



**NATIONAL
ENDOWMENT
FOR THE
HUMANITIES**

OFFICE OF INSPECTOR GENERAL

**SEMIANNUAL REPORT
TO
CONGRESS**

For the Period April 1, 2019 through September 30, 2019

Report No. 61

**“Democracy demands wisdom and vision in its citizens”
National Foundation on the Arts and Humanities Act of 1965**

THE OFFICE OF INSPECTOR GENERAL

serves American taxpayers
by investigating reports of waste, fraud,
mismanagement, abuse, integrity violations or
unethical conduct involving Federal funds.

To report any suspected activity
concerning NEH programs, operations, or employees/contractors

Contact the OIG Hotline

1 (877) 786-7598

Mailing Address

Office of Inspector General — Hotline
National Endowment for the Humanities
Constitution Center
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OIG Hotline Complaint Form

www.neh.gov/about/oig

Government employees are protected from reprisal

Contacts may remain anonymous

Information is treated as Confidential

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EXECUTIVE SUMMARY

This Semiannual Report to Congress highlights the activities of the National Endowment for the Humanities (NEH) — Office of Inspector General (OIG) for the period April 1, 2019 through September 30, 2019, and has been designed to respond to enhanced reporting requirements established by the *Inspector General Empowerment Act of 2016*. OIG activities completed during this reporting period assessed (1) NEH's compliance with a government-wide mandate; (2) a grant recipient's compliance with applicable award terms and conditions; and (3) the quality of single audit reports issued by non-Federal auditors concerning NEH grant recipients. We also monitored the activities of the independent auditors engaged to conduct the audit of the NEH financial statements for fiscal year ending September 30, 2019.

During the six-month period ended September 30, 2019, we reported on NEH's compliance with the *Improper Payments Elimination and Recovery Act of 2010* concerning fiscal year 2018. We also issued a limited audit report concerning a grant recipient's compliance with administrative requirements applicable to the respective grant award, and completed desk reviews of single audit reports issued by non-Federal auditors for three NEH grant recipients. We have several reviews in process as of September 30, 2019, the results of which we anticipate including in our semiannual report for the period ending March 31, 2020.

We engaged the services of Leon Snead & Company, P.C. to conduct the audit of the NEH financial statements for fiscal year ending September 30, 2019, as required by the *Accountability of Tax Dollars Act of 2002*. During this semiannual reporting period, we monitored the planning and interim testing activities of the independent auditors to ensure compliance with applicable Federal audit requirements.

No investigations were initiated by the NEH-OIG during this semiannual reporting period. We received two Hotline complaints, one of which remains open as of September 30, 2019.

We continue to receive a steady volume of communications from individuals who have been targeted (and in some instances victimized) by an internet scam purporting to represent an NEH financial assistance opportunity.

OIG staff participated in several activities within the Federal accountability community to include a Single Audit Roundtable, (which involves audit and accountability representatives from the non-Federal audit community, and representatives from Federal and State government communities), and a meeting of the Grant Fraud Working Group of the Financial Fraud Enforcement Task Force. We engaged in various outreach activities to promote (1) awareness of the mission and responsibilities of the NEH-OIG; and (2) compliance with administrative requirements applicable to NEH grant awards. We also completed a review of the system of quality control for the audit organization of the Farm Credit Administration — Office of Inspector General.

The NEH-OIG endeavors to strengthen our capability to perform effective independent oversight and to foster mutually beneficial working relationships with NEH leadership and management, the U.S. Congress, other stakeholders (both public and private), and our colleagues within the Inspector General community.

THE NATIONAL ENDOWMENT FOR THE HUMANITIES

In order to promote progress and scholarship in the humanities and the arts in the United States, Congress enacted the *National Foundation on the Arts and the Humanities Act of 1965*. This Act established the National Endowment for the Humanities (NEH) as an independent, grant-making agency of the Federal government to support research, education, and public programs in the humanities. According to the Act, “The term ‘humanities’ includes, but is not limited to, the study of the following: language, both modern and classical; linguistics; literature; history; jurisprudence; philosophy; archaeology; comparative religion; ethics; the history, criticism, and theory of the arts; those aspects of social sciences which have humanistic content and employ humanistic methods; and the study and application of the humanities to the human environment with particular attention to reflecting our diverse heritage, traditions, and history, and to the relevance of the humanities to the current conditions of national life.”

The NEH is directed by a Chairman, who is appointed by the President and confirmed by the U.S. Senate, for a term of four years. Advising the Chairman is the National Council on the Humanities, a board of 26 distinguished private citizens who are also appointed by the President and confirmed by the U.S. Senate. National Council members serve staggered six-year terms.

