



**NATIONAL
ENDOWMENT
FOR THE
HUMANITIES**

OFFICE OF INSPECTOR GENERAL

**SEMIANNUAL REPORT
TO
CONGRESS**

For the Period October 1, 2022 through March 31, 2023

Report No. 68

**“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

Office of Inspector General — Hotline
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 October 1, 2022 through March 31, 2023. During this semiannual period, we did not issue any reports. We initiated and substantially completed desk reviews of single audit reports issued by non-Federal auditors concerning two state humanities councils. We also substantially completed fieldwork pursuant to a limited audit of an NEH grant award. The related reports will be issued during the semiannual reporting period ending September 30, 2023.

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, 2022, as required by the *Accountability of Tax Dollars Act of 2002*. During this semiannual reporting period, we monitored final testing and reporting 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 three Hotline complaints, one of which remains open as of March 31, 2023. A total of three complaints remain open as of March 31, 2023.

We continue to receive communications from individuals who have been targeted (and in some instances victimized) by internet phishing scams 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 (1) awareness of the mission and responsibilities of the NEH-OIG; and (2) 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 Programs, Digital Humanities, and Federal/State Partnership.

The NEH recently launched a special initiative that draws upon the humanities to help Americans study, evaluate, and respond to some of the nation’s most urgent issues. *American Tapestry: Weaving Together Past, Present, and Future* will provide funding for humanities-based programs that foster a thriving democracy, expand opportunity and access for all Americans, and advance an understanding of our relationship to the natural world. The *American Tapestry* initiative also incorporates objectives of the agency’s *A More Perfect Union* initiative by funding projects that enhance an understanding of the country’s founding period.

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*. 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 programs and 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.

The NEH-OIG did not issue any reports during the six-month period ended March 31, 2023. Below is a list of reporting activities undertaken during this semiannual period for which the NEH-OIG has oversight responsibility. 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 11].

Report Number

Date Issued

FINANCIAL STATEMENT AUDIT

Final Report ~ Audit of NEH Financial Statements ~ Fiscal Year 2022	N/A	11/10/2022
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REVIEW OF SINGLE AUDIT FINDINGS

—	See Page 4	—
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AUDIT AND REVIEW ACTIVITIES

SUMMARY OF REPORTS ISSUED

INTERNAL REVIEW

Final Report Audit of NEH Financial Statements ~ Fiscal Year 2022 November 10, 2022

We engaged Williams, Adley & Company-DC, LLP (Williams Adley) to perform an audit of the NEH financial statements for fiscal year (FY) ending September 30, 2022, as required by the *Accountability of Tax Dollars Act of 2002*. We were responsible for —

- (1) evaluating the qualifications and independence of the firm and staff assigned to the audit;
- (2) reviewing the audit approach and planning;
- (3) monitoring the work of the auditors;
- (4) examining audit workpapers and draft reporting deliverables to ensure compliance with *Government Auditing Standards*, (as issued by the Comptroller General of the United States), Office of Management and Budget Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*, and the *Financial Audit Manual* (as issued jointly by the Government Accountability Office and the Council of the Inspectors General on Integrity and Efficiency); and,
- (5) executing other activities deemed necessary to oversee the audit engagement.

Williams Adley issued an unmodified opinion on the NEH financial statements as of and for the years ended September 30, 2022 and September 30, 2021. The IPA's testing identified a deficiency in internal control over financial reporting deemed to be significant related to the agency's implementation of an effective Enterprise Risk Management Program and an instance of noncompliance with select provisions of applicable laws, regulations, contracts and grant agreements. The reported significant deficiency represents a repeat finding from the FY 2020 audit. The IPA also identified two control deficiencies over financial reporting not considered to be material weaknesses or significant deficiencies and presented the findings in a separate letter to NEH management dated November 14, 2022. NEH management has accepted the conclusions reached by Williams Adley regarding the control deficiency and instance of noncompliance.

