samples of the applicant's work. The materials each panelist receives will vary according to the program being considered. For example, some programs have panelists and/or consultants make on-site applicant visits. In these instances, the data collected during the site visit may be included in the materials sent to all panelists before the panel meeting or may not be distributed until the panel actually meets.

The workings of panels can vary to some degree. In one variation used in Dance Company Grants, the program director assigns lead panelists. Before the panel meetings, the lead panelists review in detail a number of applications and report their results to the panel. In other programs, such as Composers Fellowships, smaller prescreening panels initially review a set number of applications. The prescreening panels report their results to the grant advisory panel. NEA uses lead panelists and

¹For fiscal year 1991, NEA's conflict-of-interest procedures were strengthened. However, some grant applications were reviewed under NEA's old conflict-of-interest procedures. To rectify this situation, NEA required any application considered by a panel where a potential conflict of interest existed to be rereviewed by another panel using the new conflict-of-interest procedures.

prescreening panels in programs in which panels must process a large volume of material, thereby making detailed review by every panel member of every application impractical.

Panel Consideration of Applicants

A panel's consideration of a grant application progresses from the introduction through a presentation of material, the discussion of the application, the recording of initial panel recommendations, a determination of recommended grant and funding amounts, and a final review and adjustment of recommendations. During most panel meetings, the five steps after the introduction are either intermingled or repeated sequentially as individual applications or clusters of applications are processed.

In the introduction, the NEA chairman or his or her designee meets with the panel to provide guidance on applicable legislation and basic panel instructions, including conflict-of-interest and confidentiality rules. At this time, the applicable program director reviews the evaluation criteria for the grant applications.

During the presentation step, work samples, lead panelist comments and recommendations, on-site visit reports, prescreening reports, and other data are presented. NEA staff may also provide information or answer questions at this time.

During the grant application discussion, the panelists consider the material pertaining to a given application. During their consideration, panelists draw upon the review criteria and their own knowledge to assess the project's artistic excellence, merit, and significance; the grantee's ability to execute the project; the adequacy of total project funding; and other factors.

After the discussions, the panels use one of two voting processes. Some panels simply vote on whether an application will be moved forward for further consideration. Other panels have each panelist score the individual grant application. These scores are entered into a computer by application and printed out in alphabetical or numerical order. Each grant application receives the average of the panelists' scores. According to the program directors, the numerical scores are advisory only.

The panel now continues to discuss the application and votes on whether the remaining grant applications will be approved, deferred, or

Appendix I
Describe the Panel Process, Including
Member Selection and Application Review.

rejected. The panel then decides on the recommended funding for each approved application.² On most panels, NEA does not tell the panelists the budget figures for the program being reviewed at this time.

In the final phase, the panelists reconsider their approval recommendations. At this time, they frequently adjust recommended funding to meet the category's budget. To accomplish this, the panel may either reduce funding for some or all grant applications or decide not to fund one or more. The panel may also advise the staff of its priorities should further funding changes be needed.

The results of the panel meeting are compiled by the NEA staff, assessed during a post-panel review, and presented at the next NCA meeting. Usually the panel chairman or one of the panelists attends the NCA meeting to answer any questions.

²During its February 1991 meeting, NCA emphasized the need for such action by passing a resolution requesting NEA staff to seek recommendations from program review panels for funding amounts on applications being recommended for funding.

Describe the Program Director's Role in the Review of Applications.

Program directors have multiple roles in reviewing applications. They are responsible for overseeing the initial review of a grant application, proposing panel members, providing panel members application data, functioning as facilitators during panel meetings, and providing the panel's recommendations to NCA.

The program director recommends individuals to sit on the various panels and forwards the list to the NEA chairman for review and approval. The program director ensures that all panel members receive panel books and other needed information.

According to program directors, they take an oversight role in the application review process. When the program office receives an application, it is sent to the appropriate staff to be reviewed for completeness. If information is missing, a staff member contacts the applicant to obtain the information. The program staff puts together the grant application packages, which are to be sent to review panel members.

According to program directors, they act as facilitators by overseeing the panel meetings, but they do not vote on grant applications. Instead, program directors are responsible for making introductory remarks, explaining the panelists' roles during the meeting, and explaining the criteria used to evaluate the grant applications.

