

PERFORMANCE AUDIT
OF THE

Alabama Shakespeare Festival

**ARC Grant Numbers: AL-16379-
302-09 and 16379-C1-302-10**

OIG Report Number: 12-13

GRANT PERIODS: OCTOBER 1, 2009 – MAY 30, 2010
AND SEPTEMBER 22, 2010 – APRIL 30, 2011

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Mr. Hubert N. Sparks
Inspector General

Transmitted herewith is a report of Watkins Meegan LLC, a Performance Audit of the Alabama Shakespeare Festival Project. The report is in response to Contract No. BPA 11-01-A.



Bethesda, Maryland
May 25, 2012

Performance Audit of the Alabama Shakespeare Festival

Background

The Appalachian Regional Commission (ARC) is a regional economic development agency that represents a partnership of federal, state, and local government. Established by an act of Congress in 1965, ARC is composed of the governors of the 13 Appalachian states and a federal co-chair, who is appointed by the President. Local participation is provided through multi-county local development districts.

On August 13, 2009 and September 21, 2010, ARC announced approval of grant numbers AL-16379-302-09 and AL-16379-C1-302-10, respectively, in the amount of \$200,000 each, to the Alabama Shakespeare Festival (ASF) to subsidize tickets for students and chaperones, assist with transportation for students in Distressed and At-Risk counties, provide teacher workshops in the ARC region, and support production staff salaries.

The Alfa School Fest brings school children to see plays produced by the Alabama Shakespeare Festival, a year-round professional production company. These plays, including classics by Shakespeare and others, are tied to the Alabama curriculum. Many of the plays are timed so that students see them while they are studying them in print; others are connected to units of history or other subjects. Coupled with the performances is teacher training so that the plays can be further exploited in the classroom for learning. Research has shown that students who study and participate in the arts have higher test scores, fewer behavior issues, and are more resistant to peer pressure. Students who see dramatic performances also read at higher levels which support higher overall school achievement. The Alabama Shakespeare Festival 2009 goals are to bring 12,000 students to Montgomery to see professional theater production and provide workshops for 60 teachers in Appalachian Alabama. 2010 goals are to bring 10,000 students from Appalachian Alabama to experience the arts, promote increased academic achievement, and train 60 teachers on how to better incorporate the arts, particularly theater, into their classrooms.

Executive Summary

The Alfa School Fest brings school children to see plays produced by the Alabama Shakespeare Festival, a year-round professional production company. The cost of tickets and transportation to the theatre in Montgomery is typically subsidized by donors at the schools. During this time of economic difficulties, there are not adequate funds available. A grant was made from ARC to ASF to be used to subsidize tickets for students and chaperones, assist with transportation for students in distressed and at-risk counties, provide teacher workshops in the ARC region, and support production staff salaries.

Overall, the objectives of the grant were met. Recommendations were made to ASF to file the final report within one month after the period of performance for the grant period ended May 30, 2010, to require all attendees at the teacher workshops to sign-in, perform a self-review to avoid mathematical errors, and request reimbursements for costs incurred during the grant period. The filing of the final report for the grant period ended April 30, 2011, was filed within one month after the period of performance.

Audit Objectives and Scope

The purpose of our review was the determination that program funds distributed to the Alabama Shakespeare festival, grant numbers AL-16379-302-09 and AL-16379-C1-302-10, approved during 2009 and 2010, respectively, and expended during the grant periods October 1, 2009 – May 30, 2010, and September 22, 2010 – April 30, 2011, were managed in accordance with ARC and federal grant terms; that grant funds were expended as provided for in the ARC approved budget; that internal grant guidelines and best practices, including internal controls, were appropriate and operating effectively; that accounting and reporting requirements were implemented in accordance with generally accepted accounting principles; and to make a determination as to whether the goals and objectives of the grant were met.

We performed a program review of the grants at the Alabama Shakespeare Festival office on January 17-19, 2012, as described under this section and under the audit methodology section. Our review was based on the terms of the grant agreement and on the application of procedures in accordance with the modified ARC Sample Audit Program.

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We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Methodology

Our procedures were based on the "Sample Audit Program" prepared by ARC and included suggested procedures over the grantee's accounting and internal control systems affecting the grant. Through conversations with the ASF Grant Manager at the Alabama Shakespeare Festival facility on January 17-19, 2012, we announced the audit and conducted an entrance conference. We also discussed and reviewed other financial and operational elements related to the conduct of the project audit.

Specifically, we reviewed controls over the financial process, the controls in place for recording, accumulating, and reporting costs under the grant, and the internal control work completed by the independent auditors for the Alabama Shakespeare Festival.

Our review of background material included ARC's Grant Agreement and related documentation, information from ARC's grant management system, and other grant requirements, including applicable OMB circulars. As additional background material, and in order to avoid duplication of efforts, we reviewed Alabama Shakespeare Festival's most current audited financial statements for the year ended September 30, 2010. The audit for the year ended September 30, 2011, was not complete at the date of this audit.

