



**Office of Inspector General**

**SEMIANNUAL  
REPORT TO  
CONGRESS**

For the Period October 1, 2007 through March 31, 2008

**Report No. 38**

---

**"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  
involving NEH programs, operations, or employees

## **Call the OIG Hotline**

**1 (877) 786-7598**

## **Mailing Address**

Office of Inspector General — Hotline  
National Endowment for the Humanities  
1100 Pennsylvania Ave. N.W., Room 419  
Washington, DC 20506

## **Fax**

(202) 606-8329

## **Electronic Mail Hotline**

[oig@neh.gov](mailto:oig@neh.gov)

**Government employees are protected from reprisal**

**Caller can remain anonymous**

**Information is confidential**



NATIONAL  
ENDOWMENT  
FOR THE  
HUMANITIES

OFFICE OF INSPECTOR GENERAL  
1100 PENNSYLVANIA AVE., NW  
WASHINGTON, D.C. 20506  
ROOM 419  
TELEPHONE (202) 606-8350  
FACSIMILE (202) 606-8329  
E-mail [oig@neh.gov](mailto:oig@neh.gov)

April 30, 2008

Honorable Bruce Cole  
Chairman  
National Endowment for the Humanities  
Washington, DC 20506

Dear Chairman Cole:

I am pleased to provide you with the Office of Inspector General's Semiannual Report to Congress for the first half of fiscal year 2008. The report is submitted in accordance with the Inspector General Act of 1978, as amended. Section 5 of the Act requires that you submit this report, with your Report of Final Action, to the appropriate committee or subcommittee of the Congress within 30 days of its receipt. The report provides a summary of the activities of the OIG during the six-month period ended March 31, 2008.

During the current period, OIG auditors completed and issued final reports concerning NEH and grantee operations. Internally, we reviewed proposed solutions to findings cited in our FISMA review of the Oracle Accounting System. We transmitted the final report issued by Leon Snead & Company, P.C. in which an unqualified opinion was expressed on the NEH fiscal year 2007 financial statements. External effort consisted of three desk reviews of grantee compliance with Office of Management and Budget Circular A-122 concerning support of salaries and wages; six reviews of grantee overhead rates; and review of 25 OMB Circular A-133 audit reports.

In our investigations program, we had two matters open as of the beginning of the reporting period. We received six "Hotline" contacts during the period. As of March 31, 2008, seven matters remain open.

Significant progress has been made concerning the segregation of duties material weakness noted during prior audits of the agency's financial statements. The NEH Accounting Office, with help from the Office of Information Resources Management and the Office of Administrative Services, has made significant progress with the Oracle Accounting System. I appreciate your support and look forward to working with you and all agency staff to further our common purpose of assuring the effectiveness, efficiency and integrity of NEH's vital contributions to the humanities.

Sincerely,

Sheldon L. Bernstein  
Inspector General

# TABLE OF CONTENTS

---

LETTER TO THE CHAIRMAN	
MESSAGE FROM THE INSPECTOR GENERAL.....	1
THE NATIONAL ENDOWMENT FOR THE HUMANITIES.....	2
THE OFFICE OF INSPECTOR GENERAL.....	2
AUDIT AND REVIEW ACTIVITIES .....	3
INVESTIGATIVE ACTIVITIES .....	7
OTHER ACTIVITIES.....	9
PRIOR AUDIT REPORTS UNRESOLVED.....	11
TABLE I - REPORTING REQUIREMENTS.....	12
TABLE II - INSPECTOR GENERAL-ISSUED REPORTS..... WITH QUESTIONED COSTS	13
TABLE III - INSPECTOR GENERAL-ISSUED REPORTS WITH ..... RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE	13
GLOSSARY OF AUDIT TERMINOLOGY .....	14

## **MESSAGE FROM THE INSPECTOR GENERAL**

Over the past several years, our workload has constantly increased in volume and complexity and, as a consequence, oversight of the Endowment's grantees by the OIG is diminishing.

