



NATIONAL ENDOWMENT FOR THE

Humanities

OFFICE OF INSPECTOR GENERAL

February 6, 2013

**RETURN RECEIPT REQUESTED**

Board of Directors  
Georgia Humanities Council  
50 Hurt Plaza, SE, Suite 595  
Atlanta, GA 30303  
Attn: [REDACTED]

OIG Report Number: OIG-13-04 (DR)

Dear Board Members:

We have completed our desk review of the single audit report prepared by Blad & Garvin, CPAs, which includes the Federal assistance programs administered by the Georgia Humanities Council (the "Council"), for the year ended October 31, 2011. The independent auditors (IPA) previously furnished a copy of their audit report to the Council and submitted the related reporting package to the Federal Audit Clearinghouse (FAC). The IPA issued an unqualified opinion (both financial statements and single audit) but identified four reportable findings that were treated as significant deficiencies.

Our review was limited to an examination of the IPA's audit report. We did not examine the underlying audit documentation to evaluate the adequacy of the audit work performed; rather, the single audit desk review guide (2010 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) Circular A-133. Audit reports determined to be *technically deficient* or *unacceptable* require corrective action.

We determined that the audit report generally meets Federal reporting requirements<sup>1</sup>, with the following exceptions:

**Schedule of Expenditures of Federal Awards:**

In accordance with OMB Circular A-133.310(b)(3), the *Schedule of Expenditures of Federal Awards* (SEFA) must capture the Catalog of Federal Domestic Assistance (CFDA) numbers and the associated Federal expenditures incurred by the Council during the fiscal year under audit. The IPA relies upon this information to identify the Federal grants that require detailed testing (i.e. "major programs"). Accordingly, it's imperative that this information be properly reported on the SEFA.

We determined that the SEFA identified the incorrect CFDA number associated with NEH's *We The People* grant. The correct CFDA number assigned to the *We The People* program is 45.168. The SEFA erroneously reported number 45.149.

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<sup>1</sup> Of the four possible conclusions applicable to a single audit desk review, the NEH-OIG has concluded that the Council's FY2011 audit report is *Acceptable with Deficiencies*, [i.e. the report contains quality deficiencies that should be brought to the attention of the auditor (and auditee) for correction in future audits]."



### **Data Collection Form:**

The Data Collection Form (DCF), which summarizes the results of the single audit, represents a key component of the OMB Circular A-133 reporting package<sup>2</sup> that must be submitted to the Federal Audit Clearinghouse (FAC). Public access to single audit results is limited by the FAC to the DCF. Therefore, it's imperative that the information presented on this summary form mirror that of the actual audit report. Our Desk Review procedures identified an error on this form.

Part III, Question 4 of the DCF asks whether a significant deficiency was identified for any major programs. A "No" response was erroneously entered on the form. The actual audit report (Internal Control Over Compliance) classifies Finding 11-04 as a reportable significant deficiency in internal control over compliance.

There appears to be a breakdown in controls over the report preparation and submission process. We expect the IPA to promptly correct this error, along with the incorrect CFDA number noted above, and resubmit the Data Collection Form to the FAC within 14 days of receipt of this report.

### **Temporarily Restricted Net Asset Discrepancy:**

Information reported in the core financial statements should always reconcile to the amounts reported in the related notes. We identified a \$10,000 discrepancy between the temporarily restricted net asset total reported in Note 5 (Restricted Net Assets) and the balance reported on the *Statement of Activities* and the *Statement of Financial Position*.

Note 5 provides a detailed listing of the individual balances, to include the NEH awards, which comprise total temporarily restricted net assets at fiscal year-end. Due to the variance noted, the OIG was concerned that the reporting of NEH grant activity contained errors.

We ultimately determined that Note 5 contains accurate information. The \$10,000 error relates to the temporarily restricted net asset balance reflected in the core financial statements. We concur with the IPA's response that the identified mistake is not material to the overall financial statements and the single audit testing was not impacted. Therefore, the OIG will not require a FY2011 restatement. Rather, we accept the IPA's proposal to correct the error in FY2012.

