



OFFICE OF INSPECTOR GENERAL



Risks Associated with Recovery Act Funding

The American Recovery and Reinvestment Act of 2009 (Act) represents an unprecedented effort to jumpstart our economy by creating or saving millions of jobs. As part of this effort, the Act recognizes that the nonprofit arts industry is an important sector of the economy. The National Endowment for the Arts (NEA) has been allocated \$50 million for the preservation of jobs in the arts threatened by the current economic downturn. With much at stake, the Act also provides for unprecedented levels of transparency and accountability and directs the Inspectors General to provide oversight of awarding, disbursing and monitoring of Recovery funds. As part of our outreach efforts, we have developed this Fraud Awareness tool to educate NEA award recipients on (1) mistakes to avoid in both Recovery funding and general grant management, and (2) identifying indicators of potential grant fraud.

To foster greater accountability and transparency in the use of the NEA Recovery funds, recipients must avoid the following:

- Co-mingling of Recovery funds and federal non-Recovery funds
- Using Recovery funds for activities other than those approved under your award
- Inability to document appropriate use of funds to preserve jobs (documentation should cover salaries or contracts)

Common Mistakes Made in Grant Management

- Inadequate accounting systems to track program/grant costs
- Lacking documentation for expenses claimed
- Reporting inaccurate costs on final reports
- Over valuing or not adequately documenting third-party in-kind contributions
- Not reporting significant changes to the NEA or federal awarding agency, such as the elimination of one or more key project components or a change in the project scope
- Not maintaining complete and accurate financial and other records
- Claiming unallowable costs
- Lack of prior approval before incurring specific costs (e.g., international travel)



Indicators of Potential Grant Fraud (Red Flags)

- Significant limitations in or lack of internal controls
- Excessive changes of personnel
- Unexplained increases in costs or reimbursement claims
- Under investigation by another agency or on federal or state debarment list
- NO reporting
- Refusal to provide documentation to support expenses
- Altered or “generated” documents

Recognize and Report Fraud in Federally Funded Grants

It is every citizen's responsibility to report fraudulent and improper use of taxpayer funds. Grant fraud is a significant issue affecting every grant-making federal agency. If you have reason to suspect the occurrence of unlawful or improper activity related to NEA operations or funded projects, please contact the NEA Office of Inspector General immediately using any of the following methods:

Telephone: 202-682-5402
Fax: 202-682-5649
Email: oig@arts.gov
Website: www.arts.gov/about/OIG/Contents.html

Or write us at:

National Endowment for the Arts
Office of the Inspector General
1100 Pennsylvania Ave, NW, Room 601
Washington, DC 20506