



**NATIONAL
ENDOWMENT
FOR THE
HUMANITIES**

OFFICE OF INSPECTOR GENERAL

**SEMIANNUAL REPORT
TO
CONGRESS**

For the Period April 1, 2023 through September 30, 2023

Report No. 69

**“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

(202) 606-8423

Mailing Address

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National Endowment for the Humanities
Constitution Center
400 7th Street, SW
Washington, DC 20506

Electronic Mail — Hotline

oig@neh.gov

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, 2023 through September 30, 2023. OIG activities completed during this reporting period assessed (1) NEH’s compliance with government-wide mandates; (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 an audit of the NEH financial statements for fiscal year ending September 30, 2023.

During the six-month period ended September 30, 2023, we completed a review of payment integrity reporting in the NEH *Performance and Accountability Report* for the fiscal year ended September 30, 2022 to determine the agency’s compliance with *Payment Integrity Information Act of 2019* requirements and we completed an evaluation to determine the effectiveness of the NEH information security program and practices, as required by the *Federal Information Security Modernization Act of 2014*. 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 concerning two NEH grant recipients.

We engaged the services of Williams, Adley & Company-DC, LLP to conduct an audit of the NEH financial statements for the fiscal year ending September 30, 2023, as required by the *Accountability of Tax Dollars Act of 2002*. During this semiannual reporting period, we monitored the planning, internal control, 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 four Hotline complaints during this six-month period, which have all been closed. Three complaints from previous reporting periods remain open as of September 30, 2023.

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

OIG staff participated in several activities within the Federal accountability community to include quarterly meetings of the Grant Fraud Working Group, which is affiliated with the Financial Fraud Enforcement Task Force. We also engaged in various outreach activities to promote awareness of the mission and responsibilities of the NEH-OIG and compliance with administrative requirements applicable to NEH grant awards.

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 legislation 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 recently launched a special initiative that focuses on fortifying cultural heritage and resilience in Amerika Samoa, Guåhan (Guam), Hawai‘i, and the Commonwealth of the Northern Marianas. The *Pacific Islands Cultural Initiative* will support (1) convenings and technical assistance for NEH-affiliate humanities councils in the U.S. Pacific Islands, including through the creation of a permanent regional network; (2) community-based efforts that embed climate resilience and safeguard cultural resources against the impacts of the climate crisis on the region, including in response to federally declared disasters; (3) Native and Indigenous language and cultural revitalization, documentation, oral history collection, and public humanities programming that strengthen and elevate U.S. Pacific Islander voices; and (4) research and curriculum development in the humanities for K-12 and higher education faculty and institutions in the U.S. Pacific Islands.

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; and, has access to all records of the NEH. The IG 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. The IG also 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 U.S. 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 audit, inspection, and review engagements. External engagements include on-site audits and limited-scope desk audits of grant awards; surveys of accounting systems maintained by grant recipients; 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 engagements include audits, inspections/evaluations, and reviews of NEH administrative and program-related activities, including the NEH information security program. The NEH-OIG is also responsible for monitoring the work of the independent public accounting firm (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, 2023. 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 by Management" [see Tables II and III on page 14].

	<u>Report Number</u>	<u>Date Issued</u>
<u>INTERNAL EVALUATIONS</u>		
National Endowment for the Humanities' Compliance with the <i>Payment Integrity Information Act of 2019</i> — Fiscal Year 2022	OIG-23-01 (IR)	05/22/2023
<i>Federal Information Security Modernization Act of 2014</i> (FISMA) Inspector General Report — Fiscal Year 2023	N/A	07/30/2023
<u>EXTERNAL AUDIT</u>		
Limited Audit — Mercyhurst University	OIG-23-01 (EA)	08/02/2023
<u>SINGLE AUDIT DESK REVIEWS</u>		
Desk Review of the Single Audit Report for the Year Ended October 31, 2021 — Illinois Humanities	OIG-23-01 (DR)	04/13/2023
Desk Review of the Single Audit Report for the Year Ended October 31, 2021 — Kentucky Humanities	OIG-23-02 (DR)	06/08/2023
REVIEW OF SINGLE AUDIT FINDINGS	— See Page 7 —	

