PERFORMANCE AUDIT
OF THE

MICHIGAN COUNCIL FOR ARTS AND CULTURAL AFFAIRS

DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES

June 2000

63-230-99

EXECUTIVE DIGEST

MICHIGAN COUNCIL FOR ARTS AND CULTURAL AFFAIRS

INTRODUCTION

This report, issued in June 2000, contains the results of our performance audit* of the Michigan Council for Arts and Cultural Affairs (MCACA), Department of Consumer and Industry Services.

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*.

BACKGROUND

MCACA, a State agency within the Department of Consumer and Industry Services, was established in September 1991 by Executive Order 1991-21. MCACA consists of 15 bipartisan members appointed by the Governor. MCACA was created to advise the Governor on matters relating to arts and cultural affairs, to disburse funds and make grants, to accept gifts, to make and execute contracts, and to develop and implement long-range plans to accomplish MCACA objectives* .

MCACA's mission* is to serve to encourage, develop, and facilitate an enriched environment of artistic, creative, and

* *See glossary at end of report for definition.*

cultural activity in Michigan. In fiscal year 1998-99, MCACA awarded 237 arts and cultural grants totaling $21,304,864. As of August 31, 1999, MCACA had 9 employees.

AUDIT OBJECTIVE, CONCLUSION, AND NOTEWORTHY ACCOMPLISHMENTS

Audit Objective: To assess the effectiveness and efficiency of MCACA's administration of the arts and cultural grants program.

Conclusion: We concluded that MCACA was generally effective and efficient in administering the arts and cultural grants program. However, we noted reportable conditions* related to grant awards, disclosure of affiliations, performance monitoring, contract provisions, contract monitoring, and State Administrative Board approvals (Findings 1 through 6).

Noteworthy Accomplishments: The National Endowment for the Arts performed a peer evaluation of MCACA's program, reviewing its various activities/processes, including its planning process, as well as assessment methods used in awarding arts and cultural grants. The evaluation is the result of MCACA's Partnership Agreement application to the National Endowment for the Arts, which allows approved agencies to share federal resources and take part in collaborations aimed at broadening the impact of art nationally. MCACA formed new partnerships with other State departments, including the Department of Education and the Family Independence Agency. MCACA received recognition for its level of volunteerism and planning processes, and for successfully bringing arts and cultural activities to previously underserved communities. The council also

* *See glossary at end of report for definition.*

received recognition for its methods used to assess and award arts and cultural grants and for its services being customer oriented.

AUDIT SCOPE AND METHODOLOGY

Our audit scope was to examine the program and other records of the Michigan Council for Arts and Cultural Affairs. 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 audit procedures included examining MCACA's records and activities principally for the period October 1, 1996 through September 30, 1999. Our methodology included assessing internal control* applicable to our audit objective. Our assessment consisted of an analysis of statutes, rules, policies, and procedures and discussion with MCACA and Department personnel to obtain an understanding of internal control.

We analyzed a sample of funded and nonfunded grant applications and assessed MCACA's application scoring and grant awarding processes to determine if grants were awarded fairly, independently, and equitably. We examined a sample of funded projects and assessed the adequacy of MCACA's monitoring efforts. Also, we conducted on-site visits of selected grantees. We assessed MCACA's efforts to evaluate the effectiveness and efficiency of the arts and cultural grants program. Also, we examined MCACA's compliance with annual appropriations act requirements for the arts and cultural grants program.

* *See glossary at end of report for definition.*

AGENCY RESPONSES AND PRIOR AUDIT FOLLOW-UP	Our audit report contains 6 findings and 7 corresponding recommendations. The Department indicated that it agrees with the recommendations. MCACA complied with both of the prior audit recommendations included within the scope of this audit.

Ms. Kathleen M. Wilbur, Director
Department of Consumer and Industry Services
and
Mr. Eugene A. Gargaro, Jr., Chairman
Michigan Council for Arts and Cultural Affairs
G. Mennen Williams Building
Lansing, Michigan

Dear Ms. Wilbur and Mr. Gargaro:

This is our report on the performance audit of the Michigan Council for Arts and Cultural Affairs, Department of Consumer and Industry Services.

This report contains our executive digest; description of agency; audit objective, scope, and methodology and agency responses and prior audit follow-up; comment, findings, recommendations, and agency preliminary responses; a supplemental information summary and grant application and grant award activity information, presented as supplemental information; and a glossary of acronyms and terms.

The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

This page left intentionally blank.

TABLE OF CONTENTS

MICHIGAN COUNCIL FOR ARTS AND CULTURAL AFFAIRS
DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES

INTRODUCTION

	Page
Executive Digest	1
Report Letter	5
Description of Agency	9
Audit Objective, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up	10

COMMENT, FINDINGS, RECOMMENDATIONS,
AND AGENCY PRELIMINARY RESPONSES

Effectiveness and Efficiency	12
1. Grant Awards	13
2. Disclosure of Affiliations	14
3. Performance Monitoring	16
4. Contract Provisions	18
5. Contract Monitoring	20
6. State Administrative Board Approvals	22

SUPPLEMENTAL INFORMATION

Supplemental Information Summary	25
Exhibit 1 - Grant Activity, Fiscal Year 1998-99	26
Exhibit 2 - Grant Activity, Excluding the Access Program, Fiscal Year 1997-98	28

Exhibit 3 - Grant Activity by County for the Access Program, Fiscal Year 1997-98 30

Exhibit 4 - Grant Activity, Fiscal Year 1996-97 32

GLOSSARY

Glossary of Acronyms and Terms 34

Description of Agency

The Michigan Council for Arts and Cultural Affairs (MCACA), a State agency within the Department of Consumer and Industry Services, was established in September 1991 by Executive Order 1991-21. MCACA consists of 15 bipartisan members appointed by the Governor. MCACA was created to advise the Governor on matters relating to arts and cultural affairs, to disburse funds and make grants, to accept gifts, to make and execute contracts, and to develop and implement long-range plans to accomplish MCACA objectives.

