



NATIONAL ENDOWMENT FOR THE
Humanities

OFFICE OF INSPECTOR GENERAL

February 21, 2018

RETURN RECEIPT REQUESTED

Board of Directors
Ohio Humanities Council
471 East Broad Street, Suite 1620
Columbus, OH 43215
Attn: [REDACTED] Chair

OIG Report Number: OIG-18-01 (DR)

Dear Board Members:

The National Endowment for the Humanities (NEH) Office of Inspector General (OIG) has completed a desk review of the single audit report prepared by Rea & Associates, Inc. (the "IPA"), which includes Federal assistance programs administered by the Ohio Humanities Council (the "Council"), for the fiscal years (FY) ended October 31, 2016 and 2015. The independent auditors previously furnished a copy of their audit report dated March 13, 2017, to the Council. The Federal Audit Clearinghouse accepted the related reporting package on March 27, 2017. The IPA issued unmodified opinions¹ regarding the financial statements and compliance with Federal requirements. Furthermore, the IPA issued no written findings in conjunction with the single audit.

Our review was limited to an examination of the audit report, email exchanges with the Executive Director of the Council, a limited review of select IPA workpapers, and review of applicable NEH grant files and accounting records. We did not perform a comprehensive examination of the underlying audit documentation to evaluate the adequacy of the audit work performed; rather, the *Guide For Desk Reviews of Single Audit Reports (2016 Edition)*, issued by the Council of Inspectors General on Integrity and Efficiency (CIGIE), was used to determine whether the audit report meets the core reporting requirements stipulated by Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*² (OMB Uniform Guidance). Based on our review, we can assign a rating to the IPA's reporting package of either a **Pass**, **Pass with Deficiencies**, or **Fail**. Audit reports receiving a **Fail** rating require corrective action.

We assigned a rating of **Pass with Deficiencies** to the FY 2016 reporting package. We determined that the audit report generally meets Federal reporting requirements, with the following exception:

¹ **Unmodified opinion.** The opinion expressed by the IPA upon concluding that the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework. An unmodified opinion represents the highest level of assurance the IPA can provide that the Council's financial statements as a whole are free from material misstatement, whether due to fraud or error.

² Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR Part 200)

Sufficiency of the IPA's Conclusion Concerning Compliance with Federal Financial Reporting Requirements

In addition to determining whether the Council's financial statements are presented fairly in all material respects in accordance with generally accepted accounting principles, OMB Uniform Guidance³ also requires the IPA to determine whether the Council has complied with Federal statutes, regulations, and the terms and conditions of Federal awards that may have a direct and material effect on each of its major programs. Compliance testing must include tests of transactions and other auditing procedures necessary to support the IPA's opinion on compliance.

NEH *General Terms and Conditions for General Support Grants to State Humanities Councils* requires councils to submit annual and final Federal Financial Reports (FFRs) within 90 days after the completion date of the applicable reporting period. Grantees use the FFR as a standardized format to report expenditures as well as Federal cash status. By signing and submitting the FFR to the NEH, Council management certifies to the best of their knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and intent set forth in the award documents. Council management further attests to being aware that any false, fictitious, or fraudulent information may subject the Council to criminal, civil, or administrative penalties.⁴

As part of our desk review, we inquired about the IPA's testing related to the Council's Federal financial reporting. In response to our inquiry, the IPA provided a copy of the workpapers that document their testing of the annual FFR submissions⁵ for NEH grants SO-226596-15 and SO-50496-12. The IPA concluded that each FFR tested was submitted by the appropriate person in a timely fashion, and contained financial data that traced back to the Council's accounting records.

We reviewed the FFRs that the IPA selected for testing, and we noted errors concerning the preparation of the report for NEH grant SO-226596-15. Specifically, information provided in the "Federal Cash" section⁶ of the FFR varies from NEH records. The Council reported "Cash Receipts" (Line "a" of the FFR) in the amount of \$1,079,880. However, according to NEH accounting records, as of the end of the reporting period covered by the FFR (i.e., October 31, 2015), total cumulative disbursements to the Council related to the grant was \$904,000 -- a discrepancy of \$175,880. This discrepancy was not identified by the IPA. Instead, the IPA agreed the amount reported as "Cash Receipts" to the amount reported as "Total Federal Funds Authorized" (Line "d" of the FFR).

In addition, the amounts reported as cash disbursements for NEH grants SO-226596-15 and SO-50496-12 (Line "b" of the FFRs) agree with the amounts reported as "Federal Share of

³ 2 CFR section 200.514(d)

⁴ U.S. Code, Title 18, Section 1001

⁵ The FFRs related to the Council's current fiscal year, (i.e., FYE October 31, 2016) were not complete as of the timing of the auditor's fieldwork; therefore, the IPA tested FFR submissions related to the prior fiscal year, (i.e., FYE October 31, 2015).

⁶ The "Federal Cash" section tracks and facilitates the reporting of Federal cash status concerning the grant award, as of the end of the reporting period. This section includes the cumulative amount of actual cash received from the Federal agency, cumulative amount of Federal fund disbursements by the grantee (such as cash or checks), and cash on hand (which represents the immediate cash needs of the grantee).

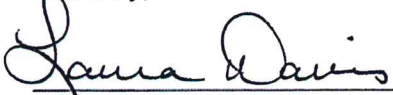
Expenditures” (Line “e” of the FFRs). According to the instructions applicable to the FFR, expenditures reported on an accrual basis, represent the sum of cash disbursements for direct charges for property and services; the amount of indirect expense incurred; and the net increase or decrease in the amounts owed by the recipient for (1) goods and other property received; (2) services performed by employees, contractors, subrecipients, and other payees; and (3) programs for which no current services or performance are required. The agreement of amounts reported on Line “b” and amounts reported on Line “e” implies cash-basis reporting,⁷ which contradicts the Council’s disclosure on each FFR that the reports reflect the “accrual” basis of accounting. Furthermore, the Federal expenditure amounts (per the FFRs) do not agree with the Federal expenditure amounts (per the audited FY 2015 SEFA). However, this incongruence is expected since expenditures reported on the FY 2015 SEFA are presented on the accrual basis of accounting and the FFRs appear to reflect cash-basis accounting, (despite the Council’s “accrual” disclosure). The IPA observed this condition during testing, but did not acknowledge the contradiction. The IPA noted in the respective workpapers that the Council’s “accrual” disclosure was appropriate and accurate.

Moving forward, we expect Council management to immediately implement new controls and provide staff with the necessary training to ensure all future FFR submissions are complete and accurate. Please be advised that there is no need to revise the FY 2016 audit report and resubmit the single audit reporting package to the FAC since NEH represents the Council’s only source of Federal funds and our office will alert Agency management of this matter. However, the NEH-OIG may deem future reports with similar concerns as unacceptable.

Please be advised that we are sending a copy of this letter to the Principal at Rea & Associates, Inc. to inform him of the results of our review.

If you have any questions concerning this letter or need accounting assistance, please contact Mr. Daniel M. Gelfand at (202) 606-8353 or via email at dgelfand@neh.gov.


Sincerely,



Laura Davis
Inspector General

Distribution List:

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⁷ Concerning reports prepared on a cash basis, expenditures are the sum of cash disbursements for direct charges related to property and services; the amount of indirect expense charged; and the amount of cash advance payments and payments made to subrecipients.