AUDIT AND REVIEW ACTIVITIES

SUMMARY OF REPORTS ISSUED

INTERNAL REVIEW

National Endowment for the Humanities' Compliance with the *Payment Integrity Information Act of 2019* — Fiscal Year 2022 May 22, 2023; OIG-23-01 (IR)

The *Payment Integrity Information Act of 2019* (PIIA) aims to improve efforts to identify and reduce government-wide improper payments. Under PIIA, the head of each agency shall periodically review all programs and activities that the agency administers and identify those programs that may be susceptible to significant improper payments, based on guidance provided by the Director of the Office of Management and Budget (OMB). Each fiscal year, the agency is responsible for ensuring it has met the requirements to achieve compliance with PIIA. To achieve compliance with PIIA, the agency must publish any applicable payment integrity information in the agency's Annual Financial Report (AFR) or annual Performance and Accountability Report (PAR), in accordance with payment integrity guidance provided by OMB. The agency must also publish applicable payment integrity information in the accompanying materials to the annual financial statement in accordance with applicable guidance. The most common accompanying materials to the annual financial statement are the payment integrity information published on paymentaccuracy.gov.

PIIA guidance and OMB guidance further specifies that each agency's Inspector General should review payment integrity reporting in the agency's AFR or annual PAR, and accompanying materials, to determine whether the agency complied with PIIA. The term "compliance" with PIIA means the agency complied with the specific requirements identified in OMB guidance. If the agency does not meet one or more of the requirements, then it is not compliant.

I determined and reported that the NEH was compliant with PIIA requirements concerning fiscal year (FY) 2022.

***Federal Information Security Modernization Act of 2014 (FISMA)* Inspector General Report ~ Fiscal Year 2023**

Completed within the Department of Homeland Security CyberScope Portal on July 30, 2023

The *Federal Information Security Modernization Act of 2014* (FISMA) requires each agency Inspector General (IG) or an independent external auditor, as selected by the IG, to conduct an annual independent evaluation to determine the effectiveness of the information security program and practices of its respective agency. The results of the annual evaluations are reported to the Office of Management and Budget through the Department of Homeland Security's CyberScope portal.

The FY 2023 FISMA evaluation includes the 20 Core IG Metrics and 20 Supplemental IG Metrics. The Core IG metrics are assessed annually and represent a combination of Administration priorities, high impact security processes, and essential functions necessary to determine security program effectiveness. The Supplemental Metrics are assessed at least once every two years and represent important activities conducted by security programs and contribute to the overall evaluation and determination of security program effectiveness. The IG metrics align with the five functional areas in the National Institute of Standards and Technology (NIST) *Framework for Improving Critical Infrastructure CyberSecurity: Identify, Protect, Detect, Respond, and Recover* and are designed to facilitate the IG's assessment of the maturity of an agency's information security program concerning each of the five functional domains. When performed concurrently and continuously, the five functional areas form an operational culture that addresses the dynamic nature of cybersecurity risk.

AUDIT AND REVIEW ACTIVITIES

SUMMARY OF REPORTS ISSUED (con't.)

Federal Information Security Modernization Act of 2014 (FISMA) **Inspector General Report ~ Fiscal Year 2023** (con't.)

The five functional domains in the NIST framework are:

- **Identify** — Develop an organizational understanding to manage cybersecurity risk to systems, people, assets, data, and capabilities. Understanding the business context, the resources that support critical functions, and the related cybersecurity risks enables an organization to focus and prioritize its efforts, consistent with its risk management strategy and business needs.
- **Protect** — Develop and implement appropriate safeguards to ensure delivery of critical services. The *Protect* function supports the ability to limit or contain the impact of a potential cybersecurity event.
- **Detect** — Develop and implement appropriate activities to identify the occurrence of a cybersecurity event. The *Detect* function enables timely discovery of cybersecurity events.
- **Respond** — Develop and implement appropriate activities to take action regarding a detected cybersecurity incident. The *Respond* function supports the ability to contain the impact of a potential cybersecurity incident.
- **Recover** — Develop and implement appropriate activities to maintain plans for resilience and to restore any capabilities or services that were impaired due to a cybersecurity incident. The *Recover* function supports timely recovery to normal operations to reduce the impact from a cybersecurity incident.

