



NATIONAL ENDOWMENT FOR THE

Humanities

Office of Inspector General

**SEMIANNUAL
REPORT TO
CONGRESS**

For the Period April 1, 2014 through September 30, 2014

Report No. 51

**“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

Contact the OIG Hotline

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OIG Hotline 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 — Office of Inspector General (OIG) for the period April 1, 2014 through September 30, 2014. OIG activities completed during this reporting period addressed NEH programs/operations and grantee operations/compliance, including oversight of non-Federal audits of NEH grantees. We also monitored the audit activities of Leon Snead & Company, P.C., independent auditors engaged to conduct the annual audit of the NEH financial statements for fiscal year ending September 30, 2014.

During this reporting period, we completed and issued an inspection report concerning the NEH information security program and practices in effect for FY 2013, pursuant to the Federal Information Security Management Act of 2002 (FISMA) and we reported on the Agency's compliance with the *Improper Payments Elimination and Recovery Act of 2010* for FY 2013. We also completed and issued a limited audit report on one NEH grantee and completed desk reviews of Single Audit reports issued for eight NEH grantees. As of the end of this reporting period, we have several audits and inspections in process, the results of which we anticipate including in our semiannual report for the period ending March 31, 2015.

The OIG engaged the services of Leon Snead & Company, P.C. (IPA) to conduct the annual audit of the NEH financial statements for fiscal year ending September 30, 2014, as required by the Accountability of Tax Dollars Act of 2002. During this reporting period, we monitored the planning and interim testing activities of the independent auditors and performed an interim examination of the audit working papers to ensure compliance with applicable requirements.

We received three Hotline complaints during this reporting period, none of which remain open as of the end of this reporting period. No investigations were initiated or closed during this reporting period.

OIG staff participated in several projects and workgroups convened within the Federal accountability community to include the Council of Inspectors General on Integrity and Efficiency (CIGIE) collaborative cloud-computing project and a Single Audit Roundtable, (which involves audit and accountability representatives from the non-Federal audit community, and Federal and State government communities).

The NEH OIG will continue to enhance our capability to perform effective independent oversight and to foster mutually beneficial working relationships with NEH leadership and management, the 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 Senate. National Council members serve staggered six-year terms.

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 recently launched an initiative entitled, *Standing Together*. This initiative encourages humanities programs that focus on the history, experience, or meaning of war and military service. It is designed to support programs that explore war and its aftermath through advanced research in the humanities; and public programs that promote discussion and understanding of the experiences of Americans affiliated with the armed services, whether active duty or veterans, and have clear potential to involve the nation's veterans and their families.

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 an important aspect of the Inspector General 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 Agency; 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 Act states that the 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 Agency. The IG is also responsible for keeping the Chairman and Congress fully and currently informed of problems and deficiencies in the NEH programs and operations.

The OIG staff currently consists of the Inspector General, two auditors, and an administrative officer. 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 OIG to be provided legal services. Investigations are handled by the IG.

AUDIT AND REVIEW ACTIVITIES

LIST OF REPORTS ISSUED

The OIG is responsible for external and internal audits, reviews, and inspections. External efforts include on-site grant audits, limited-scope desk audits, accounting system surveys, review of OMB Circular A-133 audit reports, and on-site quality control reviews of CPA workpapers. Internal efforts consist of audits, inspections, and reviews/evaluations of NEH administrative and programmatic operations, inclusive of the NEH information security program. The OIG is also responsible for monitoring the work of the independent public accountant (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 reports to ensure compliance with applicable requirements.

Below is a list of reports issued by the OIG during this reporting period. The Inspector General Act of 1978, as amended, requires us 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 15].

| | <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 2013 | OIG-14-02 (IR) | 04/14/2014 |
| <u>INSPECTION</u> | | |
| Federal Information Security Management Act (FISMA) Reporting Document: Inspector General Section — Fiscal Year 2013 | OIG-14-03 (I) | 09/30/2014 |
| <u>EXTERNAL AUDIT</u> | | |
| Limited Audit — Film Forum, Inc. | OIG-14-02 (EA) | 07/09/2014 |
| <u>DESK REVIEWS</u> | | |
| Desk Review of the Single Audit Report for Year Ended October 31, 2013 — New Hampshire Humanities Council | OIG-14-03 (DR) | 04/18/2014 |
| Desk Review of the Single Audit Report for Year Ended October 31, 2013 — West Virginia Humanities Council | OIG-14-04 (DR) | 05/16/2014 |
| Desk Review of the Single Audit Report for Year Ended October 31, 2013 — Oklahoma Humanities Council | OIG-14-05 (DR) | 06/05/2014 |
| Desk Review of the Single Audit Report for Year Ended October 31, 2013 — Kentucky Humanities Council | OIG-14-06 (DR) | 06/17/2014 |
| Desk Review of the Single Audit Report for Year Ended October 31, 2013 — Ohio Humanities Council | OIG-14-07 (DR) | 08/29/2014 |

