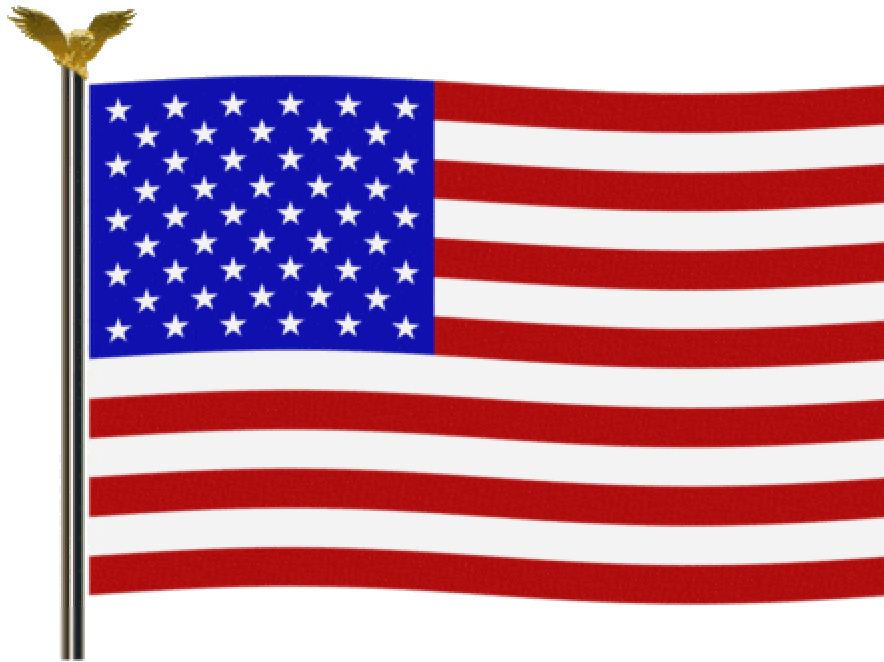




SEMIANNUAL REPORT TO CONGRESS

October 1, 2004 to March 31, 2005



NATIONAL ENDOWMENT FOR THE HUMANITIES

**"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

(202) 606-8423

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

Government employees are protected from reprisal

Caller can remain anonymous

Information is confidential

This report is also available on the NEH/OIG Website at <http://www.neh.gov/whoweare/oig.html>



NATIONAL
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FOR THE
HUMANITIES

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April 29, 2005

Honorable Bruce Cole
Chairman
National Endowment for the Humanities
Washington, D.C. 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 2005.

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, 2005.

During the current period, we completed and issued reports concerning one internal review, inspections of two grantees, one audit of costs claimed by a grantee, one quality review of a grantee's independent public accounting firm, and five reviews of grantee compliance with salary and wage documentation and reporting requirements. In addition, one Single Audit Act review and four overhead desk reviews were completed. In our investigations program, we received six "Hotline" contacts. Two contacts are open at the end of this period. We also closed out an investigation wherein we recovered \$300,000 from a grantee.

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 contributions to the humanities.

Sincerely,

Sheldon L. Bernstein
Inspector General

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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 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, a 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 Assistant 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, and on-site quality control reviews of CPA work papers. 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. We also received 80 OMB Circular A-133 audit reports and processed one containing findings (see Single Audit Act Reviews). 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"). One report had questioned costs (see Table II).

INTERNAL AUDITS/REVIEWS	Report Number	Date Issued
Fiscal Year Ended September 30, 2004, Federal Managers' Financial Integrity Act Review	OIG-05-01 (IR)	03/18/05
EXTERNAL AUDITS/REVIEWS/ INSPECTIONS		
Inspection ~ Accounting System of the Southeastern Library Network, Inc.(SOLINET), Atlanta, Georgia	OIG-05-01 (I)	03/02/05
Inspection ~ Accounting System of AMIGOS Library Services (AMIGOS), Dallas, TX	OIG-05-02 (I)	03/31/05
Audit ~ Close-out of NEH Grant Award to Thelonious Monk Institute of Jazz, Washington, DC	OIG-05-01 (EA)	03/31/05
Quality Control Review of Alexander, Aronson, Finning & Co., Audit of the Northeast Document Conservation Center For the Fiscal Year Ended June 30, 2003	OIG-05-101 (QCR)	12/04/04
Desk Reviews of the Documentation Related to Salaries & Wages Charged to NEH Grants:		
National Humanities Center	OIG-05-01 (DR)	03/18/05
The Huntington Library	OIG-05-02 (DR)	03/21/05
American Antiquarian Society	OIG-05-03 (DR)	03/21/05
Strong Museum	OIG-05-04 (DR)	03/18/05
Oakland Museum	OIG-05-05 (DR)	04/16/05

AUDIT AND REVIEW ACTIVITIES (Continued)