MCACA awards arts and cultural grants to State arts anchor organizations, arts education programs, local arts programs, arts organization development programs, historical organizations and projects, zoos, publicly owned facilities, cultural and community organizations and projects, arts institutions, symphony orchestras, multicounty regional arts regranting and programming councils, music education camps, and capital outlay projects. Annual appropriations acts require that priority be given to projects that serve multiple counties and that leverage significant additional public and private investment.

MCACA's mission is to serve to encourage, develop, and facilitate an enriched environment of artistic, creative, and cultural activity in Michigan. In fiscal year 1998-99, MCACA awarded 237 arts and cultural grants totaling $21,304,864. As of August 31, 1999, MCACA had 9 employees.

Audit Objective, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up

Audit Objective

The objective for our performance audit of the Michigan Council for Arts and Cultural Affairs (MCACA), Department of Consumer and Industry Services, was to assess the effectiveness and efficiency of MCACA's administration of the arts and cultural grants program.

Audit Scope

Our audit scope was to examine the program and other records of the Michigan Council for Arts and Cultural Affairs. 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.

Audit Methodology

Our audit procedures, performed during April through August 1999, included examining MCACA's records and activities principally for the period October 1, 1996 through September 30, 1999.

Our methodology included assessing internal control applicable to our audit objective. Our assessment consisted of an analysis of statutes, rules, policies, and procedures and discussion with MCACA and Department personnel to obtain an understanding of internal control.

We analyzed a sample of funded and nonfunded grant applications and assessed whether applicants submitted applications on a timely basis and submitted the appropriate application fee, whether panelists evaluated the applications based on published eligibility criteria, and whether MCACA considered panel scores when making funding decisions and awarded grants in a fair, independent, and equitable manner.

We examined a sample of funded projects and assessed whether MCACA executed grant contracts on a timely basis, entered into grant contracts that were comprehensive, paid grantees in accordance with the terms of the grant contracts, approved all grant

contract changes and extensions, and adequately monitored the grant contracts. Also, we conducted on-site visits of selected grantees.

We assessed MCACA's efforts to evaluate the effectiveness and efficiency of the arts and cultural grants program. Also, we examined MCACA's compliance with annual appropriations act requirements for the arts and cultural grants program.

Agency Responses and Prior Audit Follow-Up

Our audit report contains 6 findings and 7 corresponding recommendations. The Department indicated that it agrees with the recommendations.

The agency preliminary response which follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require the Department of Consumer and Industry Services to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

MCACA complied with both of the prior audit recommendations included within the scope of this audit.

COMMENT, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS AND EFFICIENCY

COMMENT

Background: Generally, the Michigan Council for Arts and Cultural Affairs (MCACA), Department of Consumer and Industry Services, processes grant applications and awards once annually. However, in fiscal year 1996-97, MCACA received a supplemental appropriation that it used to fund an additional grant cycle. Independent peer panels, assembled by MCACA, reviewed and evaluated grant applications based on published eligibility criteria. In fiscal years 1997-98 and 1996-97, the peer panels recommended a specific amount of funding for each grant application reviewed. MCACA considered, but was not bound by, these recommendations when it made its final funding decisions. In fiscal year 1998-99, MCACA determined project funding levels by entering the peer panel scores into a mathematical funding formula. MCACA required grantees to submit quarterly and/or annual reports detailing the projects' financial and programmatic activities.

Audit Objective: To assess the effectiveness and efficiency of MCACA's administration of the arts and cultural grants program.

Conclusion: We concluded that MCACA was generally effective and efficient in administering the arts and cultural grants program. However, we noted reportable conditions related to grant awards, disclosure of affiliations, performance monitoring, contract provisions, contract monitoring, and State Administrative Board approvals.

Noteworthy Accomplishments: The National Endowment for the Arts performed a peer evaluation of MCACA's program, reviewing its various activities/processes including its planning process, as well as assessment methods used in awarding arts and cultural grants. The evaluation is the result of MCACA's Partnership Agreement application to the National Endowment for the Arts, which allows approved agencies to share federal resources and take part in collaborations aimed at broadening the impact

of art nationally. MCACA formed new partnerships with other State departments, including the Department of Education and Family Independence Agency. MCACA received recognition for its level of volunteerism and planning processes, and for successfully bringing arts and cultural activities to previously underserved communities. The council also received recognition for its methods used to assess and award arts and cultural grants and for its services being customer oriented.

FINDING

1. Grant Awards

MCACA did not document its deliberations on and rationale for awarding arts and cultural grants outside of its regular competitive grant awarding process. As a result, we could not determine whether MCACA always awarded grants in accordance with requirements in the Department's annual appropriations acts and in accordance with MCACA's annual grant awarding guidelines.

In fiscal years 1997-98 and 1996-97, MCACA assembled independent peer panels to competitively review grant applications and to recommend funding for worthy arts and cultural projects. However, MCACA sometimes awarded grants different from the panels' funding recommendations. For example, the peer panels recommended that MCACA award grants to one applicant in the amount of $7,500,000 and $7,571,170 for fiscal years 1997-98 and 1996-97, respectively. However, MCACA awarded the applicant a grant of $8,225,000 for each fiscal year. Although it was within MCACA's power to award grant amounts different from the peer panel recommendations, MCACA should have, but did not, document its deliberations on and rationale for the changes. This documentation may have provided evidence that the grants were awarded in compliance with appropriation act requirements.

In fiscal year 1998-99, MCACA calculated arts and cultural grant awards using a mathematical funding formula that factored in each applicant's peer panel score. In addition, MCACA awarded other grants on a discretionary basis. MCACA's program guidelines permit it to award discretionary grants in response to sudden opportunities and the Michigan Arts Plan. MCACA informed us that it awarded discretionary grants in accordance with this criteria; however, MCACA did not document, and we could not determine, how the grants awarded to some

applicants met MCACA's discretionary grant award criteria. For example, MCACA did not document its deliberations on and rationale for awarding a $2.45 million discretionary grant to an applicant that also received a competitive grant award of $5,775,000.