AUDIT AND REVIEW ACTIVITIES

LIST OF REPORTS ISSUED

| | <u>Report Number</u> | <u>Date Issued</u> |
|---|----------------------|--------------------|
| <u>DESK REVIEWS (con't.)</u> | | |
| Desk Review of the Single Audit Report for Year Ended October 31, 2013 — North Dakota Humanities Council | OIG-14-08 (DR) | 08/29/2014 |
| Desk Review of the Single Audit Report for Year Ended October 31, 2013 — Wyoming Humanities Council | OIG-14-09 (DR) | 08/29/2014 |
| Desk Review of the Single Audit Report for Year Ended October 31, 2013 — Maine Humanities Council | OIG-14-10 (DR) | 09/12/2014 |
| <u>SINGLE AUDIT ACT REVIEWS</u> | | |
| OMB Circular A-133 Reports | — See Page 7 — | |

AUDIT AND REVIEW ACTIVITIES

SUMMARY OF REPORTS ISSUED

INTERNAL REVIEW/INSPECTION

**National Endowment for the Humanities' Compliance with the
Improper Payments Elimination and Recovery Act of 2010 — Fiscal Year 2013
April 14, 2014; OIG-14-02 (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 the improper payments and include such estimates in the accompanying materials to 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 is required to report on all actions taken to recover improper payments.

Additional guidance issued by the 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.

We determined that the NEH was compliant with IPERA concerning fiscal year 2013. Specifically, the Agency published a PAR for fiscal year 2013 and posted the report and accompanying material required by OMB on the NEH website. NEH management conducted a risk assessment for improper payments in accordance with the steps outlined in the revised OMB Circular A-123, Appendix C, Part I. Agency management randomly selected and reviewed a sample of individual grant payments related to major NEH grant programs during fiscal year 2013, which resulted in a sampling error rate of zero percent. This information was properly reported in the PAR. Furthermore, nothing came to the attention of the OIG during fiscal year 2013 which would indicate the NEH is susceptible to significant improper payments.

**Federal Information Security Management Act (FISMA)
Reporting Document: Inspector General Section — Fiscal Year 2013
September 30, 2014; OIG-14-03 (I)**

We completed the annual evaluation of NEH's information security program and practices pursuant to the Federal Information Security Management Act of 2002 (FISMA) for Fiscal Year (FY) 2013. The Inspector General Section of the National Endowment for the Humanities' FY 2013 FISMA Report was transmitted to the Office of Management and Budget (OMB) on November 27, 2013 via the CyberScope portal. We subsequently issued a memorandum report to NEH management to summarize the results of the FY 2013 evaluation and discuss the status of the exceptions noted during our FY 2012 evaluation.

We determined that NEH's information security program and practices were generally consistent with FISMA requirements during FY 2013. However, we noted several areas that require management's attention based upon our responses to the FY 2013 Department of Homeland Security IG metrics, which were used to evaluate the Agency's compliance with FISMA. Efforts were still outstanding during FY 2013 related to Continuous Monitoring Management, Configuration Management, Homeland Security Presidential Initiative-12 (Logical Access), Contingency Planning, and Security Capital Planning. We will report on the status of the outstanding matters when we issue the FY 2014 FISMA report.

AUDIT AND REVIEW ACTIVITIES

EXTERNAL AUDIT

Limited Audit — Film Forum, Inc. July 9, 2014; OIG-14-02 (EA)

We completed a limited audit of Film Forum (the “Forum”) records as they relate to NEH grant TR-50071-09. The Forum submitted a final financial report to the NEH and conveyed that the related expenditures conform to the intended grant purpose, as stipulated by the NEH grant award. The principal objectives of this limited audit were to determine that (1) expenditures related to NEH grant TR-50071-09 were made in accordance with the applicable provisions of NEH’s *General Terms and Conditions for Awards to Organizations*, and the specific terms of the grant award; (2) Film Forum, Inc. properly implemented a comprehensive subrecipient monitoring program; and (3) proper controls over use of Federal funds exist in accordance with minimum standards prescribed by OMB Circulars A-110 (2 CFR Part 215) and A-122 (2 CFR Part 230). Our limited audit was conducted in accordance with *Generally Accepted Government Auditing Standards* (GAGAS).