Finally, we examined the grant payments made by ARC to ASF and from ASF to contractors and other vendors involved in the project. We evaluated those payments and other activities for compliance with applicable federal and other grant requirements.

Results:

Schedule of Cash Payments from ARC to ASF for Period of Oct 1, 2009 – May 30, 2010:

<u>Date</u>	<u>Payment Type</u>	<u>Amount Paid</u>
4/2/2010	Reimbursement	\$ 50,000.00
8/9/2010	Reimbursement	149,673.34
Total		199,673.34
Obligated		200,000.00
Remaining		\$ 326.66*

* The remaining \$326.66 relates to unused transportation costs.

Schedule of Cash Payments from ARC to ASF for Period of Sept 22, 2010 – April 30, 2011:

<u>Date</u>	<u>Payment Type</u>	<u>Amount Paid</u>
3/14/2011	Reimbursement	\$ 53,775.03
7/11/2011	Reimbursement	146,224.97
Total		200,000.00
Obligated		200,000.00
Remaining		\$ -

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Grant Funding

The matching requirements have been met.

Schedule of Grant Funding for Period of Oct 1, 2009 – May 30, 2010:

	<u>Funding</u>	<u>Percentage</u>
ARC	\$199,673.34	32.3%
Other Federal	25,000.00	4.0%
Local	<u>394,191.96</u>	<u>63.7%</u>
TOTAL	<u>\$618,865.30</u>	<u>100.0%</u>

Schedule of Grant Funding for Period of Sept 22, 2010 – April 30, 2011:

	<u>Funding</u>	<u>Percentage</u>
ARC	\$ 200,000.00	18.2%
Local	<u>896,902.45</u>	<u>81.8%</u>
TOTAL	<u>\$1,096,902.45</u>	<u>100.0%</u>

Discussion of Grant Objectives and Findings

From the illustration of ARC grant payments for the grant periods ended May 30, 2010 and April 30, 2011 (see the schedules above), \$326.66 was not utilized during the grant's period of performance for the grant period ended May 30, 2010. The funds were to be utilized for transportation costs, but were not necessary, and the funds were de-obligated.

~~ASF did not submit its final report for grant AL-16379-302-09 until July 12, 2010, one and a half months after the grant ended. The final report was due on June 30, 2010.~~

ASF submitted costs for reimbursement relating to grant period October 1, 2009 – May 30, 2010, for Other Costs that were incurred subsequent to the end of the grant period. These invoices were for publication costs of \$1,421.20 (dated January 2011) and \$233.85 (dated September 2011). ASF was unable to provide support for the \$1,655.05 included within the financial reports.

ASF submitted a reimbursement request with a \$95.47 math error during the grant period ended May 30, 2010. These costs should not have been submitted for reimbursement and subsequently reimbursed under the grant.

We were unable to independently support the number of teachers reached. This was a result of ASF having incomplete sign-in sheets. Some teachers did not sign these sign-in sheets. We relied on head counts performed by ASF personnel for each grant year.

The objectives of the grant were discussed under the background section of this report. The Alabama Shakespeare Festival reached 12,128 and 11,436 students, 130 and 101 teachers, 809 and 762 chaperones, and contributed \$4,694 and \$5,000 toward transportation expenses for the grant periods ended May 30, 2010 and April 30, 2011, respectively. Overall, the general objectives of the grant have been met.

Our findings and recommendations were discussed with Alabama Shakespeare Festival officials and their comments are included with the applicable recommendation.

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Recommendations:

- 1) We recommend that, in the future, ASF file final reports in a timely manner.

Response:

ASF will submit its final report for the 2011-2012 grant period by the date set in the guidelines.

Auditor Comments:

We concur.

- 2) We recommend that ASF return \$1,655.05 (invoices for \$1,421.20 and \$233.85) not expended within the grant period October 1, 2009 – May 30, 2010.

Response:

The Alabama Shakespeare Festival's expenses far exceeded its request for the ARC grant plus the matching requirement. The Alabama Shakespeare Festival reported only selected expenses up to the limit of the ARC grant and the required match.

Auditor Comments:

We concur.

- 3) We recommend that ASF return \$95.47 overpaid based on a mathematical error for the grant period October 1, 2009 – May 30, 2010.

Response:

The Alabama Shakespeare Festival's expenses far exceeded its request for the ARC grant plus the matching requirement. The Alabama Shakespeare Festival reported only selected expenses up to the limit of the ARC grant and the required match.

Auditor Comments:

We concur.

- 4) We recommend that ASF ensure all attendees sign the sign in sheet or develop other methods to accurately account for attendees.

Response:

ASF will create a sign-in sheet and make every effort to have all attendees sign in for the workshops.

Auditor Comments:

We concur.

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