REVIEW OF SINGLE AUDIT FINDINGS

We routinely perform queries of the Federal Audit Clearinghouse to determine the reporting of Single Audit findings applicable to NEH programs. We also periodically 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.

During the six-month period ended March 31, 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 March 31, 2023)

Limited Audit ~ Mercyhurst University

NEH awarded grant AH-274926-20 to Mercyhurst University to support four positions for newly graduated humanities doctorates, in which they would be trained and mentored as they develop and teach eight online humanities courses. The grant award was made with CARES Act funds.

The principal objectives of this limited audit are to determine whether (1) grant expenditures were made in accordance with the applicable provisions of NEH's *General Terms and Conditions for Awards* and the specific terms of the grant award; and (2) the recipient implemented proper control over the administration of the NEH award in accordance with minimum standards prescribed in 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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.

The principal objectives of this limited audit are to determine whether (1) grant expenditures were made in accordance with the applicable provisions of NEH's Federal Matching Funds Guidance and the *General Terms and Conditions for Awards*, (as limited by Appendix 4 of the *Administration of NEH Challenge Grants*); and (2) the recipient implemented proper control over the administration of the NEH award in accordance with minimum standards prescribed in 2 CFR 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 March 31, 2023.

MATTERS REFERRED TO PROSECUTIVE AUTHORITIES

No matters were referred to the U.S. Department of Justice during the six-month period ended March 31, 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/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 four Hotline matters open as of September 30, 2022. During the six-month period ended March 31, 2023, we received one complaint concerning an NEH promotional activity and two complaints pertaining to NEH grant award recipients. A total of three matters remain open as of March 31, 2023.

We also received 37 communications from individuals targeted or victimized by scams purporting to represent NEH financial assistance opportunities during this semiannual reporting period. These scam attempts are generally initiated through the internet (e.g., 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 September 30, 2022	4
Matters communicated to the OIG during the six-month period ended March 31, 2023	3
Total Number of Matters Communicated via OIG Hotline	7
Matters closed, referred, or no action deemed necessary	4
Open as of March 31, 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 March 31, 2023.

WORKING WITH THE AGENCY

OIG staff attended various meetings convened by NEH leadership – meetings of the National Council on the Humanities [November 2022 and March 2023] and monthly senior staff meetings. OIG staff occasionally contribute to the discussions, but the OIG does not participate in policymaking.

The Inspector General participated with the NEH Chairman, program staff, and grant management staff in the 2022 National Humanities Conference organized by the Federation of State Humanities Councils and the National Humanities Alliance [November 2022]. The Inspector General jointly moderated a virtual conference session with the NEH Office of Grant Management wherein accountability and compliance matters applicable to state humanities councils were discussed. The Inspector General also presented information about the mission, responsibilities, and activities of the NEH-OIG during Project Team meetings convened by the NEH Division of Education Programs in October 2022 (*Institutes for Higher Education Faculty*) and March 2023 (*Humanities Initiatives at Colleges and Universities*).

In January 2023, the Inspector General briefed the NEH Enterprise Risk Management Board concerning the results of the FY 2022 financial statement audit.

PARTICIPATION ON THE COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY

The *Inspector General Reform Act of 2008* 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 March 31, 2023, the Inspector General regularly attended monthly CIGIE meetings, provided responses to various CIGIE inquiries, attended four meetings of the CIGIE Technology Committee [October 2022, December 2022, January 2023, and February 2023], attended two meetings of the CIGIE workgroup representing “Small/Unique OIGs” [November 2022 and February 2023], and participated in eight meetings related to the activities of the CIGIE Diversity, Equity, Inclusion, and Accessibility Committee [October 2022, November 2022, December 2022, January 2023, February 2023, and March 2023].

The Inspector General participated in one meeting of the Federal Audit Executive Council (FAEC) [March 2023]. The FAEC is a subgroup established by CIGIE to discuss and coordinate issues affecting the Federal audit community, with special emphasis on audit policy and operations of common interest to FAEC members.