NEH grants are awarded through four divisions - Research Programs, Education Programs, Preservation and Access, and Public Programs -- and three offices - Challenge Grants, Digital Humanities, and Federal/State Partnership.

The NEH has launched a new initiative commemorating the upcoming 250th anniversary of the founding of the United States. The *A More Perfect Union* initiative provides funding opportunities across the agency’s seven grant-making divisions for humanities projects that promote a deeper understanding of American history and culture, and advance civic education and knowledge of our core principles of government. Anchored in civics education, the initiative will pursue the overarching goals of broadening the reach and impact of the humanities, strengthening the nation’s humanities infrastructure, commemorating American democracy, and focusing on the needs of U.S. troops, military families, and veterans.

THE OFFICE OF INSPECTOR GENERAL

The NEH Office of Inspector General (OIG) was established April 9, 1989, in accordance with the *Inspector General Act Amendment of 1988*, (Public Law 100-504). In this legislation, Congress established Offices of Inspector General in several departments and in thirty-three agencies, including the NEH. The NEH Inspector General (IG) is appointed by the Chairman of the National Council on the Humanities. The independence of the IG is a critical aspect of the *Inspector General Act*, (the IG Act). For example, the IG: cannot be prevented from initiating, carrying out, or completing an audit or investigation, or from issuing any subpoena; has access to all records of the NEH; reports to the National Council on the Humanities, and can only be removed by the National Council on the Humanities, which must give Congress 30 days notice of the reasons for the removal; and reports directly to Congress.

The IG Act states that the NEH-OIG is responsible for (1) conducting audits and investigations; (2) reviewing legislation; (3) recommending policies to promote efficiency and effectiveness; and (4) preventing and detecting fraud, waste, and abuse in the operations of the NEH. The Inspector General is responsible for keeping the Head of the NEH and the Congress fully and currently informed of problems and deficiencies concerning NEH programs and operations.

NEH-OIG staff currently consists of the Inspector General and two auditors. The Deputy Inspector General position is vacant. The OIG has a Memorandum of Understanding with the United States Treasury Inspector General for Tax Administration detailing the procedures for the NEH-OIG to be provided legal services. Investigations are handled by the Inspector General.

AUDIT AND REVIEW ACTIVITIES

LIST OF REPORTS ISSUED

The NEH-OIG is responsible for external and internal audits, inspections, and reviews. External activities include on-site audits of grant awards, limited-scope desk audits, accounting system surveys, desk reviews of single audit reports, and on-site quality control reviews of workpapers prepared by non-Federal auditors during performance of single audit engagements. Internal activities include audits, inspections/evaluations, and reviews of NEH administrative and program-related activities, inclusive of the NEH information security program. The NEH-OIG is also responsible for monitoring the work of the independent public accountant (the "IPA") engaged to conduct the annual audit of the NEH financial statements, as required by the *Accountability of Tax Dollars Act of 2002*, and examining the IPA's audit workpapers and draft reporting deliverables to ensure compliance with applicable Federal audit requirements.

Below is a list of reports issued by the NEH-OIG during the six-month period ended September 30, 2019. The *Inspector General Act of 1978* (as amended) requires the Inspector General to report on the "Total Dollar Value of Questioned Costs" (including a separate category for the "Dollar Value of Unsupported Costs") and the "Dollar Value of Recommendations that Funds Be Put to Better Use" [see Tables II and III on page 12].

| | <u>Report Number</u> | <u>Date Issued</u> |
|---|----------------------|--------------------|
| <u>INTERNAL REVIEW</u> | | |
| National Endowment for the Humanities' Compliance with the <i>Improper Payments Elimination and Recovery Act of 2010</i> — Fiscal Year 2018 | OIG-19-01 (IR) | 06/03/2019 |
| <u>EXTERNAL AUDIT</u> | | |
| Limited Audit — Virginia Union University | OIG-19-01 (EA) | 08/08/2019 |
| <u>SINGLE AUDIT DESK REVIEWS</u> | | |
| Desk Review of the Single Audit Report for Year Ended December 31, 2017 — Alabama Humanities Foundation | OIG-19-03 (DR) | 04/01/2019 |
| Desk Review of the Single Audit Report for Year Ended October 31, 2018 — Maryland Humanities | OIG-19-04 (DR) | 09/12/2019 |
| Desk Review of the Single Audit Report for Year Ended October 31, 2018 — Michigan Humanities Council | OIG-19-05 (DR) | 09/30/2019 |
| REVIEW OF SINGLE AUDIT FINDINGS | — See Page 6 — | |

AUDIT AND REVIEW ACTIVITIES

SUMMARY OF REPORTS ISSUED

INTERNAL REVIEW

**National Endowment for the Humanities' Compliance with the
Improper Payments Elimination and Recovery Act of 2010 — Fiscal Year 2018
June 3, 2019; OIG-19-01 (IR)**