The OIG is responsible for contracting with and reviewing the work of an independent public accountant that conducts the annual financial statements audit. The audit is required by the Accountability of Tax Dollars Act of 2002, and applies to many small agencies as well as the Endowment. The Federal Information Security Management Act (FISMA) review has been performed for several years as required. Each year the Office of Management and Budget (OMB) issues guidance for the review. The National Institute for Standards and Technology (NIST) Computer Security Division issues publications that the agency is responsible for implementing. The OIG is responsible for reviewing the agency's implementation. The General Accountability Office and the President's Council on Integrity and Efficiency periodically update their various guidance on auditing, inspections and reviews, and investigations. This increases the burden on the OIG.

OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, issued pursuant to the Single Audit Act of 1984, (as amended), sets forth audit guidance applicable to the expenditure of Federal awards by non-Federal entities. The threshold for an audit is the expenditure of \$500,000 or more in a fiscal year. Consequently, the threshold level eliminates audits for a significant number of non-profit organizations that receive grants from the Endowment, including approximately 17 of the 56 state humanities councils. The President's Council on Integrity and Efficiency issued a report on the single audits. The report disclosed that a majority of the work performed on OMB Circular A-133 audits did not meet professional standards. Thus, besides having fewer NEH grantees subject to the OMB A-133 audit, the reports issued are not totally reliable. This clearly indicates that the OIG needs more resources to provide adequate coverage of grantees.

Another impact on our oversight of grantees is internal and grantee investigations. Opening an investigation has a significant impact on our audit plan because we do not have staff dedicated to investigation work. Therefore, it becomes necessary to reassign audit staff trained in investigation work to perform the investigation. With significant fluctuations on a yearly basis, it is difficult to be proactive in investigations or realistically budget staff time for this effort. Also, during the past several years, the NEH Office of General Counsel has operated with fewer staff than previously. The deputy general counsel is also the General Counsel to the IG. Therefore, we have been operating without counsel for some time.

Our suggested solution concerning these issues is to enter into contracts for a part-time attorney and a part-time auditor. Both positions would require the individuals to have prior Federal government service in a department or agency that engages in grant making.

---

## 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 as an independent grant-making agency of the Federal government to support research, education, and public programs in the humanities. Grants are made through four divisions - Research Programs, Education Programs, Preservation and Access, and Public Programs -- and two offices -- Challenge Grants and Federal-State Partnership. The divisions and offices also administer the *We the People: NEH's American History* initiative.

The NEH has a new initiative — *Picturing America*. This program "... provides an innovative way for citizens of all ages to explore the history and character of American through some of our nation's greatest works of art. Images of people, places and events from American history give citizens everywhere a chance to better understand our country's past and the principles for which it stands." Information can be found at [PicturingAmerica.neh.gov](http://PicturingAmerica.neh.gov).

The Act that established the National Endowment for the Humanities says "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 OFFICE OF INSPECTOR GENERAL

The NEH Office of Inspector General 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. The independence of the IG is an important aspect of the 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 directly to the Chairman, and can only be removed by the Chairman, who must promptly advise Congress of the reasons for the removal; and reports directly to Congress.

The Act states that the Office of Inspector General 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 Inspector General is also responsible for keeping the Chairman and Congress fully and currently informed of problems and deficiencies in the programs and operations.

The OIG staff consists of the Inspector General, Deputy Inspector General, two auditors, and a secretary. The OIG and the Office of the General Counsel (OGC) have a Memorandum of Understanding detailing the procedures for the OIG to be provided with OGC legal services. Investigations are handled by the Inspector General, an auditor, and as required by the agency's Deputy General Counsel.

# AUDIT AND REVIEW ACTIVITIES

---

## LIST OF REPORTS ISSUED

This office is responsible for external and internal audits. External auditing includes grants, pre-award accounting system surveys, review of OMB Circular A-133 audit reports, overhead desk reviews, limited scope desk reviews, and on-site quality control reviews of CPA workpapers. Internal efforts consist of audits, inspections, and reviews/evaluations of NEH administrative, programmatic, and financial operations.

Following 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 "Dollar Value of Recommendations that Funds Be Put to Better Use" and the "Total Dollar Value of Questioned Costs" (including a separate category for the "Dollar Value of Unsupported Costs"), [see Table II].