The fact that these errors were missed by both the Council's management and the IPA is troubling. Fortunately, the above errors are not significant enough to adversely affect the overall reliability of the OMB Circular A-133 audit reporting package. However, we fully expect the Council's management to perform a self-assessment regarding the adequacy of internal controls over single audit reporting.

### **Other Matters:**

The Desk Review identified several other matters that do not directly impact the FY2011 single audit results. Nevertheless, we feel that these issues should be brought to the attention of Council management and the Board.

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<sup>2</sup> OMB Circular A-133 requires the submission of both the Data Collection Form and the entity's audited financial statements. This information must be uploaded to the Federal Audit Clearinghouse database in a timely fashion.



### **Timely Submission of Audit Report to the Federal Audit Clearinghouse:**

In accordance with OMB Circular A-133.320, a single audit must be completed and successfully submitted to the FAC within the earlier of thirty days after receipt of the signed audit report, or nine months after the auditee's fiscal year-end. If a grantee does not comply with this standard in either of the previous two years, the organization is precluded from qualifying for "low-risk" status<sup>3</sup>.

According to the October 31, 2011 *Schedule of Findings and Questioned Costs*, the Council was treated as a low-risk auditee by the IPA. In regards to the upcoming FY2012 audit, the Council no longer qualifies for this low-risk treatment (as defined by the OMB guidance noted above) due to the late submission of the FY2011 reporting package to the FAC. We determined that both the FY2010 and FY2011 audits were completed and dated within the nine month timeframe<sup>4</sup>, therefore we will provide the Council with a one-time exemption.

The late submission makes it clear that the Council must implement new controls over this process. To document this process, please provide the OIG with a written corrective action plan addressing the noted deficiency within 30 days of receipt of this letter.

### **FY2010 Schedule of Expenditures of Federal Awards Error:**

Although this Desk Review focused on the FY2011 single audit report, we performed procedures that involved the review of prior year data. Specifically, we prepared a roll-forward schedule for the NEH General Support grant (CFDA# 45.129), which was treated as the "major program" for single audit testing purposes. Using data reported on the FY2010 and FY2011 financial statements (to include the SEFA), variances were identified between expenditures reported in the SEFA and related information reported in the financial statements. After consulting with the Council and the IPA, we ultimately determined that the FY2010 SEFA understated Federal expenditures by \$11,594.

The OIG will not require a FY2010 restatement due to the overall immateriality of the error and the fact that the mistake did not impact the IPA's selection of the major program(s) to be tested. To prevent similar errors in future years, the IPA agreed to implement new procedures. Beginning with the FY2012 audit, the firm will reconcile the SEFA to the temporarily restricted net asset balances (presented in the audited financial statement footnote) prior to report issuance. Since the Council is responsible for properly preparing the SEFA, we strongly recommend that management obtain a copy of this template from the IPA and prepare the reconciliation prior to the commencement of audit fieldwork in future years.

Future OMB Circular A-133 audit reports that include improperly prepared SEFAs will be deemed unacceptable submissions by the NEH Office of Inspector General and late submissions to the FAC will jeopardize the Council's current "low-risk" status in regards to Single Audit testing.

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<sup>3</sup> When an organization qualifies for low-risk status under OMB Circular A-133, the IPA is only required to test Federal programs that encompass at least 25 percent of the total Federal expenditures for the fiscal year. If an organization does not qualify for low-risk status, the IPA must test Federal programs that encompass at least 50 percent of the total Federal expenditures.

<sup>4</sup> The annual audit reports were completed in a timely fashion by the IPA (FY2010-April, FY2011-February); however, the administrative process involved with submitting the single audit package to the FAC broke down resulting in a delinquent submission (August 22, 2012).

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Please note that we are sending this letter to the audit partner at Blad & Garvin to inform her of the results of our review.

If you have any questions concerning this letter or need accounting assistance, please contact Mr. Steve Elsberg at (202) 606-8353 or via email at [selsberg@neh.gov](mailto:selsberg@neh.gov).


Sincerely,



Laura Davis  
Inspector General

**Distribution List:**

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