The *Improper Payments Elimination and Recovery Act of 2010* (IPERA) requires the head of each agency to periodically review and identify all programs and activities it administers that may be susceptible to significant improper payments, based on guidance provided by the Director of the Office of Management and Budget (OMB). For each program and activity identified, the agency is required to produce a statistically valid estimate of improper payments and include such estimates in the materials that accompany the annual financial statements of the agency. The agency is further required under IPERA to prepare a report on actions taken to reduce improper payments for programs or activities with significant improper payments. With respect to improper payments identified in recovery audits required by IPERA, the agency must report on all actions taken to recover such improper payments.

Additional guidance issued by OMB specifies that each agency's Inspector General should review improper payment reporting in the agency's annual Performance and Accountability Report (PAR) or Annual Financial Report (AFR), and accompanying materials, to determine whether the agency complied with IPERA.

I determined that the NEH was compliant with IPERA concerning fiscal year (FY) 2018. Specifically:

- ◇ The NEH published a PAR for FY 2018 and posted the report and accompanying materials required by OMB on the agency's website.
- ◇ NEH management conducted risk assessments for improper payments in accordance with the steps outlined in the revised OMB Circular A-123, Appendix C. The FY 2018 risk assessments covered the NEH definite grant program, administrative payments (non-payroll), and payroll payments. Agency management determined that the NEH matching grants program does not meet the criteria specified in OMB Circular A-123, Appendix C for susceptibility to significant improper payments. Accordingly, this program was not included in the FY 2018 risk assessments.
- ◇ NEH management randomly selected and reviewed a sample of individual grant payments related to the agency's definite grants program during FY 2018, which resulted in an error rate of zero percent. NEH management performed an additional review, outside of the scope of the risk assessment, and identified one (1) erroneous payment to a grant recipient for approximately \$2,000. The erroneous payment has been recovered. This information was reported in the PAR.
- ◇ Since no NEH programs/activities were identified as susceptible to significant improper payments (based on the results of the risk assessments), the Agency deemed that a corrective action plan and annual reduction targets were not warranted. However, to address the erroneous payment condition identified through the additional testing, the Agency reported plans to explore options to modernize the payment process through implementation of electronic systems.
- ◇ NEH management concluded and reported that recapture audits would not be cost-effective due to the low risk of making improper payments, (as evidenced by the results of the agency's testing of individual grant payments, the strength of internal controls surrounding payroll outlays, and the relatively small size/volume of non-payroll disbursements).

Furthermore, nothing came to the attention of the OIG during FY 2018 that would indicate the programs administered by the NEH and the activities in which the agency engages in support of its programs are susceptible to significant improper payments.

AUDIT AND REVIEW ACTIVITIES

SUMMARY OF REPORTS ISSUED

EXTERNAL AUDIT

Limited Audit — Virginia Union University August 8, 2019; OIG-19-01 (EA)

We completed a limited audit of Virginia Union University records as they relate to NEH grant AB-226623-15. The grant was awarded to support the establishment of an interdisciplinary Learning Community Program (LCP) in the humanities at the University, centered on African-American heritage. The University certified total Federal expenditures related to the effort in the amount of \$98,373.

The principle objectives of the limited audit were to determine whether (1) grant expenditures were made in accordance with the applicable provisions of NEH's *General Terms and Conditions for Awards* and the specific terms of the grant award; and (2) proper controls over administration of Federal awards exist in accordance with minimum standards prescribed in the OMB Uniform Guidance.

As a result of our limited audit, we recommended that the University return \$58,342 to the NEH, which represents unsupported and unallowable charges to the NEH grant award, or charges for which there is insufficient evidence to substantiate allocability to the NEH grant award. We also identified a deficiency related to the grantee's administration of the NEH grant award.

SINGLE AUDIT DESK REVIEWS

Subpart F of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (2 CFR Part 200) establishes audit requirements for state and local governments, colleges and universities, and non-profit organizations receiving Federal awards. All non-Federal entities that expend \$750,000 or more a year in Federal awards must undergo an annual organization-wide audit that includes the entity's financial statements and compliance with Federal award requirements. The audits are conducted by non-Federal auditors, such as public accounting firms and state auditors.