From this point on, the program director ensures that the panelists have the information on each grant application and use only the criteria listed in the application guidelines to evaluate the application. The program director also ensures that the panelists do not discuss irrelevant points. At the same time, the program director oversees the efforts of the staff who are recording the panelists' comments, which include recommendations for approval or rejection and funding levels.

After the panel meetings conclude, the program director oversees the preparation of the NCA briefing book, which reflects the recommendations made by the various panels. The program director and one of the panelists usually attend the NCA meeting to answer questions that NCA members may have about the applications or the panel process.

Why Does NEA Hire Program Directors Under Excepted Service With a 2-Year Limit to the Appointment?

NEA uses both excepted service and the Intergovernmental Personnel Act (IPA) of 1970 to fill program director positions. As of February 28, 1991, NEA had 17 program director positions to which 14 directors were appointed under excepted service and 2 directors were appointed under IPA; 1 position was vacant.

Since the late 1970s, NEA has generally chosen to classify program director positions as excepted service with a 2-year appointment. According to an NEA official, this classification was approved by the Office of Personnel Management. The 2-year appointment allows the chairman to replace a program director if warranted or extend the appointment. As of May 1991, nine current program directors had served beyond the 2-year appointment.

Under the IPA program, NEA obtains the services of individuals from various colleges and universities to serve as program directors. According to an NEA official, IPA enables NEA to hire program directors who have the expertise NEA needs and at the same time protect the pay, tenure, and reemployment rights of individuals. Under the exchange program, NEA contracts with a college or university for the services of the individuals at their existing salaries and benefits. At the end of the contract, they usually return to their college or university.

Describe NCA's Role Within NEA and Its Efforts to Become More Involved in the Review Process.

During their quarterly meeting, NCA advises the NEA chairman on NEA operating policies, programs, and procedures and recommends grant approvals with funding levels and rejections. The NEA chairman by law must accept NCA's recommendations for rejections. In 1990, NEA received about 18,000 applications that had to be considered by NCA.

The NEA chairman and staff plan NCA's meetings. At least 2 weeks before each meeting, each NCA member is sent a briefing book made up of the reports for discussion; budget matters; a summary of changes in program guidelines; lists of review panel members; and a summary, by program, of the applications recommended for approval or rejection by the review panels. This book also contains forms for requesting additional information on grantee applications. The NCA members are asked to review the materials before the quarterly meeting.

During the NCA meeting, members spend about one-third of the time reviewing applications and the remainder on policy issues. Generally, NCA votes on the approval or disapproval of applications as a block on a program-by-program basis. However, any member may request a discussion of a specific application.

Efforts to Have NCA More Involved in the Application Review Process

During the February 1991 NCA meeting, an NCA member proposed a pilot program to more deeply involve NCA in grant application review. This proposal envisioned formation of NCA working groups for particular program areas to learn more about the programs and to review in detail some grant recommendations and/or rejections. These five- to seven-member working groups would convey information to the full NCA but would have no decisionmaking or policymaking power. NCA approved the formation of one pilot group to test the feasibility of the proposed idea and scheduled them to report during the May 1991 NCA meeting.

On May 9, 1991, the working group met with three program directors and staff. During this meeting, the program directors and staff briefed the NCA members in detail on how the panels for these programs operate. The NCA members also participated in several application reviews, which included viewing slides and listening to tapes. During the May NCA quarterly meeting, the NCA working group members reported that they found the working group review very beneficial and that it gave them more confidence in the panel review system. NEA now plans to continue refining the working group concept.

Appendix IV
Describe NCA's Role Within NEA and Its
Efforts to Become More Involved in the
Review Process.

An NCA member also suggested during the February NCA meeting that more NCA members try to attend at least one grant application review panel a year. It would be up to the individual NCA members to determine when and if they could attend. Between the February and May 1991 NCA meetings, several members did attend grant application review panel meetings. They commented that they found these meetings extremely valuable and recommended that all NCA members try to attend one.

For the Period October 1, 1990, Through March 31, 1991, How Many Applications Have Been Returned or Rejected for Lack of Specificity?