SINGLE AUDIT ACT REVIEW

Virgin Island Humanities Council	OIG-05-01 (CAA)	03/22/05
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OVERHEAD DESK REVIEWS

Center for Research Libraries	NEH-05-01 (ODR)	12/16/04
Huntington Library	NEH-05-02 (ODR)	02/05/05
National Humanities Center	NEH-05-03 (ODR)	03/22/05
Southeastern Library Network	NEH-05-04 (ODR)	03/30/05

SUMMARY OF REPORTS ISSUED

INTERNAL AUDITS/REVIEWS

We issued report **OIG-05-01 (IR), Fiscal Year Ended September 30, 2004 Review of Compliance with the Federal Managers' Financial Integrity Act (Integrity Act)** on March 18, 2005. The purpose of our review was to determine whether information submitted by each division director/office head provided reasonable assurance to the Chairman that they complied with the Integrity Act. We found that the agency generally complied with the Integrity Act thereby giving the Chairman the necessary assurance that he can report the results to President Bush.

EXTERNAL AUDITS/REVIEWS/ INSPECTIONS

On March 2, 2005, we issued report **OIG-05-01 (I), Results of Inspection of the Southeastern Library Network's (Solinet)** accounting system and internal controls as they related to the management of NEH programs.

The objective of this inspection was to determine the extent to which Solinet's accounting system, internal controls, and management policies provided reasonable assurance that NEH grant project funds are adequately managed and accounted for in accordance with the NEH requirements and applicable Federal regulations.

We found that the accounting system and the procedures in use at the time of our review were adequate for controlling and monitoring costs incurred by Solinet. Project accounting reports were produced monthly or when needed. The reports segregated the disbursement of Federal funds from non-Federal cost share. A report comparing actual costs to those budgeted (Federal and non-Federal funds) was also produced. We also identified areas of noncompliance that require corrective action by Solinet. Our findings provide opportunities to improve the efficiency and effectiveness of certain financial reporting areas.

We issued report **OIG-05-02 (I), Results of Inspection at Amigos Library Services, Inc.**, on March 31, 2005.

The objective of our inspection was to assess the adequacy of the accounting system maintained by Amigos Library Services, (Amigos), for identifying and charging costs to final cost objectives. Project activity during the period, July 1 1999 through June 30, 2004 was covered in our inspection.

We found that the accounting system maintained by Amigos is adequate for purposes of identifying and charging costs to final cost objectives. Our inspection, however, generated recommendations to further strengthen the organization's current accounting policies and procedures as they pertain to the identification and segregation of costs chargeable to NEH grants; the reconciliation of initial effort

AUDIT AND REVIEW ACTIVITIES (Continued)

allocations to NEH awards (based on predetermined factors) to employee timesheets that document actual employee activity; and the disclosure of project costs during the preparation of interim and final financial reports to NEH. In addition, we identified an adjustment that may be necessary to costs associated with one NEH grant.

We issued report **OIG-05-01 (EA), Close-out Audit of NEH Grant Award to Thelonious Monk Institute of Jazz (TMIJ)**, on March 31, 2005.

The objectives of the audit were to 1) assess the adequacy of TMIJ's accounting system as it pertained to the NEH grant; 2) determine whether total project costs claimed on the final Financial Status Report (FSR) were allowable under applicable regulations and terms of the grant; 3) assess the adequacy of the management policies supporting the financial information reported to NEH on the FSR and Federal Cash Transaction Reports (FCTRs); and 4) determine the extent to which the project described in the NEH-approved grant application was actually accomplished.

Based on our audit, we questioned \$92,998 of the Federal funds disbursed and \$55,506 of the cost-sharing disbursements that were not adequately documented. TMIJ officials and staff did not review the various Office of Management and Budget (OMB) Circulars, NEH General Grant Provisions, and other procedures provided with the award documents. We also found that the accounting system and TMIJ's management procedures were not adequate to support the amount reported on the FSR or to properly control and monitor the NEH-supported project. TMIJ did not complete the project as proposed in the approved application. In addition we found that they changed the scope of the project and key personnel without informing or requesting approval from NEH.

On December 4, 2004, we issued report **OIG-05-101 (QCR), Review of Alexander, Aronson, Finning & Co. (AAF) Audit of the Northeast Document Conservation Center (NEDCC) for the Fiscal Year Ended June 30, 2003**.

The objectives of the quality control review were to ensure that the audit was conducted in accordance with *Government Auditing Standards* (GAS) and meets the single audit requirements; identify any follow-up work needed; and identify issues that may require the attention of National Endowment for the Humanities management. We evaluated the qualifications and independence of the audit staff; reviewed the financial statements and AAF's reports to evaluate compliance with GAS and OMB Circular A-133; and reviewed and tested AAF's workpapers.