To demonstrate that it is awarding arts and cultural grants in accordance with established criteria and sound management practices, MCACA should document its deliberations and rationale related to all grant awards.

RECOMMENDATION

We recommend that MCACA document its deliberations on and rationale for awarding arts and cultural grants outside of its regular competitive grant awarding process.

AGENCY PRELIMINARY RESPONSE

The Department agrees and informed us that MCACA informally documented rationale for arts and cultural grants awarded outside of its regular competitive grant awarding process. However, for the future, MCACA will formally document its rationale in the meeting minutes and include this information as part of the justification package for awarding the arts and cultural grants.

FINDING

2. Disclosure of Affiliations

MCACA did not ensure that its members accurately disclosed, on a timely basis, their affiliations with potential arts grant applicants. In addition, MCACA did not document its members' grant-related voting activities.

MCACA policy requires its members to annually disclose their affiliations with organizations that are potentially eligible to obtain a grant from MCACA. The policy also precludes MCACA members from participating in the specific review and/or discussion of applications that may result in the granting of funds to organizations with which they are affiliated. To accomplish this, MCACA requires its members to abstain from voting on the funding of these applications. MCACA's practice is to document voting abstentions in its meeting minutes but not to

maintain positive voting records (i.e., records that denote which members voted and which abstained). Our review of MCACA members' affiliation disclosure forms, MCACA meeting minutes, and other pertinent information for fiscal years 1998-99, 1997-98, and 1996-97 disclosed:

a. Two MCACA members did not disclose their affiliations with a total of 2 organizations on their affiliation forms. In addition, MCACA meeting minutes did not denote that the 2 MCACA members abstained from voting on the 2 organizations' grant requests.

b. MCACA did not document in its fiscal year 1998-99 and 1996-97 meeting minutes or elsewhere that 5 MCACA members abstained from voting on grant requests from a total of 9 organizations with which the members had disclosed affiliations.

c. MCACA did not require its members to complete affiliation forms prior to awarding fiscal year 1997-98 arts grants. MCACA meeting minutes for fiscal year 1997-98 did not denote that 6 MCACA members abstained from voting on grant requests from a total of 6 organizations with which they were affiliated.

   We also noted that MCACA did not require its members to update the affiliation forms completed in September 1997 prior to voting on the fiscal year 1998-99 grant awards in September 1998.

   MCACA meeting minutes frequently documented voting abstentions by MCACA members affiliated with grant applicants. MCACA asserted that all of its members followed MCACA policy and abstained from voting when a potential conflict of interest existed, but that MCACA failed to document some voting abstentions in MCACA meeting minutes. MCACA members' affiliations included such things as membership on the organizations' boards of directors and boards of trustees and employment with the organizations.

d. Five MCACA members did not disclose their affiliations with a total of 9 organizations, but either abstained from voting on the organizations' grant

requests or were not in attendance at the MCACA meeting when MCACA voted on the grants.

MCACA will be better able to demonstrate that arts and cultural grants are awarded in accordance with applicable statutes by ensuring that MCACA members disclose, on a timely basis, all pertinent affiliations with grant applicants and abstain from voting, when appropriate, and document MCACA members' votes.

RECOMMENDATIONS

We recommend that MCACA ensure that its members accurately disclose, on a timely basis, their affiliations with potential arts grant applicants.

We also recommend that MCACA document its members' grant-related voting activities.

AGENCY PRELIMINARY RESPONSE

The Department agrees and informed us that it has implemented procedures to ensure MCACA members disclose their affiliations with potential arts grant applicants on a timely basis and that grant related voting activities are documented.

FINDING

3. Performance Monitoring

MCACA did not establish a comprehensive system to monitor and improve the effectiveness and efficiency of the arts and cultural grants program.

Current literature supports a comprehensive performance monitoring and improvement system that includes: performance indicators* for measuring program inputs*, outputs*, and outcomes* ; performance standards* describing the desired level of performance; a data collection system to accurately gather performance data for assessment; a comparison of actual performance data to desired performance data; a reporting of the comparison results to management; an

* *See glossary at end of report for definition.*

analysis of the performance gaps that exist between the actual and desired performance; and proposals of program modifications to improve effectiveness and efficiency.

Act 157, P.A. 1995, required the Department of Commerce (now the Department of Consumer and Industry Services) to develop performance measures and data gathering techniques for each of its programs. The Department, in response to this and similar requirements included in appropriations acts from previous years, required MCACA to develop program performance measures and related data gathering techniques and to compile, analyze, and report to the Department on a periodic basis the results of MCACA's performance monitoring.

In compliance with the Department's requirement, MCACA established objectives for the arts and cultural grants program. However, we noted that the objectives were generally vague and did not identify standards for performance. In addition, MCACA did not identify and develop data gathering techniques. As a result, MCACA could not assess the effectiveness and efficiency of the arts and cultural grants program relative to the program's goals* and objectives. For example, one MCACA objective was to improve grant recipient contract performance. However, MCACA did not identify what constituted improved performance, how MCACA would measure this improvement, or the desired level of improvement.

On a periodic basis, MCACA reported program performance data to the Department to demonstrate the effectiveness of the arts and cultural grants program. However, the Department's program performance measures coordinator informed us that the data was not useful in measuring the effectiveness of the program.

MCACA had been in the process of updating its long-range strategic plan and goals and objectives for the arts and cultural grant program for several years. However, MCACA stated that because of the time needed to coordinate changes with its members, progress had been slow.

* *See glossary at end of report for definition.*

Performance measurement is needed for management to evaluate how work is being performed, to chart progress toward articulated goals, to gauge the results of agency activities, to identify areas for improvement, and to demonstrate program effectiveness and efficiency.

RECOMMENDATION

We recommend that MCACA establish a comprehensive system to monitor and improve the effectiveness and efficiency of the arts and cultural grants program.