IGs are required to assess the effectiveness of information security programs on a maturity model spectrum, whereby the foundational levels ensure that agencies develop sound policies and procedures and the advanced levels capture the extent that agencies institutionalize those policies and procedures. The five maturity model levels are:

- **Ad Hoc** (Level 1): Policies, procedures, and strategies are not formalized; activities are performed in an ad-hoc, reactive manner.
- **Defined** (Level 2): Policies, procedures, and strategies are formalized and documented but not consistently implemented.
- **Consistently Implemented** (Level 3): Policies, procedures, and strategies are consistently implemented, but quantitative and qualitative effectiveness measures are lacking.
- **Managed and Measurable** (Level 4): Quantitative and qualitative measures on the effectiveness of policies, procedures, and strategies are collected across the organization and used to assess them and make necessary changes.
- **Optimized** (Level 5): Policies, procedures, and strategies are fully institutionalized, repeatable, self-generating, consistently implemented, and regularly updated based on a changing threat and technology landscape and business/mission needs.

Within the context of the maturity model, an information security program assessed as *Managed and Measurable* (Level 4) is considered to be operating at an effective level of security.

AUDIT AND REVIEW ACTIVITIES

SUMMARY OF REPORTS ISSUED (con't.)

Federal Information Security Modernization Act of 2014 (FISMA) **Inspector General Report ~ Fiscal Year 2023** (con't.)

Based on our evaluation of NEH information security policies and practices, we assessed the *Protect* and *Respond* functional domains at the maturity level of **Consistently Implemented (Level 3)** and the *Identify, Detect,* and *Recover* functional domains at the maturity level of **Defined (Level 2)**. Many of the conditions noted during our FY 2023 evaluation represent conditions identified in prior FISMA evaluations for which corrective action has not been completed. We concluded and reported that the NEH information security program has been designed to comply with NIST and FISMA requirements. The Agency has improved security controls based on security assessments recently completed for two of the agency's critical information systems. However, foundational elements of contingency planning (*Recover*) have not been fully implemented. We recommended that NEH engage in contingency plan testing, consistent with requirements outlined the agency's information security contingency plans.

EXTERNAL AUDIT

Limited Audit — Mercyhurst University **August 2, 2023; OIG-23-01 (EA)**

We completed a limited audit of Mercyhurst University (the "University") records as they relate to NEH grant award AH-274926-20. This grant award was intended to support the creation of four six-month post-doctoral/part-time instructor positions to address major issues created by the coronavirus pandemic. According to the final Performance Report submitted by the University, the project supported by the NEH grant award was completed in December 2020 with the successful employment and training of four online instructors for the Fall 2020 semester. The online courses developed by the instructors were filled with first-year students and completed with the four faculty members successfully using proven remote instruction techniques and pedagogy to engage the students. The online courses in Russian, Arabic, English, and Catholic Studies will be available for remote teaching and learning in the future.

The primary objectives of our limited audit were to determine whether (1) grant expenditures were made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards* and the specific terms of the grant award; and (2) the University implemented proper controls over administration of the Federal award in accordance with minimum standards prescribed in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Based on the results of our limited audit procedures, we questioned the allowability and allocability of NEH grant award expenditures totaling \$18,438 — which includes personnel, fringe, equipment-related, and indirect costs. The University has concurred with our findings and recommendation that \$18,438 be returned to the NEH to account for the error in determining expenditures that were not eligible for NEH grant funding. The University has also consented to implement safeguards to ensure past mistakes do not occur in the future.

AUDIT AND REVIEW ACTIVITIES

SUMMARY OF REPORTS ISSUED (con't.)

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, (herein referred to as a "Single Audit"). Single Audits are conducted by non-Federal auditors, such as public accounting firms and state auditors.

During the six-month period ended September 30, 2023, we issued a letter to governance officials for two state humanities councils, communicating the results of our desk review of a Single Audit reporting package submitted by each organization to the Federal Audit Clearinghouse. The objectives of each desk review 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 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* (2021 Edition), as issued by the Council of the Inspectors General on Integrity and Efficiency, to determine whether the Single Audit reporting package meets core reporting requirements stipulated by 2 CFR Part 200. Based on the results of our desk review, we can assign a rating of *Pass*, *Pass with Deficiencies*, or *Fail* to the organization's Single Audit reporting package. A *Fail* rating indicates that the reporting package contains quality deficiencies that may affect the reliability of the audit. Reporting packages assigned a *Fail* rating require corrective action.

