



NATIONAL ENDOWMENT FOR THE

Humanities

OFFICE OF INSPECTOR GENERAL

October 28, 2013

**RETURN RECEIPT REQUESTED**

Board of Directors  
Georgia Humanities Council  
50 Hurt Plaza, SE, Suite 595  
Atlanta, GA 30303  
Attn: [REDACTED], Board Chair

OIG Report Number: OIG-14-01(DR)

Dear Board Members:

Earlier this year, the NEH Office of Inspector General (OIG) conducted a desk review of the Georgia Humanities Council's (the "Council") FY2011 single audit which resulted in the issuance of report OIG-13-04(DR) dated February 6, 2013. The Council promptly addressed the related findings. Specifically, the organization developed new policies/procedures to ensure timely submissions to the Federal Audit Clearinghouse (FAC) and submitted a corrected FY2011 single audit reporting package. As a follow-up to this desk review, our office performed a cursory, top-level assessment of the recently completed FY2012 single audit report (FAC upload dated July 15, 2013). Unfortunately, several errors significant enough to warrant the reissuance and resubmission of the reporting package were noted. Due to these readily identifiable errors and fact that the same firm conducted the FY2011 and FY2012 single audits, we took the unusual step of performing back-to-back desk reviews.

We have completed our desk review of the single audit report prepared by Blad & Garvin, CPAs, which includes the Federal assistance programs administered by the Georgia Humanities Council, for the year ended October 31, 2012. The independent auditors (IPA) previously furnished a copy of their audit report to the Council and submitted the related reporting package to the FAC. The IPA issued an unqualified opinion (both financial statements and single audit) and identified one reportable finding that was treated as a significant deficiency.

Our review was limited to an examination of the IPA's audit report. We did not examine the underlying audit documentation to evaluate the adequacy of the audit work performed; rather, the single audit desk review guide (2010 Edition), issued by the Council of Inspectors General on Integrity and Efficiency (CIGIE), was used to determine whether the audit report meets the core reporting requirements stipulated by Office of Management and Budget (OMB) Circular A-133. Audit reports determined to be *technically deficient* or *unacceptable* require corrective action.

We deem the FY2012 audit report technically deficient<sup>1</sup> due to key errors identified that affect the reliability of the report. A summary of the desk review findings are noted below.

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<sup>1</sup> There are four possible conclusions applicable to a single audit desk review: Acceptable; Acceptable with Deficiencies; Technically Deficient; or Unacceptable. The NEH-OIG has concluded that the Council's FY2012 audit report represents a *Technically Deficient* submission since the "report contains quality deficiencies that may affect the reliability of the audit report, and which must be corrected in the audit under review."



## **Audit Opinion Discrepancies**

Several significant errors associated with the audit opinions issued by the IPA were noted as follows:

- a. The *Independent Auditor's Report* (p.3) incorrectly references an audit opinion date of February 22, 2012 for the Federal compliance testing required by OMB Circular A-133. Obviously, this represents an error since the fiscal year under audit covers the November 2011 - October 2012 timeframe. We ultimately determined that this represents the opinion date used for the FY2011 audit.
- b. In a similar vein, the IPA failed to update language from the prior year audit report. Specifically, the auditor's *Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133* (p.20) incorrectly retained the significant deficiency language associated with FY2011 audit finding 11-04. This creates significant confusion for the reader since this language contradicts the *Summary of Audit Findings* (Item A4, p.21) and the *Schedule of Current Year and Prior Year Findings* (pages 22 and 24) which respectively state that no current year reportable findings were identified with Federal compliance, and prior year finding 11-04 was corrected and resolved.

Since these errors directly impact audit opinion clarity and create reader confusion, the reporting package must be corrected and promptly resubmitted to the FAC.

Furthermore, the fact that these errors were missed calls into question the validity of the IPA's quality control procedures (i.e. second partner review, use of checklists, etc.). Errors of this nature should always be identified prior to final report issuance.

## **Reporting Error - Schedule of Expenditure of Federal Awards (SEFA) and the Data Collection Form (DCF)**

Federal grant funding is disbursed in two forms: 1) direct awards and 2) pass-thru awards. With direct awards, the Federal agency pays the grantee directly (the "primary award recipient"). Pass-thru awards are more involved. Specifically, the Federal agency pays the primary award recipient organization which then "passes" funds down to a subrecipient (i.e. organization performing work directly for the primary award recipient). In these cases, the SEFA prepared by the subrecipient should disclose both the Federal agency and the primary award recipient involved.

In FY2012, the Council derived one hundred percent of its Federal grant funding from the NEH. Both grant programs (CFDA #'s 45.129 and 45.168) represented direct awards since the Council acted as the primary award recipient and received payment directly from NEH. However, the SEFA's *Basis of Presentation* footnote incorrectly states that "the amounts reflect federal pass-thru amounts."

Accordingly, Part III (Question 9g) of the FY2012 DCF incorrectly identifies both of the NEH Federal programs (CFDA 45.129 and 45.168) as pass-thru awards.

Both the SEFA footnote and the DCF response to Part III must be corrected prior to resubmission of the revised single audit reporting package.

## Federal Audit Clearinghouse Submissions

We discovered that the FY2011 and FY2012 single audit submissions (to the FAC) referenced two different employer identification numbers (EIN): 51-0180861 and 58-0180861. Based upon a review of the Council's most recent IRS Form 990 filing, it appears that 51-0180861 represents the Council's actual EIN.

The Council will need to contact the FAC support desk and a) request that all single audit submissions, (inclusive of the DCFs) be consolidated under the "51" EIN; and b) ask that the incorrect EIN ("58") be deleted from the database to prevent any future confusion. Under the current scenario, an individual querying the FAC database using the organization's EIN will only see a portion of the Council's overall single audit activity.

## Conclusion

As discussed above, the FY2012 single audit package (both the single audit report and the data collection form) must be corrected and resubmitted to the FAC in a prompt fashion<sup>2</sup>. Further, we expect 1) the IPA to take corrective action and develop new procedures that specifically address the recurring quality review deficiencies noted over the past two desk reviews; and 2) the Council to contact the FAC and resolve the multiple EIN issue. Please provide the NEH-OIG with a (written) status update within 60 days concerning these matters.

Please note that we have been in contact with the audit partner at Blad & Garvin to inform her of the results of our review.

If you have any questions concerning this letter or need accounting assistance, please contact Mr. Steve Elsberg at (202) 606-8353 or via email at [selsberg@neh.gov](mailto:selsberg@neh.gov).

Sincerely,



Laura Davis  
Inspector General

## Distribution List:

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<sup>2</sup> We noted that a revised single audit reporting package was submitted to the FAC prior to the final issuance of this report.