AGENCY PRELIMINARY ANALYSIS

The Department agrees and informed us that the revised Michigan Arts and Cultural Plan for fiscal years 1999-2000 through 2002-03 has been approved and, based upon the established outcomes, performance measures are being developed. The Department is also implementing a program to assess the effectiveness and efficiency of the arts and cultural grant recipients' projects.

FINDING

4. Contract Provisions

MCACA did not include some necessary financial, service, and reporting requirements in its arts and cultural grants contracts.

We reviewed 33 arts and cultural grants contracts totaling approximately $27.4 million from fiscal years 1998-99, 1997-98, and 1996-97 and noted:

a. The contracts did not require grantees to provide a local match to the grant awards. The Department's annual appropriations acts and MCACA's annual program guidelines require that, at a minimum, grantees match arts and cultural grants awards on an equal dollar-for-dollar basis from local and private contributions. We did not note any instances in which grantees did not provide the minimum required local match.

b. The contracts did not include or provide a reference to a comprehensive description of the services comprising the funded project. Instead, the contracts included a brief summary of the project that did not fully establish

the service responsibilities of the grantee. For example, MCACA contracted with one grantee to preserve, present, and interpret the grantee's permanent collection. However, the grantee's application listed services included lectures, exhibits, tours, workshops, and performances that were not directly related to the permanent collection.

c. The contracts did not require organizations that were awarded arts and cultural grants exceeding $100,000 to submit an annual report and audit report to MCACA for the fiscal year in which the majority of the grant took place. The Department's annual appropriations acts and program guidelines require that applicable grantees submit the reports to MCACA within 90 days of the end of the grantee's fiscal year in which the majority of the project took place. We did not note any instances in which grantees failed to submit the required reports.

MCACA's arts and cultural grants contracts contain a provision stating that the written contracts represent the entire agreement between the contracting parties and supersedes all prior agreements, documents, and representations between MCACA and the contractor, whether expressed, implied, or oral. However, the contracts do not reference the grant applications or program guidelines. We noted that the selected grantees complied with the matching and audit requirements cited above. However, MCACA should include all legally enforceable requirements applicable to the grant awards in the grant contracts.

RECOMMENDATION

We recommend that MCACA include all necessary financial, service, and reporting provisions in its arts and cultural grants contracts.

AGENCY PRELIMINARY RESPONSE

The Department agrees and informed us that all necessary financial, service, and reporting provisions have been included in its arts and cultural grant contracts.

FINDING

5. Contract Monitoring

MCACA did not monitor its arts and cultural grants contracts in accordance with MCACA procedures and annual requirements included in appropriations acts.

We reviewed MCACA's monitoring activities for its fiscal year 1998-99, 1997-98, and 1996-97 arts and cultural grants and noted:

a. MCACA did not review original documentation (i.e., receipts and invoices) to verify the accuracy and completeness of the project-related financial data submitted by grantees. MCACA procedures prescribed two activities that would have accomplished this verification. One procedure required MCACA staff to select a sample of grantees to provide original documentation of selected revenues and expenditures. MCACA informed us that it did not request and review this information because of staffing shortages. A second procedure required MCACA staff to complete a cursory review of grantee financial records when conducting on-site visits of selected grantees. MCACA informed us that it did not review financial records during on-site visits because MCACA program staff lacked the technical expertise to conduct the reviews.

   We visited 8 grantees and reviewed selected documentation to support the expenditures reported to MCACA for 15 grant projects totaling approximately $9.3 million. We noted that 2 grantees reported expenditures unrelated to the grant projects. In one instance, the grantee estimated that approximately 75% ($12.6 million) of the reported expenditures were related to teaching for-credit college courses that were unrelated to the grant project. Although we determined that the eligible grant expenditures for these projects exceeded the grant amount and the minimum required local match, accurate financial reporting is critical for MCACA to accurately evaluate the financial provisions of its grant contracts. Accurate financial reporting is also necessary for MCACA to evaluate the economic impact of its arts and cultural grants program.

During our on-site visits, we also noted that 6 of the grantees did not maintain detailed documentation to support some or all of the grant participation summary data reported to MCACA. This data included items such as the number of artists participating in the funded project and the amount paid to these artists. MCACA collects the summary data and reports it to the National Endowment for the Arts to comply with contractual requirements.

b. MCACA did not require grantees to include audits of grant funds within the scope of the grantees' independent financial audits. Annual appropriations acts require organizations that were awarded arts and cultural grants exceeding $100,000 to obtain an independent audit that includes an audit of grant funds and to submit the audit report to MCACA. We noted that MCACA received a copy of the grantees' independent audits, but the reports did not include audits of grant funds. Audits of grant funds should include testing for compliance with the terms of the grant agreements. This would provide MCACA with additional assurance that grantees completed the MCACA funded projects in accordance with the contract requirements. In fiscal year 1998-99, MCACA awarded grants exceeding $100,000 each to 26 different organizations.

c. MCACA either did not conduct or document that it conducted a sufficient number of on-site reviews of arts and cultural grants projects funded with its annual appropriations (excluding supplemental appropriations).

MCACA procedure requires that MCACA program staff conduct on-site reviews of approximately 10% of the arts and cultural grants. MCACA informed us that its program staff conducted on-site reviews for 25 (8.6%) of the 290 grants funded with its regular fiscal year 1996-97 annual appropriation. However, MCACA could not identify 10 of the 25 grants for which it reportedly conducted on-site visits. In addition, MCACA could not locate the written report for 6 of the 15 identified on-site visits. MCACA informed us that its program staff conducted only 6 (2.1%) on-site reviews for the 286 grants funded with its regular fiscal year 1997-98 annual appropriation.

On-site reviews are needed to ensure that projects are progressing appropriately or were completed in accordance with the grant contract and to assess the effectiveness of the administration of the project. MCACA stated that staffing shortages prohibited it from completing a sufficient number of on-site reviews.