During the six-month period ended September 30, 2019, we issued a letter to governance officials for three state humanities councils, communicating the results of our desk review of their organization's single audit reporting package. The objectives of the desk reviews were to (1) determine whether the single audit report is acceptable based on the reporting requirements of 2 CFR Part 200; (2) identify any quality issues that warrant follow-up work and/or revisions to the single audit report; (3) identify audits for potential quality review (QCR) of the independent auditor's workpapers; and (4) identify issues that require the attention of NEH management. We used the *Guide for Desk Reviews of Single Audit Reports* (2016 Edition), as issued by the Council of the Inspectors General on Integrity and Efficiency, to determine whether the single audit reporting packages meet the core reporting requirements stipulated by 2 CFR Part 200. Based on the results of our review, we can assign a rating of *Pass*, *Pass with Deficiencies*, or *Fail* to the organization's single audit reporting package. Reporting packages assigned a *Fail* rating require corrective action.

We assigned a *Pass* rating to one reporting package; a *Pass with Deficiencies* rating to one reporting package; and a *Fail* rating to one reporting package.

AUDIT AND REVIEW ACTIVITIES

SUMMARY OF REPORTS ISSUED (con't.)

REVIEW OF SINGLE AUDIT FINDINGS

We receive communications from other Federal agencies concerning the results of single audit desk reviews (primarily the National Science Foundation OIG) and single audit findings identified for NEH resolution. We also routinely perform queries of the Federal Audit Clearinghouse to determine the reporting of single audit findings applicable to NEH programs.

During the six-month period ended September 30, 2019, we reviewed single audit report communications concerning five (5) NEH grant recipients. No findings were specifically identified for NEH resolution.

WORK IN PROGRESS/REPORTS TO BE ISSUED (as of September 30, 2019)

Limited Audit ~ Michigan State University

The principal objectives of this limited audit are to determine whether (1) expenditures related to NEH grant award EH-50443-14 were made in accordance with the applicable provisions of NEH's *General Terms and Conditions for Awards* and the specific terms of the grant award; and (2) the recipient implemented proper control over the administration of the NEH award in accordance with minimum standards prescribed in OMB Circular A-110 (2 CFR Part 215) and OMB Circular A-21 (2 CFR Part 220).

Limited Audit ~ University of Massachusetts, Amherst

The principal objectives of this limited audit are to determine whether (1) expenditures related to NEH grant award HT-50091-14 were made in accordance with the applicable provisions of NEH's *General Terms and Conditions for Awards* and the specific terms of the grant award; and (2) the recipient implemented proper control over the administration of the NEH award in accordance with minimum standards prescribed in OMB Uniform Guidance.

Audit ~ NEH's Compliance with the Digital Accountability and Transparency Act (DATA Act)

The DATA Act, in part, requires Federal agencies to report financial and award data in accordance with established Government-wide financial data standards. In May 2015, the OMB and the U.S. Department of the Treasury (Treasury) published 57 data definition standards and required Federal agencies to report financial data in accordance with these standards beginning January 2017. Subsequently, and in accordance with the DATA Act, Treasury began displaying Federal agencies' data on USASpending.gov for taxpayers and policy makers in May 2017.

The principal objectives of this audit are to assess (1) the completeness, accuracy, timeliness, and quality of second quarter FY 2019 financial and award data submitted by the NEH for publication on USASpending.gov; and (2) the agency's implementation and use of the Government-wide financial data standards established by OMB and Treasury.

INVESTIGATIVE ACTIVITIES

BACKGROUND

The *Inspector General Act of 1978* (as amended) provides the authority for the NEH-OIG to investigate possible violations of criminal or civil laws, administrative regulations, and policies that impact the programs and operations of the NEH. In the past, in order to fully execute this mandate, we have obtained assistance from other OIGs, the Federal Bureau of Investigation (FBI), the Postal Inspection Service, or other investigative entities.

Over the years, the NEH-OIG has received allegations through the OIG Hotline and did not have sufficient resources to initiate an investigation. To address this inherent challenge, we continue to inquire of other OIGs concerning their willingness and ability to assist us on an “as needed” basis under a reimbursable agreement. A few OIGs have responded that they would consider performing work for us on a case-by-case basis, contingent upon the availability of their staff. However, this assistance would only be for criminal cases, with no guarantee that investigative staff would be available when needed.

INVESTIGATIVE ACTIVITIES

No investigations were initiated by the NEH-OIG during the six-month period ended September 30, 2019.

MATTERS REFERRED TO PROSECUTIVE AUTHORITIES

No matters were referred to the U.S. Department of Justice during the six-month period ended September 30, 2019.