	<u>Report Number</u>	<u>Date Issued</u>
<b><u>INTERNAL AUDITS/REVIEWS</u></b>		
Final Audit Report Financial Statement Audit FY 2007	Advisory Memorandum	11/08/07
Closing of the Findings for FISMA Review - Oracle Accounting System Review	OIG-08-01 (IR)	03/27/08
<b><u>EXTERNAL AUDITS/REVIEWS</u></b>		
American Philosophical Society	OIG-08-01 (DR)	02/13/08
Library of America	OIG-08-02 (DR)	02/14/08
Save Ellis Island!	OIG-08-03 (DR)	02/20/08
<b><u>OVERHEAD DESK REVIEWS</u></b>		
Foundation of the American Institute for Conservation of Historic and Artistic Works	NEH-08-01 (ODR)	02/15/08
Huntington Library	NEH-08-02 (ODR)	02/15/08
Oregon Historical Society	NEH-08-03 (ODR)	02/15/08
American Philosophical Society	NEH-08-04 (ODR)	02/20/08
Virginia Historical Society	NEH-08-05 (ODR)	02/15/08
New York Public Library	NEH-08-06 (ODR)	03/12/08
<b><u>SINGLE AUDIT ACT REVIEWS</u></b>		
25 OMB Circular A-133 Reports		- see Page 7 -

# AUDIT AND REVIEW ACTIVITIES

---

## SUMMARY OF REPORTS ISSUED

### INTERNAL AUDITS/REVIEWS

#### **Final Audit Report Financial Statement Audit Fiscal Year 2007 November 8, 2007**

We issued a memorandum transmitting the final report on the audit of the fiscal year 2007 financial statements of the National Endowment for the Humanities. The OIG engaged Leon Snead & Company, P.C., (IPA) to perform the audit as required by the Accountability of Tax Dollars Act of 2002. The OIG was responsible for 1) evaluating the qualifications and independence of the auditors; 2) reviewing the auditors' approach and planning of the audit; 3) monitoring the work of the auditors; 4) examining audit workpapers and reports to ensure compliance with *Government Auditing Standards*, OMB Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*, and the *Financial Audit Manual* issued jointly by the Government Accountability Office (GAO) and the President's Council on Integrity and Efficiency (PCIE); and 5) other procedures deemed necessary to oversee the contract and the audit.

The IPA expressed an unqualified opinion on the NEH financial statements as of and for the years ended September 30, 2007 and 2006. The IPA's testing of internal controls identified no material weaknesses in financial reporting. The results of the IPA's tests of compliance with certain provisions of laws and regulations disclosed no instances of noncompliance required to be reported.

However, the IPA identified a significant deficiency in internal control related to the NEH system access authorities. The IPA noted that NEH has made significant progress in separating incompatible duties and in implementing systems-enforced separation of incompatible duties. (The IPA originally reported a material weakness in control related to separation of incompatible duties in the reports on the audits of the agency's financial statements for fiscal years 2005 and 2006.) The IPA acknowledged that the agency has additional plans to refine those controls. However, the IPA recommended that the agency implement further controls to improve access security.

#### **Closing of the Findings for Federal Information Security Act (FISMA) Review Oracle Accounting System Review March 27, 2008; OIG-08-01 (IR)**

The purpose of our review was to ensure that the proposed solutions to our findings reported for the fiscal year 2006 FISMA review concerning the Oracle Accounting System were adequate and resolved the findings to our satisfaction. The scope of our review was limited to the findings in the FISMA report and inspection of the solutions proposed to resolve those findings. We reviewed the material supporting the proposed solutions as supplied to us by the Director of the Accounting Office and the Systems Accountant. We also met with the Director of Accounting and the Systems Accountant to discuss the proposed solutions and, where applicable, we obtained and reviewed available supporting documentation from the agency's information system. Finally, we researched the Grants Management System (GMS) scripting process that uploads grant information into Oracle, and the system used to upload payroll information from the National Finance Center (NFC) into Oracle.