MCACA completed an additional grant awarding cycle in fiscal year 1997-98 with funds received in a fiscal year 1996-97 supplemental appropriation. For this grant awarding cycle, MCACA implemented a pilot grant evaluation process. The process required grantees to hire an independent evaluator to assess specific aspects of the funded project. MCACA was assessing the viability of this process for monitoring and evaluating future arts and cultural grants, and thereby reducing or eliminating the need for MCACA staff to conduct on-site visits.

RECOMMENDATION

We recommend that MCACA monitor its arts and cultural grants contracts in accordance with MCACA procedures and annual requirements included in appropriations acts.

AGENCY PRELIMINARY RESPONSE

The Department agrees and informed us that, with the assistance of the Department's Internal Audit Division, MCACA will monitor its arts and cultural grants contracts in accordance with MCACA procedures and annual requirements included in appropriations acts.

FINDING

6. State Administrative Board Approvals

MCACA did not obtain State Administrative Board approval for arts and cultural grant awards totaling $250,000 or more as required by Department of Management and Budget Administrative Guide procedure 620.01.

From October 1, 1996 through September 30, 1999, MCACA awarded 34 arts and cultural grants totaling approximately $44 million that individually were $250,000 or

more. MCACA did not solicit State Administrative Board approval for the grant awards because MCACA did not believe that approval was necessary.

The State Administrative Board is limited in its ability to fully exercise its general and supervisory control over the administrative activities of MCACA when MCACA does not submit its grant awards to the Board.

RECOMMENDATION

We recommend that MCACA obtain State Administrative Board approval for arts and cultural grant awards totaling $250,000 or more.

AGENCY PRELIMINARY RESPONSE

The Department agrees and informed us that State Administrative Board approval for arts and cultural grant awards totaling $250,000 or more has been obtained.

SUPPLEMENTAL INFORMATION

Supplemental Information Summary

Exhibits 1, 2, and 4 illustrate the grant application and grant award activity for fiscal years 1998-99, 1997-98, and 1996-97, respectively. In addition, these schedules illustrate the redistribution of grant dollars awarded by the Michigan Council for Arts and Cultural Affairs (MCACA) to various organizations through MCACA's regional regranting and partnership programs.

Regional regranters and most MCACA partners solicit and evaluate grant applications and subsequently regrant a portion of the arts and cultural grant received from MCACA.

MCACA established partnerships in the arts education, creative artists, creative writers in schools, design, local arts development/technical assistance, research, technology, traditional arts, and touring arts areas. MCACA contracted with 16 regranting agencies.

Exhibit 3 illustrates the grant application and grant award activity for MCACA's Access Program* . The Access Program was a one-time arts and cultural grant program funded through a fiscal year 1996-97 supplemental appropriation. The Program's priority was reaching under-resourced and/or underserved communities and areas of Michigan. MCACA implemented the Access Program in fiscal year 1997-98.

* *See glossary at end of report for definition.*

UNAUDITED
Exhibit 1

MICHIGAN COUNCIL FOR ARTS AND CULTURAL AFFAIRS (MCACA)
Grant Activity
Fiscal Year 1998-99

County	Number of Grant Applications Submitted to MCACA	Number of Grant Applications Funded by MCACA	Dollar Amount of Grant Applications Submitted to MCACA	Dollar Amount of Grants Awarded by MCACA	Dollar Amount of Regrants Received from MCACA Regranting Agencies	Dollar Amount of Regrants Received from MCACA Partners
Alcona	0	0	$	$	$	$ 600
Alger	0	0			5,834	
Allegan	0	0			3,500	5,022
Alpena	1	1	4,660	2,600	3,200	1,663
Antrim	0	0			1,700	100
Arenac	0	0			5,200	2,100
Baraga	0	0			1,000	
Barry	0	0				1,747
Bay	0	0			1,850	1,000
Benzie	0	0			1,165	
Berrien	5	3	75,458	38,770	6,981	2,825
Branch	0	0			2,000	
Calhoun	8	6	412,624	89,400	8,800	3,618
Cass	0	0			4,668	1,250
Charlevoix	0	0			4,000	2,880
Cheboygan	5	4	82,000	54,300	3,400	1,448
Chippewa	4	4	78,300	64,640	6,200	875
Clare	0	0				
Clinton	1	1	25,000	20,000		750
Crawford	1	1	25,000	13,860		
Delta	5	4	110,950	77,950	6,840	7,200
Dickinson	0	0			4,332	1,800
Eaton	0	0			4,850	235
Emmet	1	1	20,000	18,000	300	2,875
Genesee	18	11	1,297,244	425,550	25,170	11,130
Gladwin	0	0				
Gogebic	3	3	73,250	55,460	1,500	235
Grand Traverse	12	8	776,160	424,380	8,500	4,310
Gratiot	0	0				2,650
Hillsdale	0	0			2,000	635
Houghton	12	9	333,855	213,200	8,565	2,800
Huron	0	0			500	250
Ingham	24	16	1,549,594	957,256	26,150	7,069
Ionia	0	0			3,500	200
Iosco	2	1	330,000	104,000		250
Iron	1	1	11,800	9,440	6,000	
Isabella	1	0	20,000			200
Jackson	7	2	177,302	83,700	6,000	1,880
Kalamazoo	20	16	891,923	372,487	27,425	22,577
Kalkaska	4	1	91,109	15,000	3,737	
Kent	30	17	2,812,669	1,034,365	23,725	20,875
Keweenaw	0	0			2,000	
Lake	0	0				150
Lapeer	2	1	88,893	12,400	7,500	438

MICHIGAN COUNCIL FOR ARTS AND CULTURAL AFFAIRS (MCACA)
Grant Activity
Fiscal Year 1998-99
Continued