We found that the financial statement audit of the NEDCC for the year ended June 30, 2003 was generally conducted in accordance with GAS. We found nothing during our review to indicate that AAF's opinion on NEDCC's financial statements for the fiscal year ended June 30, 2003 is inappropriate or cannot be relied on. However, AAF's reports on compliance with requirements applicable to major programs and the Schedule of Findings and Questioned Costs were not acceptable given that material weaknesses and non-compliance matters were detected but not disclosed in the report. Therefore, we opined that the audit did not, in all respects, meet the single audit requirements.

AUDIT AND REVIEW ACTIVITIES (Continued)

DESK REVIEWS OF DOCUMENTATION RELATED TO SALARIES AND WAGES CHARGED TO NEH GRANTS

The purpose of these reviews was to determine if the grantees' time and effort accounting policies and procedures meet OMB Circular A-122 requirements. The reviews were performed in accordance with the President's Council on Integrity and Efficiency, Quality Standards for Inspections. We selected grantees, excluding state humanities councils, that received significant funding during the past several years.

We found that not one of the five grantees reviewed had a system that meets all of OMB Circular A-122 requirements. The OIG will be working with the grantees that we reviewed until they are able to substantiate that their time and effort reports, procedures, and accounting system accurately account for salaries and wages claimed on Federal reports. Each grantee had one or more of the following deficiencies with their time and effort reporting system.

1. RE: Time and effort reports.
 - a) Reports did not account for 100 percent of employee effort.
 - (b) Reports were not signed by employee or supervisor.
 - (c) Reports were not dated or were dated weeks after the payroll period. For example, period ends on January 15th and reports signed on February 8th.
 - (d) Reports did not coincide with grantee pay periods.
 - (e) Reports reflected mathematical errors.
2. Employees recorded budgetary estimates on time and effort reports in lieu of actual activity, (including administrative staff).
3. NEH-funded effort was properly documented; however, accounting for cost-sharing effort was inadequate.
4. Salaries posted to the general ledger were not based on the time and effort reports.

We made various recommendations to each grantee that would bring them into compliance with the OMB Circular. All have agreed to implement our recommendations.

AUDIT AND REVIEW ACTIVITIES (Continued)

SINGLE AUDIT ACT REVIEWS

In fiscal year 2004, the NEH spent approximately 85 percent of its annual expenditures on grantees. Many of the NEH grantees are covered by the Single Audit Act Amendment of 1996. Grantees expending \$500,000 or more in Federal dollars per annum are required to obtain an OMB Circular A-133 audit.¹ The OIG receives OMB Circular A-133 reports from other Federal agencies (mainly the Department of Health and Human Services), state and local government auditors, and independent public accountants. The objective of the audit is to determine whether Federal funds are expended in accordance with applicable laws and regulations.

During the six-month period ended March 31, 2005, we reviewed 80 OMB Circular A-133 audit reports. One of the reports contained audit findings and a summary of the report was issued to NEH for action and follow-up.

OVERHEAD DESK REVIEWS

The NEH~OIG performs overhead desk reviews (ODRs) for grantees requiring indirect cost rates. The reviews are done in accordance with the President's Council on Integrity and Efficiency, 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 four reviews during this period, (see page 3).

AUDITS/REVIEWS IN PROGRESS

United States Accountability of Tax Dollars Act of 2002

The Accountability of Tax Dollars Act of 2002 requires NEH, as well as several other small agencies and commissions, to prepare and submit to the Congress and the Director of the U.S. Office of Management and Budget an audited financial statement. NEH received a written waiver from OMB for fiscal year 2003 and a verbal waiver for fiscal year 2004. During the six-month period ended March 31, 2005, the NEH~OIG obtained the services of an independent public accounting firm (IPA). The IPA began an assessment of the financial management systems and internal controls at NEH to identify weaknesses that could have a direct and significant effect on the financial statement audit. Also, during this period, OIG staff continued to take training to provide adequate management oversight of the audit.

¹ Effective for years ending after December 31, 2003, the threshold was increased from \$300,000 to \$500,000. An audit is mandatory when a grantee expends \$500,000 of federal funds, cumulative from all federal sources, in its fiscal year.

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. This can be an audit, an investigation, a referral to another NEH office or division, or a referral to another Federal agency.

As of October 1, 2004, six files were open. During the six months ended March 31, 2005, we received six "Hotline" contacts. We are holding two matters open at March 31, 2005.

OPEN AT OCTOBER 1, 2004

One case involved a grantee institution and a project director who may have provided false information in grant applications. Following NEH's Policy of Research Misconduct, we asked the organization to perform an internal investigation and report to the OIG. The organization recently submitted the report and our review is in progress. The IG has the authority to accept, reject, or perform additional work as necessary. This matter will be resolved during the next reporting period.