Overall, the NEH grant resulted in the successful production of two episodes of a video documentary entitled, “To Tell the Truth”. However, based on the nature of the exceptions noted at the subrecipient level, we concluded that Film Forum did not fully execute monitoring responsibilities to ensure that the Federal award was used for authorized purposes in compliance with laws, regulations, and the provisions of NEH grant TR-50071-09. Our limited audit identified several deficiencies concerning the financial management controls implemented by the for-profit subrecipient, which in many instances, resulted in unallowable charges to the NEH grant totaling \$17,989.

DESK REVIEWS

OMB Circular A-133 establishes audit requirements for state and local governments, colleges and universities, and non-profit organizations receiving Federal awards. Covered entities, as defined by the Circular, that expend \$500,000 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 this reporting period, we issued letters to governance officials for eight NEH grantees, communicating the results of our desk reviews of audit reports issued in accordance with OMB Circular A-133. The objectives of the desk reviews were to: (1) determine whether the audit reports are acceptable based on the reporting requirements of OMB Circular A-133; (2) identify any quality issues that may warrant follow-up work and/or revisions to the audit report; (3) identify audits for potential Quality Control Reviews (QCR) of the independent auditors’ workpapers; and (4) identify issues that may require the attention of NEH management. We used the *Guide for Desk Reviews of OMB Circular A-133 Audit Reports*, issued by the Council of Inspectors General on Integrity and Efficiency (CIGIE), to determine if the reports were in conformance with the core reporting requirements stipulated by OMB Circular A-133.

We determined that four reports were “Acceptable” and four reports were “Acceptable with Deficiencies”.

AUDIT AND REVIEW ACTIVITIES

SINGLE AUDIT ACT REVIEWS

We receive communications from other Federal agencies regarding Single Audit findings and desk review results, (primarily the Department of Health and Human Services OIG and the National Science Foundation OIG) and we routinely perform queries of the Federal Audit Clearinghouse to determine the reporting of single audit findings applicable to NEH awards. We occasionally receive Single Audit reports directly from NEH grantees.

During the six-month period ended September 30, 2014, we reviewed 33 OMB Circular A-133 audit report communications. Eight single audit reports contained findings affecting NEH programs. We issued two memoranda to NEH management summarizing the independent auditor (IPA) findings, [OIG-14-02 (CAA); dated April 23, 2014 and OIG-14-03 (CAA) dated August 11, 2014], wherein we advised management to gain an understanding of the deficiencies reported by the IPAs and to follow-up with the grantees, as appropriate.

WORK IN PROGRESS (as of September 30, 2014)

Inspection ~ NEH Government Charge Card/Travel Card Programs

On October 5, 2012, the President signed into law the Government Charge Card Abuse Prevention Act of 2012 (“Charge Card Act”) [P.L. 112-194], which reinforced the Administration’s efforts to prevent waste, fraud, and abuse of government-wide charge card programs. Consistent with existing guidance contained in OMB Circular A-123, Appendix B, *Improving the Management of Government Charge Card Programs*, the Charge Card Act requires all executive branch agencies to establish and maintain safeguards and internal controls for purchase cards, travel cards, and centrally-billed accounts.

The Charge Card Act also requires agency Inspectors General to (1) conduct periodic risk assessments of agency charge card programs to analyze the risks of illegal, improper, or erroneous purchases; and (2) submit an annual purchase and travel card audit recommendation status report to the OMB for compilation and transmission to Congress and the Government Accountability Office. Due to this new mandate and fact that the NEH-OIG last reviewed the NEH purchase card program approximately ten years ago, an inspection of the NEH Government Charge Card and Travel Card programs was initiated. The results of this inspection will establish a baseline for the required risk assessments that must be performed by the OIG (as least annually) moving forward.

Inspection ~ Federal Information Security Management Act (FISMA) — Fiscal Year 2014

The Federal Information Security Management Act of 2002 (FISMA) requires each agency to develop, document, and implement an agency-wide information security program. Each year, the OIG conducts an independent evaluation of the NEH information security program, pursuant to the requirements of FISMA.

AUDIT AND REVIEW ACTIVITIES

WORK IN PROGRESS (as of September 30, 2014) [con't.]