County	Number of Grant Applications Submitted to MCACA	Number of Grant Applications Funded by MCACA	Dollar Amount of Grant Applications Submitted to MCACA	Dollar Amount of Grants Awarded by MCACA	Dollar Amount of Regrants Received from MCACA Regranting Agencies	Dollar Amount of Regrants Received from MCACA Partners
Leelanau	0	0			11,200	
Lenawee	2	1	$ 60,000	$ 19,800	$ 1,200	$ 2,025
Livingston	1	0	93,825			10,158
Luce	0	0			2,000	
Mackinac	0	0			3,800	4,551
Macomb	6	4	154,040	81,600	23,350	8,978
Manistee	2	1	20,000	5,000	3,698	250
Marquette	3	1	285,000	6,600	12,034	8,150
Mason	0	0			2,875	
Mecosta	0	0			3,000	1,300
Menominee	0	0			300	498
Midland	1	1	325,000	162,500		1,200
Missaukee	0	0				
Monroe	2	1	84,000	21,000		4,512
Montcalm	0	0			2,000	500
Montmorency	0	0				
Muskegon	6	3	630,739	222,270	12,000	1,888
Newaygo	0	0			1,000	800
Oakland	43	33	4,570,073	2,592,254	25,965	55,916
Oceana	0	0			2,000	507
Ogemaw	0	0				250
Ontonagon	0	0			935	250
Osceola	0	0			500	250
Oscoda	0	0				
Otsego	0	0			1,100	420
Ottawa	5	4	92,660	63,100	14,000	1,500
Presque Isle	0	0				500
Roscommon	2	1	60,000	16,800		500
Saginaw	3	3	47,565	33,600	7,300	250
Sanilac	0	0			2,000	
Schoolcraft	0	0			460	250
Shiawassee	2	1	25,680	6,400	2,000	3,973
St. Clair	2	2	60,000	36,600	8,850	500
St. Joseph	3	2	75,000	45,000	4,000	4,427
Tuscola	1	1	11,500	6,440	4,389	
Van Buren	0	0			2,000	3,000
Washtenaw	37	24	1,951,119	877,050	29,800	54,005
Wayne	62	42	20,081,500	12,973,437	51,000	42,884
Wexford	0	0				250
Out-of-State	1	1	48,655	48,655		
Total	351	237	$ 37,964,147	$21,304,864	$ 462,848	$ 328,079

UNAUDITED
Exhibit 2

MICHIGAN COUNCIL FOR ARTS AND CULTURAL AFFAIRS (MCACA)
Grant Activity
Excluding the Access Program
Fiscal Year 1997-98

County	Number of Grant Applications Submitted to MCACA	Number of Grant Applications Funded by MCACA	Dollar Amount of Grant Applications Submitted to MCACA	Dollar Amount of Grants Awarded by MCACA	Dollar Amount of Regrants Received from MCACA Regranting Agencies	Dollar Amount of Regrants Received from MCACA Partners
Alcona	0	0	$	$	$	$ 315
Alger	0	0			2,690	
Allegan	3	1	60,000	8,000	3,386	1,493
Alpena	1	1	5,375	5,375	3,700	875
Antrim	0	0				9,000
Arenac	0	0			2,000	1,441
Baraga	0	0			2,965	
Barry	0	0			1,647	1,200
Bay	2	1	400,000	20,000	3,800	1,260
Benzie	0	0			1,888	
Berrien	3	3	133,371	61,730	3,205	4,391
Branch	0	0				210
Calhoun	6	5	77,617	47,820	12,000	4,242
Cass	0	0			2,448	1,846
Charlevoix	0	0				277
Cheboygan	4	4	100,700	91,720	3,000	1,732
Chippewa	4	4	76,300	52,792	7,000	4,000
Clare	0	0				1,200
Clinton	1	1	25,000	14,090		333
Crawford	2	0	152,000			7,386
Delta	4	4	72,000	57,000	6,248	157
Dickinson	1	0	1,600		8,162	1,000
Eaton	0	0			800	1,000
Emmet	1	1	20,000	9,800	1,000	4,800
Genesee	16	10	717,500	179,280	19,864	5,443
Gladwin	0	0				
Gogebic	1	1	20,000	15,500	2,785	1,400
Grand Traverse	12	10	1,567,623	363,030	9,600	
Gratiot	1	1	12,250	5,500	3,000	3,000
Hillsdale	0	0				
Houghton	9	9	192,000	127,560	11,485	7,702
Huron	0	0				
Ingham	27	22	1,314,491	890,962	30,200	4,451
Ionia	0	0			1,000	665
Iosco	2	1	200,000	20,000	1,500	2,157
Iron	0	0				
Isabella	1	1	6,921	3,500		2,853
Jackson	4	4	158,770	119,470		2,510
Kalamazoo	19	17	761,965	372,500	26,800	15,181
Kalkaska	2	1	46,286	10,070	1,200	
Kent	38	24	3,535,267	1,320,650	17,984	19,801
Keweenaw	0	0				
Lake	0	0			1,589	

MICHIGAN COUNCIL FOR ARTS AND CULTURAL AFFAIRS (MCACA)
Grant Activity
Excluding the Access Program
Fiscal Year 1997-98
Continued