We assigned a *Fail* rating to the two reporting packages reviewed.

REVIEW OF SINGLE AUDIT FINDINGS

We receive communications from other Federal agencies concerning the results of their Single Audit desk reviews (primarily the National Science Foundation OIG and the U.S. Department of Education OIG) and Single Audit findings identified for NEH resolution. We also routinely perform queries of the Federal Audit Clearinghouse to ascertain the reporting of Single Audit findings applicable to NEH programs.

During the six-month period ended September 30, 2023, we reviewed Single Audit report communications concerning six (6) NEH grant recipients. No findings were specifically identified for NEH resolution.

AUDIT AND REVIEW ACTIVITIES

WORK IN PROGRESS/REPORTS TO BE ISSUED (as of September 30, 2023)

Limited Audit ~ Wisdom of the Elders, Inc.

NEH awarded grant ZH-258527-18 to Wisdom of the Elders, Inc. to support the creation of educational programs and resources focused on the history and culture of Native Americans, serving 490 students, family members, and educators in Oregon. We initiated a limited audit of the organization's records related to the grant award.

The principal objectives of this limited audit are to determine whether (1) expenditures related to the grant award were made in accordance with the applicable provisions of NEH's *General Terms and Conditions for Awards*, (as limited by Appendix 4 of the *Administration of NEH Challenge Grants*) and NEH's Federal Matching Funds Guidance; and (2) the recipient implemented proper control over the administration of the NEH award in accordance with minimum standards prescribed in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Limited Audit ~ University of Massachusetts, Dartmouth

NEH awarded grant BH-272369-20 to University of Massachusetts, Dartmouth (the "University") to support two one-week workshops for 72 school teachers to explore abolitionism and the Underground Railroad in the port city of New Bedford, Massachusetts. We initiated a limited audit of the University's records related to the grant award.

The principal objectives of this limited audit are to determine whether (1) expenditures related to the grant award were made in accordance with the applicable provisions of NEH's *General Terms and Conditions for Awards*, (for grants and cooperative agreements issued December 26, 2014 or later) and the specific terms of the grant award; and (2) the University implemented proper control over the administration of the NEH award in accordance with minimum standards prescribed in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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, 2023.

MATTERS REFERRED TO PROSECUTIVE AUTHORITIES

No matters were referred to the U.S. Department of Justice during the six-month period ended September 30, 2023.

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 Hotline telephone 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 an internet-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 Hotline telephone number, internet-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 and operations to the OIG.

When the NEH-OIG receives a complaint or allegation of a criminal or administrative violation, we engage in preliminary research to inform the decision regarding the appropriate action to take. Based on the results of our preliminary research, we may initiate an investigation or an audit; refer the matter to an NEH office/division; refer the matter to another Federal agency; or take 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 were three Hotline matters open as of March 31, 2023. During the six-month period ended September 30, 2023, we received two new complaints pertaining to an NEH grant award recipient, one complaint concerning the NEH application process, and one complaint concerning an NEH administrative activity. Three matters from previous reporting periods remain open as of September 30, 2023.

Also during this reporting period, we received over 28 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 March 31, 2023	3
Matters communicated to the OIG during the six-month period ended September 30, 2023	4
Total Number of Matters Communicated via OIG Hotline	7
Matters closed, referred, or no action deemed necessary	4
Open as of September 30, 2023	3

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, 2023.

WORKING WITH THE AGENCY

OIG staff attended various meetings convened by NEH leadership – meetings of the National Council on the Humanities (July 2023) and monthly senior staff meetings. OIG staff occasionally contribute to the discussions, but the OIG does not participate in policymaking.

In May 2023, the Inspector General participated in an orientation session organized by NEH Federal/State Partnership staff for new state and jurisdictional humanities council executive directors.

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, 2023, the Inspector General regularly attended monthly CIGIE meetings, provided responses to various CIGIE inquiries, participated in the annual CIGIE “Off-site” meeting (May 2023), attended three meetings of the CIGIE Technology Committee (April 2023, July 2023, and September 2023), participated in five meetings related to the activities of the CIGIE Diversity, Equity, Inclusion, and Accessibility Committee (April 2023, June 2023, July 2023, August 2023, and September 2023), and attended two meetings of the CIGIE workgroup representing “Small/Unique OIGs” (May 2023 and August 2023).