Inspection ~ Utah Humanities

The principal objective of this inspection is to verify the propriety of financial and performance reporting related to NEH grant BC-50562-10. OMB Circular A-110 requires recipients of Federal awards to maintain a financial management system that provides for the accurate, current, and complete disclosure of the financial results of each federally-sponsored project or program. The Circular also requires the maintenance of records that adequately identify the source and application of funds for federally-sponsored activities.

Inspection ~ Amherst College

The principal objective of this inspection is to verify the propriety of financial reporting related to NEH grant FV-50284-11. OMB Circular A-110 requires recipients of Federal awards to maintain a financial management system that provides for the accurate, current, and complete disclosure of the financial results of each federally-sponsored project or program. The Circular also requires the maintenance of records that adequately identify the source and application of funds for federally-sponsored activities.

Limited Audit ~ University of Chicago

The principal objectives of this limited audit are to determine whether (1) expenditures related to NEH grant PF-50089-10 were made in accordance with applicable provisions of the NEH *General Terms and Conditions for Awards to Organizations*, and the specific terms of the grant award; and (2) proper controls over use of Federal funds exist in accordance with minimum standards prescribed by OMB Circulars A-110 (2 CFR Part 215) and A-21 (2 CFR Part 220).

Quality Control Review ~ Delaware Humanities Council

The primary objective of this quality control review is to determine whether the Single Audits for the Council's fiscal years ended October 31, 2010, October 31, 2011, and October 31, 2012 were conducted in accordance with the auditing and reporting requirements promulgated by Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Limited Audit ~ Fundación Puertorriqueña de las Humanidades

The principal objectives of this limited audit are to determine whether (1) expenditures related to NEH grant BC-50554-10 were made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations*, and the terms of the approved grant award; and (2) proper controls over the use of Federal funds exist in accordance with minimum standards prescribed in OMB Circulars A-110 (2 CFR Part 215) and A-122 (2 CFR Part 230).

AUDIT AND REVIEW ACTIVITIES

WORK IN PROGRESS (as of September 30, 2014) [con't.]

CIGIE Cloud-Computing Project

Cloud computing offers the potential for significant cost savings through faster deployment of computing resources, a decreased need to buy hardware or build data centers, and enhanced collaboration capabilities. To accelerate the Federal Government's use of cloud-computing strategies, OMB requires agencies to adopt a 'Cloud First' policy when considering IT purchases and evaluate secure, reliable, and cost-effective cloud-computing alternatives when making new IT investments.

Effectively managing the delivery of cloud-computing services requires agencies to develop contracts that address business and security risks, as well as properly define and provide a mechanism to monitor agency and cloud service providers' responsibilities. Additionally, agencies must have strong governance practices in place, including organizational control and oversight policies, procedures, and standards for IT service acquisition and for monitoring the use of IT/cloud services.

The NEH-OIG volunteered to participate in the collaborative cloud-computing project undertaken by the Council of Inspectors General on Integrity and Efficiency (CIGIE). The objective of the project is to complete an evaluation of each participating agency's efforts to adopt cloud-computing technologies, and includes a review of contracts issued by participating agencies for cloud services, as they transitioned to a cloud-computing model, for compliance with applicable standards.

Limited Audit ~ Northeast Document Conservation Center

The principal objectives of this limited audit are to determine whether (1) expenditures related to NEH grant PE-50058-11 were made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations*, and the terms of the approved grant award; and (2) proper controls over the administration of Federal awards exist in accordance with minimum standards prescribed in OMB Circulars A-110 (2 CFR Part 215) and A-122 (2 CFR Part 230).

Limited Audit ~ Catticus Corporation

The principal objectives of this limited audit are to determine whether (1) expenditures related to NEH grant TR-50158-10 were made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations*, and the terms of the approved grant award; (2) Catticus Corporation properly implemented a comprehensive subrecipient monitoring program; and (3) proper controls over the use of Federal funds exist in accordance with minimum standards prescribed in OMB Circulars A-110 (2 CFR Part 215) and A-122 (2 CFR Part 230).

INVESTIGATIVE ACTIVITIES

BACKGROUND

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

Over the years, the OIG has received allegations via the OIG Hotline and did not have sufficient resources to initiate an investigation. To address this 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, depending on the availability of their staff. However, this assistance would be for criminal cases only and we have no guarantee that investigative staff would be available when needed.

INVESTIGATIVE ACTIVITIES

The NEH OIG did not initiate or close any investigations during this reporting period.