County	Number of Grant Applications Submitted to MCACA	Number of Grant Applications Funded by MCACA	Dollar Amount of Grant Applications Submitted to MCACA	Dollar Amount of Grants Awarded by MCACA	Dollar Amount of Regrants Received from MCACA Regranting Agencies	Dollar Amount of Regrants Received from MCACA Partners
Lapeer	1	1	$ 110,000	$ 101,500	$ 5,674	$ 903
Leelanau	2	1	5,001	3,000	10,312	3,035
Lenawee	2	2	40,000	20,000	8,000	723
Livingston	0	0			1,000	3,339
Luce	0	0				2,000
Mackinac	0	0			4,792	2,099
Macomb	9	5	205,525	58,500	13,400	6,215
Manistee	1	0	42,500		4,000	245
Marquette	4	2	294,600	29,700	7,000	2,225
Mason	0	0			500	
Mecosta	1	1	40,000	18,000	541	
Menominee	0	0				1,287
Midland	1	1	290,100	97,500	2,830	9,000
Missaukee	0	0				
Monroe	2	1	60,500	20,250	2,000	1,712
Montcalm	1	1	200,000	75,000	1,000	1,000
Montmorency	0	0				
Muskegon	5	4	645,965	235,000	2,600	
Newaygo	0	0			2,000	2,517
Oakland	46	35	3,900,032	2,314,429	26,000	42,293
Oceana	0	0				
Ogemaw	0	0				
Ontonagon	0	0			2,765	
Osceola	0	0			2,000	1,759
Oscoda	0	0				
Otsego	0	0			600	
Ottawa	6	5	77,740	37,100	5,400	5,264
Presque Isle	1	1	72,500	66,900	3,200	
Roscommon	1	1	20,000	12,000	3,000	2,975
Saginaw	8	4	177,400	58,800	11,435	2,442
Sanilac	0	0			500	675
Schoolcraft	0	0				
Shiawassee	1	1	50,000	22,500	6,800	236
St. Clair	3	2	56,711	17,000	5,100	654
St. Joseph	5	1	222,200	13,000	2,000	12,145
Tuscola	1	1	9,000	4,000	7,456	971
Van Buren	4	2	99,624	30,800	4,000	2,073
Washtenaw	41	35	1,976,079	997,045	26,800	43,984
Wayne	69	52	20,153,662	13,285,190	49,000	42,830
Wexford	0	0				911
Out-of-State	1	1	47,932	55,745		
Total	380	286	$ 38,454,107	$21,369,308	$ 414,651	$ 308,833

UNAUDITED
Exhibit 3

MICHIGAN COUNCIL FOR ARTS AND CULTURAL AFFAIRS (MCACA)
Grant Activity by County
For the Access Program
Fiscal Year 1997-98

County	Number of Grant Applications Submitted to MCACA	Number of Grant Applications Funded by MCACA	Dollar Amount of Grant Applications Submitted to MCACA	Dollar Amount of Grants Awarded by MCACA
Alcona	0	0	$	$
Alger	0	0		
Allegan	3	1	62,711	23,250
Alpena	1	0	60,106	
Antrim	0	0		
Arenac	0	0		
Baraga	0	0		
Barry	1	1	75,000	45,350
Bay	4	1	404,560	3,550
Benzie	2	1	48,800	17,050
Berrien	5	3	97,714	27,650
Branch	0	0		
Calhoun	2	1	182,788	102,250
Cass	0	0		
Charlevoix	1	1	4,000	3,150
Cheboygan	2	0	30,000	
Chippewa	1	0	16,300	
Clare	0	0		
Clinton	0	0		
Crawford	1	1	10,725	5,750
Delta	1	1	35,000	24,850
Dickinson	0	0		
Eaton	0	0		
Emmet	2	1	10,092	7,947
Genesee	9	5	669,594	172,000
Gladwin	0	0		
Gogebic	1	1	27,000	19,250
Grand Traverse	6	6	476,422	332,850
Gratiot	0	0		
Hillsdale	0	0		
Houghton	6	4	113,099	21,900
Huron	1	1	50,000	35,350
Ingham	20	13	729,780	239,050
Ionia	0	0		
Iosco	1	0	200,000	
Iron	1	0	6,500	
Isabella	1	0	40,000	
Jackson	1	0	30,000	
Kalamazoo	20	15	564,327	128,000
Kalkaska	1	1	10,300	5,550
Kent	25	14	1,877,058	423,411
Keweenaw	0	0		
Lake	0	0		

MICHIGAN COUNCIL FOR ARTS AND CULTURAL AFFAIRS (MCACA)
Grant Activity
For the Access Program
Fiscal Year 1997-98
Continued

County	Number of Grant Applications Submitted to MCACA	Number of Grant Applications Funded by MCACA	Dollar Amount of Grant Applications Submitted to MCACA	Dollar Amount of Grants Awarded by MCACA
Lapeer	2	1	$ 72,445	$ 13,850
Leelanau	0	0		
Lenawee	1	1	11,500	8,450
Livingston	1	0	4,750	
Luce	0	0		
Mackinac	0	0		
Macomb	1	0	25,000	
Manistee	2	1	81,350	52,850
Marquette	2	1	108,000	44,450
Mason	0	0		
Mecosta	1	1	15,575	9,650
Menominee	0	0		
Midland	1	1	21,040	15,050
Missaukee	0	0		
Monroe	0	0		
Montcalm	0	0		
Montmorency	0	0		
Muskegon	2	1	45,750	10,750
Newaygo	2	2	173,223	119,600
Oakland	16	7	290,196	99,200
Oceana	0	0		
Ogemaw	0	0		
Ontonagon	2	2	81,506	53,000
Osceola	1	0	23,000	
Oscoda	0	0		
Otsego	1	1	7,210	5,350
Ottawa	3	1	122,149	81,950
Presque Isle	0	0		
Roscommon	1	1	20,000	14,350
Saginaw	3	1	16,380	7,550
Sanilac	0	0		
Schoolcraft	0	0		
Shiawassee	0	0		
St. Clair	2	1	68,939	9,350
St. Joseph	1	1	15,000	7,850
Tuscola	1	0	30,000	
Van Buren	2	1	15,910	3,950
Washtenaw	14	3	407,281	13,100
Wayne	43	22	2,384,765	1,791,542
Wexford	0	0		
Total	224	122	$ 9,872,845	$ 4,000,000

UNAUDITED
Exhibit 4

MICHIGAN COUNCIL FOR ARTS AND CULTURAL AFFAIRS (MCACA)
Grant Activity
Fiscal Year 1996-97