The interest in specificity, according to NEA's deputy chairman for programs, comes from past fellowship and seasonal support applications in the various programs that did not require specific details describing the project. With the passage of NEA's reauthorization act, NEA is requiring fellowship applicants to provide a project description. Also, in those instances in which NEA approved 1991 fellowship grants before the passage of the reauthorization act, NEA has requested general descriptions of how the fellowship grantees will use the grants.

According to NEA's deputy chairman for programs, NEA does not routinely maintain summary information on the reasons why applications are returned or rejected. Each program office maintains files on each application that include information on why an application was rejected. If an applicant wants to know why his or her application was rejected, the applicant can contact the appropriate program office. The staff will review the written notes and tapes of the review panel and provide the applicant a summary of why the review panel rejected the application. This review is done on request.

For the Period October 1, 1990, Through March 31, 1991, How Many Applications Were Returned by NCA or the NEA Chairman to the Review Panels for Further Review?

For the period October 1, 1990, through March 31, 1991, no applications were returned by NCA. However, the NEA chairman returned nine applications to grant advisory panels for further review. These applications were returned because they did not conform to new NEA conflict-of-interest rules. These grants were reviewed by new panels. On the basis of the panels' and NCA's recommendations, the NEA chairman approved all nine applications for funding.

How Is the Distribution of Financial Assistance by Installments Working and How Many Grantee Interim Reports Were Received From October 1, 1990, Through March 31, 1991?

Section 103 (g) of the Arts, Humanities, and Museum Amendments of 1990 required NEA to establish procedures for the distribution of grants in installments, except where it would not be practicable as defined by the NEA chairman. Under this law, no more than two-thirds of the grant can be paid when the application is approved. The other one-third cannot be paid until the NEA chairman determines that the grantee is complying with the conditions of the grant. Section 103 (g) of the amendments requires grantees to file interim reports.

The NEA chairman has determined that installment payments on a two-thirds/one-third basis and the filing of interim reports are to be used in 50 of the 141 program categories.³ These 50 program categories are organizational grantees receiving seasonal support. Recipients in these categories will have to file interim reports to receive the final one-third of the grant. NEA program offices estimated that they received 20 interim reports through March 31, 1991. For fiscal year 1991, NEA estimated that 1,625 of 4,105 grantees will have to file interim reports. Currently, NEA's Grants Office and Information Management Division are modifying NEA's automated information system to collect data on interim reporting.

NEA has revised various guidance and forms to ensure the implementation of interim reporting. To date, NEA has

- revised the cash request chapter of its Grants Management Manual,
- modified the cash request form,
- modified the instructions for the cash request form to include interim reporting,
- revised the General Terms and Conditions for Organizational Grant Recipients to include interim reporting,
- instituted a new reporting requirements document, and
- revised the grant award letter to incorporate interim reporting.

NEA is in the process of revising program guidelines and the final reports chapter of its Grants Management Manual to incorporate all reporting requirements. NEA expects to complete these revisions by the end of fiscal year 1991.

³For all 50 program categories the two-thirds/one-third installment payments is a new requirement. For 26 of these categories, the filing of interim reports is a new requirement; the other 24 categories were already required to file interim reports.

Comments From the National Endowment for the Arts

NATIONAL
ENDOWMENT
FOR
THE ARTS

WASHINGTON
D.C. 20506



A Federal agency advised by the
National Council on the Arts

July 26, 1991

Mr. Richard L. Fogel
Assistant Comptroller General
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Fogel:

Many thanks for permitting the agency to review and comment on your draft report titled GRANT ADMINISTRATION: Implementation of the National Endowment for the Arts Reauthorization Act.

It has been reviewed by several of our offices, and each department head was impressed by the lucid manner in which the GAO condensed a large amount of complex process information. And may I add my compliments as well.

Enclosed is an annotated copy of the Report that we believe will help clarify a number of items, and we hope that these meet with your approval. If you have questions about any of our annotations, please contact my Deputy Chairman for Programs, Randy McAusland (682-5632).

Naturally, we will continue to observe the restrictive nature of this Draft Report.

Again, thank you for sharing it with us.

Sincerely,

John E. Frohnmayer
Chairman

JEF/RMCA/lm

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