MATTERS REFERRED TO PROSECUTIVE AUTHORITIES

No matters were referred to the U.S. Department of Justice during this reporting period.

HOTLINE ACTIVITIES

We maintain a toll-free Hotline number and a dedicated agency e-mail address to provide additional confidentiality for individuals bringing matters to the attention of the OIG. We also have an interactive, web-based template to facilitate the submission of complaints to the OIG. The complaint template is accessible via 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, NEH grantees and contractors, and the general public to communicate allegations of fraud, waste, abuse, mismanagement, and misconduct concerning NEH programs/operations to the OIG.

When the OIG receives a complaint or allegation of a criminal or administrative violation, a preliminary inquiry is conducted to determine the appropriate action to take. This decision could result in the initiation of an investigation or an audit; referral 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 the Federal Bureau of Investigations (FBI), another Federal Inspector General, or the United States Department of Justice.

One Hotline matter was open as of the beginning of the reporting period and we received three Hotline contacts during the reporting period. Concerning the Hotline matter that was open as of the beginning of the reporting period, we were unable to substantiate the complaint based on the incomplete information provided by the contact. Concerning the matters brought to the OIG during the reporting period — one matter was referred to an NEH program office for monitoring; one matter concerned an attempted internet scam (via Facebook) purporting to represent an NEH financial assistance program; and one matter was determined to lack merit. There are no hotline contacts open as of September 30, 2014.

SUMMARY OF HOTLINE ACTIVITY

| | |
|---|---|
| Open at beginning of period | 1 |
| Matters brought to the OIG during the reporting period | 3 |
| Total Hotline Contacts | 4 |
| Closed, referred, or no action deemed necessary during the reporting period | 4 |
| Open at end of period | 0 |

OTHER ACTIVITIES

REGULATORY AND LEGISLATIVE REVIEWS

The Inspector General Act of 1978, as amended, requires the Office of Inspector General to review proposed legislation and regulations. The reviews are to assess whether proposed legislation and/or regulations (1) affect the economy and efficiency of agency programs and operations; and (2) contain adequate internal controls to prevent and detect fraud and abuse.

No legislative reviews were required for the NEH during this reporting period.

WORKING WITH THE AGENCY

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

The IG delivered a presentation about the mission, responsibilities, and activities of the NEH Office of Inspector General during a Project Directors’ meeting convened by the NEH Office of Digital Humanities. The meeting was held in September 2014.

PARTICIPATION ON THE COUNCIL OF 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 Inspectors General on Integrity and Efficiency (CIGIE). The 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 (Designated Federal Entities).

During the reporting period ended September 30, 2014, the IG regularly attended monthly CIGIE meetings (and provided responses to various CIGIE inquiries) and bi-monthly meetings of the CIGIE sub-group representing the “Smaller OIGs”. The Inspector General also participated in a working group of Inspectors General formed to develop a response to a draft bill (Discussion Draft) crafted to address IG oversight of certain small Federal entities currently without oversight by an Office of Inspector General (OIG). The Discussion Draft was released in April 2014.

PARTICIPATION IN OTHER ACTIVITIES WITHIN THE FEDERAL ACCOUNTABILITY COMMUNITY

The Inspector General and a senior auditor participated in the Single Audit Roundtable held in April 2014. The Single Audit Roundtable involves audit and accountability representatives from the non-Federal audit community, and Federal and State government communities.

The Inspector General participated in an Office of Management and Budget (OMB) working group formed to update the current OMB Circular A-133 Compliance Supplement to align with requirements established by the recently issued Uniform Grant Guidance. The working group consisted of National Single Audit Coordinators and other Federal officials affiliated with the single audit process. The working group was convened in July 2014.

OTHER ACTIVITIES

OIG INTERNET

OIG audit reports and semiannual reports are posted on the internet. The reports are accessible through the OIG homepage on the NEH website (www.neh.gov/about/oig).

To promote NEH staff awareness and understanding of the OIG mission and responsibilities, we provide hyperlinks to several other Federal agencies such as the Office of Management and Budget, the Government Accountability Office, the Office of Government Ethics, and the Council of Inspectors General on Integrity and Efficiency website (IGNET).

TECHNICAL ASSISTANCE

Throughout this reporting period, OIG staff provided technical help to NEH staff, grantees, and independent public accountants about various non-profit accounting and compliance-related matters. We are generally consulted about matters related to implementation of the audit and reporting requirements of OMB Circular A-133.