STATISTICAL SUMMARY OF INVESTIGATIVE ACTIVITY

| | |
|--|---|
| Number of Investigative Reports Issued | 0 |
| Number of Persons Referred to the Department of Justice for Criminal Prosecution | 0 |
| Number of Persons Referred to State and Local Prosecuting Authorities for Criminal Prosecution | 0 |
| Number of Indictments and Criminal Informations that Resulted from Prior Referral to Prosecuting Authorities | 0 |

HOTLINE ACTIVITIES

We maintain a toll-free Hotline number and a dedicated NEH e-mail address to provide confidentiality for individuals bringing matters to the attention of the NEH-OIG. We also have a web-based template to facilitate the submission of complaints to the NEH-OIG. The complaint template is accessible through the OIG homepage, (www.neh.gov/about/oig). The toll-free Hotline number, facsimile, web-based complaint form, e-mail address, and ground mail services are efficient and effective means for NEH employees and contractors, recipients of NEH awards, and the general public to communicate complaints and allegations of fraud, waste, abuse, mismanagement, and misconduct concerning NEH programs/operations to the OIG.

When the NEH-OIG receives a complaint or allegation of a criminal or administrative violation, preliminary research is conducted to inform the decision regarding the appropriate action to take. This decision could result in the initiation of an investigation or an audit; referral of the matter to an NEH office/division or another Federal agency; or no further action. Upon determining that a matter represents a criminal violation, we seek assistance from another Federal Inspector General, the Federal Bureau of Investigation (FBI), or the U.S. Department of Justice.

There was one Hotline matter open as of April 1, 2019. We received two complaints during the six-month period ended September 30, 2019. One matter has been referred for an audit and two matters remain open as of September 30, 2019.

We also received over 194 communications from individuals targeted or victimized by a scam purporting to represent an NEH financial assistance opportunity. This scam is generally initiated through the internet via Facebook Messenger; however, individuals have reported being contacted through other social media platforms or directly through text messaging and telephone calls.

STATISTICAL SUMMARY OF HOTLINE ACTIVITY

| | |
|--|---|
| Open as of April 1, 2019 | 1 |
| Matters communicated to the OIG during the six-month period ended September 30, 2019 | 2 |
| Total Number of Matters Communicated via OIG Hotline | 3 |
| Matters closed, referred, or no action deemed necessary | 1 |
| Open as of September 30, 2019 | 2 |

OTHER ACTIVITIES

REGULATORY AND LEGISLATIVE REVIEWS

The *Inspector General Act of 1978* (as amended) requires the Inspector General to review proposed legislation and regulations. The reviews should be designed to assess whether proposed legislation and/or regulations (1) affect the economy and efficiency of agency programs and operations; and (2) provide sufficient internal control to prevent and detect fraud and abuse.

No legislative reviews concerning the NEH were required during the six-month period ended September 30, 2019.

WORKING WITH THE AGENCY

OIG staff attended various NEH meetings – panel meetings (where grant applications are reviewed by outside consultants), one meeting of the National Council on the Humanities (July 2019), and monthly senior staff meetings. OIG staff occasionally contribute to the discussions, but the OIG does not participate in policymaking.

The Inspector General presented information about the mission, responsibilities, and activities of the NEH-OIG during Project Directors’ meetings convened by the NEH Division of Education (*Dialogues on the Experience of War and Humanities Connections*). The meetings were held in May 2019 and June 2019, respectively. The Inspector General also participated in an orientation session organized by NEH Federal/State Partnership leadership and staff for new state council executive directors (June 2019). In September 2019, the Inspector General briefed fifteen (15) newly appointed members of the National Council on the Humanities concerning the role of the Inspector General.

PARTICIPATION ON THE COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY

The *Inspector General Reform Act of 2008* (Public Law 110-409) amended the *Inspector General Act of 1978* and established the Council of the Inspectors General on Integrity and Efficiency (CIGIE). CIGIE is comprised of all Inspectors General whose offices are established by the *Inspector General Act of 1978* (and subsequent amendments) — those that are Presidentially-appointed/Senate-confirmed and those that are appointed by Agency Heads.

During the six-month period ended September 30, 2019, the Inspector General regularly attended monthly CIGIE meetings, provided responses to various CIGIE inquiries, participated in the 2019 CIGIE Annual Conference (May 2019), and attended two meetings of the CIGIE subgroup representing “Small/Unique OIGs” (June 2019 and September 2019).

PARTICIPATION IN OTHER ACTIVITIES WITHIN THE FEDERAL ACCOUNTABILITY COMMUNITY

The Inspector General participated in the Single Audit Roundtable (SART) held in May 2019. The purpose of the SART is to provide a venue for an exchange of ideas, problems, solutions, and best practices related to the single audit process. The SART involves audit and accountability representatives from the non-Federal audit community, and Federal and State government communities.

The Inspector General participated in the quarterly meeting of the Grant Fraud Working Group of the Financial Fraud Enforcement Task Force held in June 2019. The Grant Fraud Working Group presents a diverse coalition from across the OIG community and certain U.S. Department of Justice components (e.g., the Civil Division), working to improve investigation and prosecution of grant-fraud matters.