Based on our review, we concluded that the proposed solutions are adequate and satisfactorily address our findings in the fiscal year 2006 FISMA report. However, we made specific recommendations that would strengthen the proposed solution concerning use of the system generated reports as an additional control to address the separation of duties finding.



---

# AUDIT AND REVIEW ACTIVITIES

---

## EXTERNAL AUDITS/REVIEWS

During the six-month period ending March 31, 2008, we reported on the results of our desk reviews concerning the following organizations:

- ◆ American Philosophical Society [ OIG-08-01 (DR) ]
- ◆ The Library of America [ OIG-08-02 (DR) ]

The objective of each desk review was to assess the adequacy of the time and effort accounting policies and procedures implemented by the respective organizations to ensure compliance with OMB Circular A-122, *Cost Principles for Non-Profit Organizations*. The desk reviews were performed in accordance with PCIE/ECIE *Quality Standards for Inspections*.

### **American Philosophical Society OIG-08-01 (DR); February 13, 2008**

Based on the results of our review and our understanding of the organization's time and effort accounting policies and procedures, we concluded that procedures are in place at the American Philosophical Society that would ensure compliance with the requirements set forth in OMB Circular A-122 concerning support of salaries and wages. However, we observed that the personnel activity reports included in our desk review reflected effort allocations consistent with budgeted effort allocations. We noted in our communication to the organization that this gives the appearance that budgeted levels of effort are being used to allocate actual salaries to the project currently being supported by an NEH grant. We advised the organization that budget estimates do not qualify as support of salaries and wages either claimed for reimbursement from awarding agencies or used in meeting cost sharing or matching requirements on Federal awards.

### **The Library of America OIG-08-02 (DR); February 14, 2008**

We concluded, based on the results of our review, that the organization's time and effort accounting policies and procedures are adequate to ensure compliance with the requirements set forth in OMB Circular A-122 concerning support of salaries and wages. However, there were employee personnel activity reports (PARs) included in our desk review that did not appear to be maintained in accordance with the organization's policies and procedures. We observed instances where employee PARs were signed and dated months after the end of the periods represented by the PARs. There were also instances where the dates of the employee's signature and the supervisor's signature were months after the end of the applicable quarter. We communicated to the organization that this condition adversely affects the timeliness and integrity of quarterly postings to the general ledger as prescribed by the organization's policy and procedures. We advised that the PAR should be certified prior to its use as a basis for salary allocations to projects supported by Federal awards.

### **Save Ellis Island! OIG-08-03 (DR); February 20, 2008**

We completed a follow-up desk review to test the corrective action implemented by Save Ellis Island! in response to observations noted in our prior review of the organization's time and effort accounting policies and procedures. During our initial review, we observed that the timesheets, as prepared by employees, were not being used as the basis for charges to NEH grants.

We have concluded, based on the results of our follow-up review, that the organization's revised time and effort accounting procedures establish the usefulness of the employee timesheets as the basis for charges to NEH grants which satisfies the requirements set forth in OMB Circular A-122 concerning support of salaries and wages.

# AUDIT AND REVIEW ACTIVITIES

---

## Overhead Desk Reviews

The OIG performs overhead desk reviews (ODRs) for grantees requiring indirect cost rates. The reviews are done in accordance with the PCIE/ECIE *Quality Standards for Inspections*. The OIG sends the results of the ODRs to the Assistant Chairman for Planning and Operations, who negotiates the indirect cost rates with the grantees. We completed six reviews during this period. (See page 3).

## Single Audit Act Reviews

During fiscal year 2007, more than 80 percent of NEH's expenditures were payments made to grantees. The Single Audit Act Amendment of 1996 covers many NEH grantees. Grantees expending \$500,000 or more in Federal dollars per annum are required to obtain an OMB Circular A-133 audit. The objective of the audit is to determine whether the recipients expend Federal funds according to applicable laws and regulations. The OIG receives OMB Circular A-133 reports from other Federal agencies (primarily the Department of Health and Human Services), state and local government auditors, independent public accountants, and grantees.