The Inspector General also attended five status meetings convened by the Pandemic Response Accountability Committee (April 2023, May 2023, June 2023, July 2023, and August 2023). The Pandemic Response Accountability Committee (PRAC) was established as a committee of the CIGIE by the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act). The mission of the PRAC is to (1) promote transparency of coronavirus response funds provided in the CARES Act and three related pieces of legislation; and (2) provide oversight of those funds and the coronavirus response.

PARTICIPATION IN OTHER ACTIVITIES WITHIN THE FEDERAL ACCOUNTABILITY COMMUNITY

The Inspector General attended two quarterly meetings of the Grant Fraud Working Group (April 2023 and July 2023). The Grant Fraud Working Group is affiliated with the Financial Fraud Enforcement Task Force and represents 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 virtual Single Audit Roundtable (SART) held in May 2023. 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.

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 [Oversight.gov] and the Government Accountability Office [FraudNet].

TECHNICAL ASSISTANCE

Throughout this semiannual reporting period, OIG staff provided technical help to NEH staff, recipients of NEH grant awards, and independent public accountants pertaining to 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 the uniform administrative requirements 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, 2023, we sent email communications as noted below. We have reasonable assurance that all awardees received a copy of the “Audit Readiness” communication.

NEH Division/Office	Number of Awardees	Total Value of Awards
Division of Preservation and Access	39	\$ 10,185,134
Division of Public Programs	26	\$ 7,958,145
Division of Education Programs	52	\$ 3,256,541
Division of Research Programs	15	\$ 2,876,461

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 404(a)(2)	Regulatory and Legislative Reviews.....	11
Section 405(b)(1)	Significant Problems, Abuses, and Deficiencies.....	*
Section 405(b)(2)	Recommendations for Corrective Action	*
Section 405(b)(3)	Prior Significant Recommendations Unimplemented.....	*
Section 405(b)(4)	Matters Referred to Prosecutive Authorities.....	9
Section 405(b)(21)(b)	Instances Where Information Was Refused or Not Provided.....	*
Section 405(b)(6)	List of Reports Issued.....	3
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Section 405(b)(22)	Description of Reports Not Disclosed to the Public.....	*

* None this reporting period

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

	<u>Number of Reports</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
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 -	\$ 18,438	\$ - 0 -
Subtotals (A+B)	- 1 -	\$ 18,438	\$ - 0 -
C. For which a management decision was made during the reporting period.			
i. Dollar value of disallowed costs.	- 1 -	\$ 18,438	\$ - 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.	- 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 BY MANAGEMENT**

	<u>Number of Reports</u>	<u>Dollar Value</u>
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	3	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. 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/Partially Implemented. 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. In FY 2023, NEH adopted Okta, which enforces HSPD-12 authentication for access to all web and cloud services. NEH management is continuing efforts to identify a solution that will enforce HSPD-12 authentication for access to work stations and servers on the local area network.

2. 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 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.

PRIOR AUDIT REPORTS — UNRESOLVED

SUMMARY OF UNIMPLEMENTED RECOMMENDATIONS (con't.)

3. 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, Agency management 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. Accreditation and authorization activities have been completed for two of the NEH's major IT systems, (i.e., the General Support System and the Grants Management System). Both systems are now subject to the agency's documented continuous monitoring policy (which prescribes annual security assessments), and applicable continuous monitoring plans. A security evaluation and authorization will be completed concerning the Oracle financial management system commensurate with the agency's implementation and use of the application.

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 September 16, 2022, the U.S. Election Assistance Commission - Office of Inspector General (USEAC-OIG) issued a System Review Report on the audit organization of the NEH-OIG in effect for the 3-year period ended March 31, 2022. The USEAC-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 and applicable legal and regulatory requirements 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 29, 2020, the NEH-OIG issued a System Review Report on the audit organization of the Federal Labor Relations Authority - Office of Inspector General (FLRA-OIG) in effect for the year ended March 31, 2020. We found that the system of quality control for the audit organization of the FLRA-OIG had been suitably designed and complied with to provide FLRA-OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The FLRA-OIG received a peer review rating of *Pass*.