County	Number of Grant Applications Submitted to MCACA	Number of Grant Applications Funded by MCACA	Dollar Amount of Grant Applications Submitted to MCACA	Dollar Amount of Grants Awarded by MCACA	Dollar Amount of Regrants Received from MCACA Regranting Agencies	Dollar Amount of Regrants Received from MCACA Partners
Alcona	0	0	$	$	$	$ 354
Alger	0	0			3,810	
Allegan	1	1	5,000	5,000	3,158	8,487
Alpena	0	0			2,900	
Antrim	0	0			1,657	5,415
Arenac	0	0				1,290
Baraga	0	0				
Barry	0	0			4,000	1,963
Bay	0	0			6,036	778
Benzie	0	0			1,600	7,150
Berrien	3	1	46,512	8,400	3,237	2,649
Branch	1	1	17,000	6,500		
Calhoun	6	6	96,315	52,458	3,758	6,302
Cass	0	0			3,350	329
Charlevoix	0	0			4,315	157
Cheboygan	3	3	35,700	31,700	1,085	315
Chippewa	5	4	94,650	70,100	4,000	4,851
Clare	0	0				600
Clinton	1	1	25,000	19,900	1,050	350
Crawford	0	0			1,000	875
Delta	5	5	79,000	66,500	8,165	
Dickinson	0	0				3,000
Eaton	0	0			3,000	3,500
Emmet	1	1	20,000	9,000		2,732
Genesee	12	11	235,183	167,000	25,441	1,260
Gladwin	0	0				
Gogebic	1	1	20,000	15,400	1,500	
Grand Traverse	8	8	761,490	336,900	13,300	5,211
Gratiot	2	1	512,000	25,000	5,260	
Hillsdale	0	0				
Houghton	11	9	215,108	105,164	5,250	2,000
Huron	0	0				370
Ingham	29	20	1,200,645	702,320	26,950	892
Ionia	0	0				621
Iosco	0	0			1,200	817
Iron	1	1	16,807	13,100		
Isabella	1	1	20,000	6,797		1,073
Jackson	1	1	20,000	6,400	4,000	663
Kalamazoo	19	14	743,218	443,300	18,944	26,052
Kalkaska	0	0				
Kent	39	26	2,689,617	1,387,123	13,000	6,211
Keweenaw	0	0			4,664	
Lake	0	0			2,000	735

MICHIGAN COUNCIL FOR ARTS AND CULTURAL AFFAIRS (MCACA)
Grant Activity
Fiscal Year 1996-97
Continued

County	Number of Grant Applications Submitted to MCACA	Number of Grant Applications Funded by MCACA	Dollar Amount of Grant Applications Submitted to MCACA	Dollar Amount of Grants Awarded by MCACA	Dollar Amount of Regrants Received from MCACA Regranting Agencies	Dollar Amount of Regrants Received from MCACA Partners
Lapeer	0	0	$	$	$ 3,029	$ 3,204
Leelanau	0	0			7,143	9,400
Lenawee	3	2	60,000	21,400	2,000	458
Livingston	0	0			2,900	1,671
Luce	0	0				
Mackinac	0	0			5,000	4,433
Macomb	17	8	665,610	179,600	12,889	4,500
Manistee	3	1	70,000	4,800	1,600	
Marquette	5	4	121,916	86,600	10,525	2,625
Mason	0	0			3,679	
Mecosta	0	0			1,700	560
Menominee	0	0				218
Midland	5	5	711,350	332,000	5,150	4,484
Missaukee	0	0			700	
Monroe	1	1	11,795	6,000	1,000	1,000
Montcalm	0	0			2,000	262
Montmorency	0	0			500	
Muskegon	4	3	307,113	169,350		
Newaygo	0	0				1,800
Oakland	46	40	3,435,032	2,150,892	26,000	48,636
Oceana	0	0				
Ogemaw	0	0				
Ontonagon	0	0				
Osceola	0	0			2,963	210
Oscoda	0	0			1,700	
Otsego	0	0				
Ottawa	4	3	57,250	29,800		6,261
Presque Isle	0	0				
Roscommon	2	1	45,000	6,500	3,770	525
Saginaw	9	6	157,066	83,023	13,557	1,854
Sanilac	0	0				1,647
Schoolcraft	0	0				
Shiawassee	0	0			6,230	259
St. Clair	3	2	59,211	21,100	6,111	3,701
St. Joseph	1	1	200,000	190,000	6,000	1,195
Tuscola	1	1	9,000	7,000	2,000	945
Van Buren	1	1	21,000	21,000	569	1,826
Washtenaw	38	33	1,392,012	927,432	25,900	32,353
Wayne	85	61	19,637,405	13,659,505	49,000	56,774
Wexford	0	0			1,000	
Out-of-State	1	1	47,736	47,736		
Total	379	290	$ 33,861,741	$ 21,421,800	$ 382,245	$ 287,803

Glossary of Acronyms and Terms

Access Program	A special grant program designed to reach individuals who traditionally were not exposed to arts and cultural activities.
effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical for the amount of resources applied or minimizing the amount of resources required to attain a certain level of outputs or outcomes.
goals	The agency's intended outcomes or impacts for a program to accomplish its mission.
inputs	Resources (e.g., staff hours or expenditures) that a program consumes in producing outputs.
internal control	The management control environment, management information system, and control policies and procedures established by management to provide reasonable assurance that goals are met; that resources are used in compliance with laws and regulations; and that valid and reliable performance related information is obtained and reported.
MCACA	Michigan Council for Arts and Cultural Affairs.
mission	The agency's main purpose or the reason the agency was established.
objectives	Specific outputs a program seeks to perform and/or inputs a program seeks to apply in its efforts to achieve its goals.

outcomes	The actual impacts of the program. Outcomes should positively impact the purpose for which the program was established.
outputs	The products or services produced by the program. The program assumes that producing its outputs will result in favorable program outcomes.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
performance indicators	Information of a quantitative or qualitative nature indicating program outcomes, outputs, or inputs. Performance indicators are typically used to assess achievement of goals.
performance standards	A desired level of output or outcome as identified in statutes, regulations, contracts, management goals, industry practices, peer groups, or historical performance.
reportable condition	A matter coming to the auditor's attention that, in his/her judgment, should be communicated because it represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.