“AUDIT READINESS” AWARENESS CAMPAIGN

The OIG executes an email-based “Audit Readiness” awareness campaign, that 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 recipients in their efforts to preclude unfavorable outcomes should the organizations’ NEH grant awards be selected for audit. The email communication emphasizes the value of each recipient’s understanding of the NEH terms and conditions specific to their 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 the OMB circulars and the terms and conditions of the NEH grant awards. Highlighted in the communications are specific areas wherein problems are commonly found during audits of NEH grant recipients and hyperlinks to appropriate guidance materials and resources. We also discuss the importance of effective internal controls. The email communications are sent directly to project directors and grant administrators identified for all non-profit awardees.

During the reporting period ended September 30, 2014, email communications were sent as noted below. We have reasonable assurance that all of the awardees received a copy of the communication.

| NEH Office or Division | Number of Awardees | Total Value of Awards |
|-------------------------------------|---------------------------|------------------------------|
| Division of Public Programs | 37 | \$8,292,877 |
| Division of Education Programs | 38 | \$6,018,226 |
| Division of Preservation and Access | 22 | \$4,125,211 |
| Division of Research Programs | 14 | \$2,507,400 |
| Office of Digital Humanities | 8 | \$1,385,933 |

TABLE I

REPORTING REQUIREMENTS

The Inspector General Act of 1978, as amended (Public Law 100-504), 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> |
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| Section 4(a)(2) | Regulatory and Legislative Reviews..... | 12 |
| 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..... | 10 |
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* None this period

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

| | Number Of Reports | Questioned Cost | Unsupported Cost |
|--|----------------------|--------------------|---------------------|
| A. For which no management decision has been made by the commencement of the reporting period. | - 1 - | \$ 25,570 | \$ - 0 - |
| B. Which were issued during the reporting period. | - 1 - | \$ 17,989 | \$ - 0 - |
| Subtotals (A+B) | - 2 - | \$ 43,559 | \$ - 0 - |
| C. For which a management decision was made during the reporting period. | | | |
| i. Dollar value of disallowed costs. | - 0 - | \$ - 0 - | \$ - 0 - |
| ii. Dollar value of costs not disallowed | - 0 - | \$ - 0 - | \$ - 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. | - 2 - | \$ 43,559 | \$ - 0 - |
| E. Reports for which no management decision was made within six months of issuance. | - 1 - | \$ 25,570* | \$ - 0 - |

*The OIG questioned subrecipient expenditures due to lack of documentation substantiating Board-approval of four (4) subrecipient awards. NEH management has requested supporting documentation from the grantee. As of September 30, 2014, sufficient documentation has not been provided by the grantee.

**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 - |

GLOSSARY OF AUDIT TERMINOLOGY

Questioned Cost - A cost that is questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; because such cost is not supported by adequate documentation; or because the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Unsupported Cost - A cost that is questioned because of the lack of adequate documentation at the time of the audit.

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 - Funds, which the OIG has disclosed in an audit report, that could be used more efficiently by reducing outlays, de-obligating program or operational funds, avoiding unnecessary expenditures, or taking other efficiency measures.

Management Decision - The evaluation by management of the audit findings and recommendations and the issuance of a final decision by management concerning its response to such findings and recommendations.

Final Action - The completion of all management actions, as described in a management decision, with respect to audit findings and recommendations. When management concludes no action is necessary, final action occurs when a management decision is made.

Source: Excerpt from Section 106(d) of the Inspector General Act Amendments of 1988 (P.L. 100-504).

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 September 30, 2013, the Federal Elections Commission Office of Inspector General (FEC OIG) issued a System Review Report on the audit organization of the NEH OIG in effect for the year ended March 31, 2013. The FEC 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 with deficiency*.

(15) Outstanding Recommendations from any Peer Review of the NEH OIG. The FEC OIG recommended that the NEH should adhere to the requirements specified in the IG Act, as amended by Dodd-Frank, which stipulates that the NEH IG shall report only to the National Council on the Humanities. As of September 30, 2014, corrective action has been fully implemented in response to this recommendation. There are no other outstanding recommendations from any peer review of the NEH OIG conducted by another Office of Inspector General that have not been fully implemented.

(16) Peer Review Conducted by the NEH OIG. On March 27, 2014, the NEH OIG issued a System Review Report on the Peace Corps (PC) Office of Inspector General audit organization in effect for the year ended September 30, 2013. We found that the system of quality control for the audit organization of the PC OIG had been suitably designed and complied with to provide PC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The PC OIG received a peer review rating of *pass*.