During the six-month period ended March 31, 2008, we reviewed 25 OMB Circular A-133 audit reports. None of the reports contained findings that required reporting by the OIG to NEH management.

## WORK IN PROGRESS

### Review of Office of Grant Management (OGM) Training for New Staff

One of the management challenges as of September 30, 2007, was that several OGM staff with over 30 years experience were retiring. Another staff person retired during the previous year. The OGM has recently hired personnel who previously worked in other offices within the agency, with no grant management experience. Our preliminary work indicates that the OGM has provided initial training to new staff through experienced qualified training organizations.

### Inspection ~ Newport Historical Society

The objectives of this inspection are to (1) assess the eligibility of gifts certified to release matching funds under a challenge grant awarded to Newport Historical Society (the Society); and (2) determine if the Society is using the income from the NEH-supported endowment in accordance with the budget submitted to and approved by NEH.

### Desk Review of Documentation Related to Salaries and Wages Charged to NEH Grants ~ The OASIS Institute

The objective of this desk review is to assess the adequacy of the time and effort accounting policies and procedures implemented by The OASIS Institute to ensure compliance with OMB Circular A-122, *Cost Principles for Non-Profit Organizations*.

### Pre-Award Telephone Survey ~ The Walters Art Museum

The objective of this telephone survey is to obtain information to determine the adequacy of the organization's accounting system, management controls, and policies and procedures designed to administer grant funds.

## Overhead Desk Reviews

- ◆ The OASIS Institute
- ◆ Southeastern Library Network, Inc. (SOLINET)
- ◆ Iraq Memory Foundation

# INVESTIGATIVE ACTIVITIES

---

## BACKGROUND

The Inspector General Act provides the authority for the Office of Inspector General to investigate possible violations of criminal or civil laws, administrative regulations, and agency policies, which relate to the programs and operations of the NEH. The OIG Hotline, e-mail address, and regular mail are efficient and effective means of receiving allegations or complaints from employees, grantees, contractors, and the general public. The OIG has obtained assistance from other OIGs, the Federal Bureau of Investigation, the Postal Inspection Service, and other investigative entities as necessary.

When the OIG receives a complaint or allegation of a criminal or administrative violation, we make a determination of the appropriate action to take. The result could be an audit, an investigation, a referral to another NEH office or division, a referral to another Federal agency, or no action.

## OPEN AT OCTOBER 1, 2007

Two contacts were open at October 1, 2007. The first is a Misconduct in Research case involving a university that allegedly omitted critical information from the NEH grant application that may have affected the awarding of the grant. We are working with a professional organization of the discipline concerning the allegation. In addition, we are communicating with experts who are familiar with the subject matter. We expect to have this case closed in April 2008.

The other contact involves an NEH challenge grant recipient and was brought to our attention by a former employee of the organization. The allegation states that the grant recipient certified ineligible gifts to NEH. As a result of the certification, matching funds in the amount of \$400,000 were released under the challenge grant. As of March 31, 2008, we recovered more than \$283,000. The grantee has been given three additional weeks to provide documentation or return \$117,000 to NEH. This case will be closed in April 2008.

## CONTACTS DURING THE SIX MONTH PERIOD ENDED MARCH 31, 2008

We received six "Hotline" contacts during the reporting period. One involved an NEH employee and the other five involved grantees. The internal situation involved an NEH timekeeper who had falsified his/her own timesheets over a period of five years. The NEH Office of Human Resources (OHR) discovered the problem. The amount of the theft was more than \$35,000. The OHR obtained all of the documentation and NEH eventually terminated the person. The OIG has presented a case to the Department of Justice Criminal Division. We are waiting for their response if they accept or decline the case.

The first grantee matter was brought to our attention by the U.S. General Accountability Office Hotline Division and involved alleged improper actions of an executive director at a state humanities council. The OIG is obtaining information from the Council's staff and has made contact with several former employees. The former employees have refused to provide information to the OIG, and we learned that several have "non-disclosure" agreements with the Council/former executive director. Our counsel will be preparing subpoenas to obtain the documents necessary to complete our investigation.

