

EXECUTIVE DIGEST

MICHIGAN EQUITY PROGRAM - REGIONAL CULTURAL ACTIVITIES

INTRODUCTION

This report contains the results of our performance audit of the Michigan Equity Program - Regional Cultural Activities (MEP-RCA), Department of Commerce, for the period August 1, 1993 through March 31, 1995.

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General and pursuant to the requirement in the Department of Commerce appropriations acts which requires the Auditor General to audit a representative sampling of MEP-RCA contracts.

BACKGROUND

The Legislature appropriated funds for cultural activities to the Department of Commerce to provide grants to cities, villages, and townships with populations of 1,000,001 or more (Type I), 125,001 - 1,000,000 (Type II), 40,001 - 125,000 (Type III), and 40,000 or less (Type IV).

Various organizational entities within the Department of Commerce administered the fiscal year 1992-93 MEP-RCA grants. The Office of Contract and Grant Administration

administered Type I and II grants, the Michigan Council for Arts and Cultural Affairs (MCACA) administered Type III grants, and the Office of Federal Grants administered Type IV grants.

In fiscal year 1993-94, MCACA administered all MEP-RCA grants.

In fiscal year 1993-94, the Legislature appropriated \$8,040,300 for grants to cities, villages, and townships for regional cultural activities. The Department of Commerce utilized these appropriations to execute contracts with 45 cities, villages, and townships for 102 regional cultural projects.

As of March 31, 1995, MCACA had 10 employees.

**AUDIT OBJECTIVE
AND
CONCLUSION**

Audit Objective: To assess the effectiveness and efficiency of the Department's administration of MEP-RCA.

Conclusion: The Department administered the awarding and distribution of MEP-RCA grants effectively and efficiently. However, the Department did not always effectively monitor grantee compliance with MEP-RCA contracts and had not established complete procedures to evaluate the effectiveness of MEP-RCA (Findings 1 and 2). In addition, the Department needs to strengthen its accountability over MEP-RCA applications and application fees (Finding 3) and develop procedures to monitor the submission of grantee audited financial statements (Finding 4).

**AUDIT SCOPE
AND
METHODOLOGY**

Our audit scope was to examine the program and other records of the Michigan Equity Program - Regional Cultural Activities for the period August 1, 1993 through March 31, 1995. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our methodology included assessing the internal control structure applicable to our audit objective. Our assessment consisted of a review of statutes and rules and discussions with Department personnel to obtain an understanding of the internal control structure.

We reviewed a sample of funded and nonfunded grant applications and assessed the Department's application scoring and grant awarding process to ascertain if grants were awarded fairly and equitably. We also reviewed a sample of funded projects and assessed the adequacy of the Department's monitoring efforts. In addition, we reviewed the Department's efforts to evaluate the effectiveness of MEP-RCA. We also verified the Department's compliance with applicable annual appropriations act requirements for the program.

**AGENCY
RESPONSES
AND PRIOR AUDIT
FOLLOW-UP**

Our audit report includes 4 findings and 5 recommendations.

The Department concurred with 4 of our recommendations.

The agency complied with 1 of our 3 prior audit findings and has partially complied with a second finding. The third finding is repeated in this report.