The Inspector General attended three status meetings convened by the Pandemic Response Accountability Committee [October 2022, January 2023, and February 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.

OTHER ACTIVITIES

PARTICIPATION IN OTHER ACTIVITIES WITHIN THE FEDERAL ACCOUNTABILITY COMMUNITY

The Inspector General attended two quarterly meetings of the Grant Fraud Working Group [October 2022 and January 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 October 2022. 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.

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].

“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 (2 CFR Part 200) 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 communication is sent directly to project directors and institutional grant administrators identified for all organization-based awardees.

During the six-month period ended March 31, 2023, we sent email communications as noted below. We have reasonable assurance that all of the awardees received a copy of the “Audit Readiness” communication.

NEH Division/Office	Number of Awardees	Total Value of Awards
Division of Education Programs	68	\$ 12,121,851
Division of Public Programs	33	\$ 10,416,472
Division of Preservation and Access	44	\$ 9,563,509
Office of Digital Humanities	35	\$ 6,078,203
Division of Research Programs	30	\$ 5,685,347

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.....	8
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.....	6
Section 405(b)(21)(b)	Instances Where Information Was Refused or Not Provided.....	*
Section 405(b)(6)	List of Reports Issued.....	3
Section 405(b)(5)	Summary of Reports Issued.....	4
Section 405(b)(8)	Audit Reports - Questioned Costs.....	11
Section 405(b)(9)	Audit Report - Funds To Be Put to Better Use by Management.....	11
Section 405(b)(10)	Prior Audit Reports — Unresolved.....	12 - 13
Section 405(b)(11)	Significant Revised Management Decisions.....	*
Section 405(b)(12)	Significant Management Decisions with which IG Disagrees.....	*
Section 405(b)(14-16)	Peer Review Results.....	Appendix A
Section 405(b)(17-18)	Investigation Statistics.....	6
Section 405(b)(19)	Investigations Involving Senior Government Employees.....	*
Section 405(b)(20)	Instances of Whistleblower Retaliation.....	*
Section 405(b)(21)	Instances of Agency Interference with OIG Independence.....	*
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**

	Number of Reports	Questioned Costs	Unsupported Costs
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.	- 0 -	\$ - 0 -	\$ - 0 -
Subtotals (A+B)	- 0 -	\$ - 0 -	\$ - 0 -
C. For which a management decision was made during the reporting period.			
i. Dollar value of disallowed costs.	- 0 -	\$ - 0 -	\$ - 0 -
ii. Dollar value of costs not disallowed	- 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**

	Number of Reports	Dollar Value
A. For which no management decision has been made by the commencement of the reporting period.	- 0 -	\$ - 0 -
B. Which were issued during the reporting period.	- 0 -	\$ - 0 -
C. For which a management decision was made during the reporting period.	- 0 -	\$ - 0 -
i. Dollar value of recommendations that were agreed to by management.	- 0 -	\$ - 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: Re-Opened/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 and continued to require two-factor authentication for full remote access.

NEH management has announced a staged transition to the use of credentials for access to NEH information and information systems. Effective April 14, 2023, NEH will transition Microsoft (MS) 365 application logins to Okta, a cloud-based identity and access management platform. After the transition period, authentication attempts for MS Outlook, MS Teams, MS SharePoint, MS OneDrive, the agency’s grant management system, and other Microsoft applications will require use of a PIV card and personal identification number (PIN). Full implementation of Okta for access to NEH information systems is planned for the near future.

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.

PRIOR AUDIT REPORTS — UNRESOLVED

SUMMARY OF UNIMPLEMENTED RECOMMENDATIONS (con't.)

2. Contingency Planning (con't.)

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.

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 Grant Management System). 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 a 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, the 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, the 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 the 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 a management decision has been made.

Source: Excerpt from Section 405(a) of the *Inspector General Act of 1978* (as amended)

APPENDIX A

PEER REVIEW RESULTS

This appendix complies with Section 405(b)(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*.