As is the general practice of the NEH Office of Grant Management, they reported to the OIG that final reports were not received from a grantee. Eventually, the reports were received and accepted by NEH and we closed our file.

The Office of Grant Management and the Division of Preservation and Access informed the OIG that board members of a current grantee were resigning because the grantee was allegedly wasting funds on building a lavish hotel. Previous to the allegation, the NEH Acting General Counsel informed the OIG that the grantee was requesting permission to use funds from a challenge grant that ended in 2006 to build the hotel. We informed NEH to suspend the current grant in accordance with Office of Management and Budget procedures. This matter is still pending final disposition.

# INVESTIGATIVE ACTIVITIES

---

We received a telephone "Hotline" complaint from a former employee of an organization that has a current NEH challenge grant. The anonymous complainant alleged that the organization falsified information on the grant application. The OIG reviewed the grant folder and discussed with program staff the information that was alleged to be incorrect. NEH staff did not find the information being relevant to the extent that it would have prevented the NEH from making the award. The OIG reviewed the grantee's website and learned that the NEH challenge grant was not disclosed. Therefore, we will audit the first certification that the grantee submits to determine if the gifts are eligible for matching. Our exam will begin in the next semiannual reporting period.

The last grantee allegation was brought to our attention by an individual/organization that was not awarded a contract from one of the state humanities councils. Our inquiries of the Council staff and of the person making the allegations has led us to the preliminary opinion that the winning bidder met the criteria of the invitation to bid. We have informed the Council and the complainant of this; however, we have requested the Office of Federal State Partnership staff to review the information from a program/humanist viewpoint. We expect to have this situation closed in April 2008.

## **OPEN AT MARCH 31, 2008**

As discussed above, only one matter was closed during this period with several scheduled to be completed by the end of April 2008. Thus, of the two open at the beginning of the period and the six received during the period, seven remain open at March 31, 2008.

## **MATTERS REFERRED TO PROSECUTIVE AUTHORITIES**

We reported one internal matter to the Department of Justice Criminal Division. We are waiting to hear if they will be accepting the case.

## **HOTLINE AND PREVENTION ACTIVITIES**

We maintain a local Hotline phone number, an agency e-mail address, and an internet address to provide additional confidentiality for those persons bringing matters to the attention of the OIG. We periodically issue agency-wide e-mail messages informing NEH staff of violations that are reportable to the OIG. We also send e-mail messages several times during the year to inform NEH staff about the OIG operations. Posters advising staff to contact the OIG are displayed throughout the agency's facilities.

## **SUMMARY OF INVESTIGATION ACTIVITY**

Open at beginning of period	2
Matters brought to the OIG during the reporting period	6
Total investigative contacts	8
Closed, referred, or no action needed during the reporting period	1
Open at end of period	7

# 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. During this period, no legislative reviews were required.

## WORKING WITH THE AGENCY

OIG staff attend various NEH meetings - panel meetings (where grant applications are reviewed by outside consultants), pre-council meetings (where program staff discuss panel review results with the Chairman and his immediate staff), and the National Council meeting. Also, the IG or Deputy IG attends the Chairman's monthly policy group meetings. The Office of Inspector General contributes to the discussions but does not participate in policymaking.

The Office of Inspector General participated with the NEH Chairman, other NEH program, grant management, and senior staff in the 2007 National Humanities Conference sponsored by the Federation of State Humanities Councils. OIG staff conducted a workshop session discussing topics related to state humanities councils' compliance and audit responsibilities. State council executive directors, fiscal officers, and Board members were in attendance.

## PARTICIPATION ON THE EXECUTIVE COUNCIL ON INTEGRITY AND EFFICIENCY

In 1992, the President established the Executive Council on Integrity and Efficiency (ECIE) to coordinate and implement government-wide activities to combat fraud and waste in Federal programs and operations. OIG staff regularly attend ECIE meetings and provide input to the ECIE. The Inspector General is a member of the Audit Committee of the President's Council on Integrity and Efficiency, and participates in the Misconduct in Research meetings. In addition, he is a member of the Grant Fraud Committee, a subcommittee of the National Procurement Fraud Task Force. The Deputy IG participates in the Single Audit Round Table and the Federal Audit Executive Council (FAEC). One senior auditor attends the monthly meetings of the Financial Statement Audit Network, a subcommittee of the FAEC.