The Inspector General participated in the 2019 Federal Audit Executive Council (FAEC) Annual Conference held in September 2019. The FAEC is a subgroup established by CIGIE to discuss and coordinate issues affecting the Federal audit community with special emphasis on audit policy and operations of common interest to FAEC members.

OTHER ACTIVITIES

OIG INTERNET

Reports concerning the results of individual OIG engagements and the OIG Semiannual Reports to Congress are posted on the internet. The reports are accessible through the OIG homepage on the NEH website (www.neh.gov/about/oig).

To promote awareness and understanding of the OIG mission and responsibilities, we provide hyperlinks to other Federal agency websites, such as the Council of the Inspectors General on Integrity and Efficiency [IGNET] and the Government Accountability Office [FraudNet].

TECHNICAL ASSISTANCE

Throughout this semiannual reporting period, OIG staff provided technical help to NEH staff, recipients of NEH awards, and independent public accountants about various non-profit accounting and compliance-related matters. We are generally consulted about matters related to the implementation of Federal audit requirements.

“AUDIT READINESS” AWARENESS CAMPAIGN

The OIG executes an email-based “Audit Readiness” awareness campaign, which corresponds with NEH grant award cycles. The objective of the campaign is to proactively promote accountability and to disseminate guidance that would assist NEH grant award recipients in their efforts to preclude unfavorable outcomes should the organizations’ NEH awards be selected for audit. The email communication emphasizes the value of each recipient’s understanding of the terms and conditions specific to their NEH grant award and the administrative requirements applicable to all Federal awards. We remind recipients that they are stewards of Federal funds and therefore must comply with Uniform Administrative Requirements (2 CFR Part 200) and the terms and conditions applicable to NEH grant awards. We highlight in the communications, specific areas wherein problems are commonly identified during audits of NEH grant awards and include hyperlinks to appropriate guidance materials and resources. We also discuss the importance of effective internal control. The email communications are sent directly to project directors and institutional grant administrators identified for all organization-based awardees.

During the six-month period ended September 30, 2019, we sent email communications as noted below. We have reasonable assurance that all of the awardees received a copy of the “Audit Readiness” communication.

| NEH Division/Office | Number of Awardees | Total Value of Awards/ Offers |
|-------------------------------------|---------------------------|--|
| Division of Preservation and Access | 62 | \$ 12,629,909 |
| Division of Education Programs | 78 | \$ 9,131,235 |
| Division of Public Programs | 45 | \$ 8,620,635 |
| Division of Research Programs | 41 | \$ 7,208,406 |
| Office of Challenge Grants | 14 | \$ 6,026,615 |
| Office of Digital Humanities | 24 | \$ 3,506,012 |

TABLE I

REPORTING REQUIREMENTS

The *Inspector General Act of 1978* (as amended) specifies reporting requirements for semiannual reports. The requirements are listed and cross-referenced to the applicable pages in this report.

| <u>IG Act Reference</u> | <u>Reporting Requirements</u> | <u>Page</u> |
|-------------------------|--|-------------|
| Section 4(a)(2) | Regulatory and Legislative Reviews..... | 9 |
| Section 5(a)(1) | Significant Problems, Abuses, and Deficiencies..... | * |
| Section 5(a)(2) | Recommendations for Corrective Action | * |
| Section 5(a)(3) | Prior Significant Recommendations Unimplemented..... | * |
| Section 5(a)(4) | Matters Referred to Prosecutive Authorities..... | 7 |
| Section 5(a)(5) | Instances Where Information Was Refused or Not Provided..... | * |
| Section 5(a)(6) | List of Reports Issued..... | 3 |
| Section 5(a)(7) | Summary of Reports Issued..... | 4 - 6 |
| Section 5(a)(8) | Audit Reports - Questioned Costs..... | 12 |
| Section 5(a)(9) | Audit Report - Funds To Be Put to Better Use..... | 12 |
| Section 5(a)(10) | Prior Audit Reports — Unresolved..... | 13 - 14 |
| Section 5(a)(11) | Significant Revised Management Decisions..... | * |
| Section 5(a)(12) | Significant Management Decisions with which OIG Disagreed..... | * |
| Section 5(a)(14-16) | Peer Review Results..... | Appendix A |
| Section 5(a)(17-18) | Investigation Statistics..... | 7 |
| Section 5(a)(19) | Investigations Involving Senior Government Employees..... | * |
| Section 5(a)(20) | Instances of Whistleblower Retaliation..... | * |
| Section 5(a)(21) | Instances of Agency Interference with OIG Independence..... | * |
| Section 5(a)(22) | Description of Reports Not Disclosed to the Public..... | * |