One case concerned a grantee in the New England area that submitted a number of incorrect financial reports. NEH auditors questioned \$300,000 of costs documented to substantiate a challenge grant. The grantee returned the \$300,000 and NEH collected an additional \$10,000 to cover some expenses. This case is now closed.

One matter was referred by the Government Accountability Office (GAO) in August 2004. This involved an anonymous e-mail that contained six allegations of wrong doing at NEH. Our investigation found that the allegations contained no merit and we closed our file.

An allegation that a grantee had misused funds for overseas travel; however, the person making the allegation did not know if Federal funds were involved. We found that the overseas travel was supported by non-Federal funds and was not charged to the NEH grant. We learned that the grantee used funds received from a foundation for the travel activity and the foundation deemed the travel to be an allowable use of the funds.

One complaint involved an NEH challenge grant. The NEH grant was to be used for building an endowment and we found that NEH funds were not used improperly. We closed our file although we continue to receive complaints from the person who made the original allegation. The complaints do not involve NEH funds.

An anonymous allegation that a grantee misappropriated NEH funds and the grantee had discontinued operations. Our initial review of the matter determined that it would not be cost-effective to pursue this case. Therefore, we closed our file.

INVESTIGATIVE ACTIVITIES (Continued)

CONTACTS DURING THE PERIOD

We received six contacts during this reporting period. Two concerned internal matters, one concerned an external matter, and three contacts were referred to other Federal agencies. We looked into one of the internal matters and found that the allegation had no merit. The second internal matter has been referred to the Audit Division. The external issue concerned a teacher at a summer institute not attending classes. We have made a preliminary inquiry.

MATTERS REFERRED TO PROSECUTIVE AUTHORITIES

None during this period.

HOTLINE AND PREVENTION ACTIVITIES

We maintain a local Hotline phone number, agency e-mail address, and an Internet address to provide additional confidentiality for those persons bringing matters to the attention of the OIG. We continue to issue agency-wide e-mail messages informing NEH staff of violations that should be reported 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.

ANONYMOUS E-MAIL

We have on the NEH Intranet and the Internet a system for staff, grantees, contractors, etc. to report waste, fraud, abuse, and mismanagement in an anonymous manner.

INVESTIGATIVE ACTIVITIES (Continued)

SUMMARY OF INVESTIGATION ACTIVITY

Open at beginning of period	6
Matters brought to the OIG during the reporting period	6
Total investigative contacts	12
Closed or referred during the reporting period	10
Open at end of period	2

OTHER ACTIVITIES

PARTICIPATION ON THE EXECUTIVE COUNCIL ON INTEGRITY AND EFFICIENCY

The Executive Council on Integrity and Efficiency (ECIE) was established by the President in 1992 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 information to the ECIE.

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 made to assess whether the proposed legislation and/or regulations (1) impact on 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, we provided the ECIE with comments on various matters affecting the Inspector General community.

WORKING WITH THE AGENCY

In this period, OIG staff attended and engaged in 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. In addition, the IG and Deputy IG attended the Chairman's monthly policy group meetings. An OIG staff person attended monthly NEH Employee Association meetings. OIG staff was also involved in the review of NEH administrative directives.

The Office of Inspector General contributes to the discussions; however, the office does not participate in policy making.

OIG INTERNET AND INTRANET

The OIG has listed several semiannual reports on the Internet. The reports are accessible through the NEH homepage and the OIG homepage (<http://www.neh.gov/whoware/OIG.html>).

To enhance the NEH staff's 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 assistance to NEH grantees and independent public accountants concerning various matters including the preparation of indirect cost proposals and the implementation of Federal audit requirements.

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.....	10
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 Audit Reports Issued.....	2
Section 5(a)(7)	Summary of Significant Reports.....	3-6
Section 5(a)(8)	Audit Reports - Questioned Costs.....	12
Section 5(a)(9)	Audit Report - Funds To Be Put to Better Use.....	12
Section 5(a)(10)	Prior Audit Reports Unresolved.....	*
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.	- 0 -	\$ - 0 -	\$ - 0 -
B. Which were issued during the reporting period.	1	\$ 92,998	\$ 55,506
Subtotals (A+B)	1	\$ 92,998	\$ 55,506
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 -
D. For which no management decision has been made by the end of the reporting period.	1	\$ 92,998	\$ 55,506
E. Reports for which no management decision was made within six months of issuance.	1	\$ 92,998	\$ 55,506

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

	Number Of Reports	Dollar ¹ 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.	1	\$ 300,000
C. For which a management decision was made during the reporting period.	1	\$ 300,000
i. Dollar value of recommendations that were agreed to by management.		\$ 300,000
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 -

¹ This is the result of an investigation that required auditor input.

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).