## INTRA-GOVERNMENTAL ACTIVITY

### **Congressional Inquiry**

We responded to an inquiry from the Honorable Henry A. Waxman, Chairman of the House of Representatives ~ Committee on Oversight and Government Reform concerning recommendations made by the OIG from January 1, 2001 to the date of the inquiry that have not been implemented by agency officials.

### **Collaboration with the National Science Foundation ~ Office of Inspector General**

OIG staff attended a planning meeting to discuss a prospective joint investigative effort concerning a major media grantee. The joint effort would involve IG staff from four (4) Federal agencies. The investigation would be led by the NSF ~ OIG.

## **OTHER ACTIVITIES (Continued)**

---

### **OIG INTERNET AND INTRANET**

The OIG has posted several semiannual reports on the internet and on the NEH intranet. The reports are accessible through the NEH homepage and the OIG homepage (<http://www.neh.gov/whoweare/OIG.html>).

To advance NEH staff recognition of the OIG mission and responsibilities, we provide links to several other Federal agencies such as the Office of Management and Budget, the General Accountability Office, the Office of Government Ethics, and the IGMET.

### **TECHNICAL ASSISTANCE**

Throughout the reporting period, OIG staff provided telephone technical help to NEH grantees and independent public accountants about various matters. Generally, these involve the preparation of indirect cost proposals and implementation of the audit requirements of OMB Circular A-133.

The Office of Inspector General previously published an *Accounting System Manual for State Humanities Councils* which describes a generic accounting system specifically designed for the needs of the state councils. The manual was last revised in September 1999. During this reporting period, OIG staff worked on revisions to the manual to incorporate updated information and amend model transactions to conform with generally accepted accounting principles.

### **ASSISTANCE TO THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES (IMLS)**

The National Endowment for the Humanities OIG has an interagency agreement to provide investigation assistance to the IMLS. The NEH OIG's responsibilities are limited to an internal review of any allegation, and to obtain investigation assistance from another OIG to perform the work. The agreement allows the NEH OIG to recover all direct costs and other costs that meet the legal requirements of the Economy Act. During this period, IMLS did not request any assistance from the NEH OIG.

## PRIOR AUDIT REPORTS UNRESOLVED

---

- Several recommendations from prior FISMA and Information Technology Security reviews remain to be addressed. The staff of the NEH Office of Information Resources Management is currently working on implementing some of the recommendations.
- A finding disclosed in the Independent Auditor's Report on the financial statements for September 30, 2006 concerning separation of incompatible duties has not been completely resolved. The NEH has made significant progress in separating incompatible duties and has additional plans to refine those controls.
- An opinion from the Office of the General Counsel (OGC) is required in order to close OIG-06-02 (IA), *Audit of the Selection, Purchase and Implementation of the Oracle Accounting System*, issued July 19, 2006. It is our understanding that an attorney has been assigned to this matter and we expect an opinion that will close the audit recommendation.

# 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>
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.....	8
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.....	4-5
Section 5(a)(8)	Audit Reports - Questioned Costs.....	13
Section 5(a)(9)	Audit Report - Funds To Be Put to Better Use.....	13
Section 5(a)(10)	Prior Audit Reports Unresolved.....	11
Section 5(a)(11)	Significant Revised Management Decisions.....	*
Section 5(a)(12)	Significant Management Decisions with which OIG Disagreed....	*

\* 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 -	\$100,000	\$ - 0 -
B. Which were issued during the reporting period.	- 0 -	\$ - 0 -	\$ - 0 -
<b>Subtotals (A+B)</b>	- 1 -	\$100,000	\$ - 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 (grantee subsequently supported all costs).	- 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.	- 1 -	\$100,000	\$ - 0 -
E. Reports for which no management decision was made within six months of issuance.	- 1 -	\$100,000	\$ - 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 -
ii. Dollar value of recommendations that were not agreed to by management.		\$ - 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).