* None this reporting period

**TABLE II
INSPECTOR GENERAL-ISSUED REPORTS
WITH QUESTIONED COSTS**

| | Number of Reports | Questioned Costs | Unsupported Costs |
|--|----------------------|---------------------|----------------------|
| A. For which no management decision has been made by the commencement of the reporting period. | - 0 - | \$ - 0 - | \$ - 0 - |
| B. Which were issued during the reporting period. | - 1 - | \$ 58,342 | \$ - 0 - |
| Subtotals (A+B) | - 1 - | \$ 58,342 | \$ - 0 - |
| C. For which a management decision was made during the reporting period. | | | |
| i. Dollar value of disallowed costs. | - 1 - | \$ 57,156 | \$ - 0 - |
| ii. Dollar value of costs not disallowed | - 1 - | \$ 1,186 | \$ - 0 - |
| iii. Dollar value of costs not disallowed based on the "Value of Services Received." | - 0 - | \$ - 0 - | \$ - 0 - |
| D. For which no management decision has been made by the end of the reporting period. | - 0 - | \$ - 0 - | \$ - 0 - |
| E. Reports for which no management decision was made within six months of issuance. | - 0 - | \$ - 0 - | \$ - 0 - |

**TABLE III
INSPECTOR GENERAL-ISSUED REPORTS
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE**

| | Number of Reports | Dollar Value |
|--|----------------------|-----------------|
| A. For which no management decision has been made by the commencement of the reporting period. | - 0 - | \$ - 0 - |
| B. Which were issued during the reporting period. | - 0 - | \$ - 0 - |
| C. For which a management decision was made during the reporting period. | - 0 - | \$ - 0 - |
| i. Dollar value of recommendations that were agreed to by management. | - 0 - | \$ - 0 - |
| ii. Dollar value of recommendations that were not agreed to by management. | - 0 - | \$ - 0 - |
| D. For which no management decision was made by the end of the reporting period. | - 0 - | \$ - 0 - |

PRIOR AUDIT REPORTS — UNRESOLVED

| Reports with Unimplemented Recommendations | Number of Unimplemented Recommendations | Dollar Value of Aggregate Potential Cost Savings |
|--|---|--|
| Report Number: OIG-15-03 (I) <i>Federal Information Security Management Act (FISMA) Reporting Document: Inspector General Section — Fiscal Year 2014</i> Date of Report: August 15, 2015 | 4 | The recommendations concern FISMA-related matters and we are unable to quantify the total potential cost savings to the NEH. |

SUMMARY OF UNIMPLEMENTED RECOMMENDATIONS

1. Information Security Continuous Monitoring

Finding: The NEH issued new policy guidance concerning information security continuous monitoring during FY 2012. However, written continuous monitoring plans (CMPs) for each of the agency’s major IT systems have not been drafted, as required under this policy.

Recommendation: The NEH must draft continuous monitoring plans for each of the agency’s major IT systems.

Implementation Status: Open/Partially Implemented. The NEH plans to create CMPs during the next accreditation for each system, as required by the *NEH Security Program and Risk Management Policy*. NEH leadership has approved the allocation of FY 2019 and FY 2020 funding to support the updated assessment and authorization (A&A) of two of the agency’s major information management systems. Upon being granted the authorization to operate, the information systems will be placed into the NEH information security continuous monitoring program. The A&A process for the first information management system is in progress and is scheduled to be completed by March 2020, at which time the A&A of the second system will begin.

2. Homeland Security Presidential Initiative – 12 (HSPD-12)

Finding: HSPD-12 applies to Federal employees and contractors and requires (1) completion of background investigations; (2) issuance of standardized identity credentials; (3) use of the credentials for access to Federal facilities; and (4) use of the credentials for access to Federal information systems. The NEH has successfully completed requirements (1) through (3). Concerning logical access, the NEH continues to utilize an alternative commercial product for multi-factor authentication purposes.

Recommendation: The NEH must implement a personal identification verification (PIV) system for logical access, as required by HSPD-12.

Implementation Status: Closed/Unimplemented. In FY 2015, the NEH performed a detailed assessment of the impact of implementing HSPD-12 for logical access. While technically feasible, many usability and management issues were identified. Due to these issues, NEH management decided not to move forward with implementation of HSPD-12 for logical access. NEH continues to require two-factor authentication for full remote access. The Agency is cognizant of the need for two-factor authentication for access to important data and is continuing to work toward full implementation where needed.

PRIOR AUDIT REPORTS — UNRESOLVED

SUMMARY OF UNIMPLEMENTED RECOMMENDATIONS (con't.)

3. Contingency Planning

Finding: Due to competing priorities, neither the Agency-wide continuity of operations (COOP) exercise nor the prescribed divisional exercise, to be led by Emergency Response Team (ERT) members, were conducted in FY 2013. Furthermore, the master COOP document was not updated to incorporate/address issues identified in the prior year after-action report. The OIG also noted that several Emergency Operations Team (EOT) and ERT team members were either unable to access the COOP-related documents on the secured OMB CyberScope site or did not have access to the most current version of the master COOP document.

Recommendation: The NEH must reinstate annual continuity of operations training exercises and update COOP-related documents maintained on the secured OMB Cyberscope platform.

Implementation Status: Open/Partially Implemented. The master COOP document has been updated to incorporate/address issues identified in the FY 2012 after-action report. However, a continuity of operations training exercise has not been conducted since FY 2012.

4. Risk Management

Finding: The NEH transitioned to Microsoft 365, a cloud-based version of Outlook (email, calendar, etc.) during the latter part of FY 2013. Although the network architecture was updated to reflect this change, the Agency was unable to provide written documentation demonstrating that new risks posed by this migration to the cloud were formally considered and addressed through the adoption of new policies/procedures, (as necessary). According to the agency's top-level IT security guidance pertaining to the NEH General Support System (GSS), the "GSS shall go through the process of certification and accreditation when a major change to the system occurs...which includes moving critical services to the cloud."

Due to cost/benefit considerations, the NEH Security Officer planned to address this topic and update the security documentation associated with the overall GSS, of which "Outlook" represents a subset, after the agency's relocation in FY 2014. In a similar fashion, a wholesale risk analysis of the other two core IT systems are planned.

Recommendation: The NEH must complete a full security evaluation of the agency's major IT systems.

Implementation Status: Open/Partially Implemented. NEH leadership has approved the allocation of FY 2019 and FY 2020 funding to support the updated assessment and authorization (A&A) of two of the agency's major information management systems. The A&A process for the first information management system is in progress and is scheduled to be completed by March 2020, at which time the A&A of the second system will begin.

GLOSSARY OF AUDIT TERMINOLOGY

Questioned Cost: A cost that is questioned by the OIG because of (1) an alleged violation of a provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Unsupported Cost: A cost that is questioned by the OIG because, at the time of the audit, such cost is not supported by adequate documentation.

Disallowed Cost: A questioned cost that management, in a management decision, has sustained or agreed should not be charged to the Government.

Funds Be Put To Better Use: A recommendation by the OIG that funds could be used more efficiently if management of an establishment took actions to implement and complete the recommendation, including (1) reductions in outlays; (2) deobligation of funds from programs or operations; (3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (4) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee; (5) avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or (6) any other savings which are specifically identified.

Management Decision: The evaluation by the management of an establishment of the findings and recommendations included in an audit report and the issuance of a final decision by management concerning its response to such findings and recommendations, including actions concluded to be necessary.

Final Action: The completion of all actions that the management of an establishment has concluded, in its management decision, are necessary with respect to the findings and recommendations included in an audit report. In the event that management concludes no action is necessary, final action occurs when such management decision has been made.

Source: Excerpt from Section 5(f) of the *Inspector General Act of 1978* (as amended)

APPENDIX A

PEER REVIEW RESULTS

The following information is provided pursuant to the requirements of Section 989C of Public Law 111-203 (July 21, 2010), the *Dodd-Frank Wall Street Reform and Consumer Protection Act*, amending the *Inspector General Act of 1978* (the IG Act), 5 U.S.C. App. This appendix complies with Section 5(a)(14 - 16) of the IG Act of 1978, as amended.

(14)(A) Peer Review of the Audit Function. On August 2, 2019, the U.S. International Trade Commission - Office of Inspector General (USITC-OIG) issued a System Review Report on the audit organization of the NEH-OIG in effect for the year ended March 31, 2019. The USITC-OIG found that the system of quality control for the audit organization of the NEH-OIG had been suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of *Pass*, *Pass with Deficiencies*, or *Fail*. The NEH-OIG received a peer review rating of *Pass*.

(15) Outstanding Recommendations from any Peer Review of the NEH-OIG. There are no outstanding recommendations from any peer review of the NEH-OIG, as conducted by another Office of Inspector General, that have not been fully implemented.

(16) Peer Review Conducted by the NEH-OIG. On September 13, 2019, the NEH-OIG issued a System Review Report on the audit organization of the Farm Credit Administration - Office of Inspector General (FCA-OIG) in effect for the year ended March 31, 2019. We found that the system of quality control for the audit organization of the FCA-OIG had been suitably designed and complied with to provide FCA-OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The FCA-OIG received a peer review rating of *Pass*.