



NATIONAL ENDOWMENT FOR THE

**Humanities**

**Office of Inspector General**

**SEMIANNUAL  
REPORT TO  
CONGRESS**

**For the Period April 1, 2013 through September 30, 2013**

**Report No. 49**

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**“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

## **Contact the OIG Hotline**

**1 (877) 786-7598**

## **Mailing Address**

Office of Inspector General — Hotline  
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## **OIG Hotline Form**

[www.neh.gov/about/oig](http://www.neh.gov/about/oig)

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## EXECUTIVE SUMMARY

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This Semiannual Report to Congress highlights the activities of the National Endowment for the Humanities — Office of Inspector General for the period April 1, 2013 through September 30, 2013. OIG activities completed during this reporting period addressed grantee operations/compliance, including oversight of non-Federal audits of NEH grantees. We also engaged the services of Leon Snead & Company, P.C. (IPA) to conduct the annual audit of the NEH financial statements for fiscal year ending September 30, 2013, as required by the Accountability of Tax Dollars Act of 2002.

During the reporting period, we initiated and completed an audit of a state humanities council, in response to an allegation of fiscal mismanagement concerning the organization. Our audit disclosed several significant issues requiring the immediate attention of the Council's management, to include the organization's inability to assert compliance with the legislatively-mandated cost-sharing requirement applicable to two major funding vehicles for the organization; identification of approximately \$64,000 in unallowable costs; erroneous reporting of Federal expenditures to the NEH; and multiple internal control and segregation of duties deficiencies.

We received three Hotline complaints during this reporting period, of which one has resulted in our participation in a joint investigation being led by the National Science Foundation OIG. The joint investigation remains open as of September 30, 2013. There are no other matters currently being investigated by the NEH OIG and there are no Hotline contacts open as of the end of this reporting period.

OIG staff continued participation on the Council of Inspectors General on Integrity and Efficiency (CIGIE) Grant Reform Working Group (GRWG), engaging in discussions and assisting with the drafting of the GRWG consolidated response to Office of Management and Budget (OMB) proposed grant reforms, as set forth in guidance published in the Federal Register entitled, *Proposed OMB Uniform Guidance: Cost Principles, Audit, and Administrative Requirements for Federal Awards*. OIG staff also participated in the review and compilation of comments in response to OMB proposed changes to the information form (SF-SAC) used to report audit results, audit findings, and questioned costs as required by the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

We continue to enhance our capability to perform effective independent oversight and to foster mutually beneficial working relationships among OIG, NEH management, the Congress, and other stakeholders. The quality and quantity of our audits and inspections are growing. As of the end of this reporting period, we have several major inspections in progress, focusing on the grant application in-take process, the NEH Government Charge Card/Travel Card programs, and the NEH information security program, pursuant to the requirements of the Federal Information Security Management Act of 2002 (FISMA). The results of these inspections will be reported in our semiannual report for the period ending March 30, 2014.

Finally, I am pleased to report that the NEH OIG audit operations underwent and passed a peer review this period. The peer review provides third-party assurance that the audit organization has been suitably designed and complied with to provide the NEH OIG with reasonable assurance in performing and reporting in conformity with applicable professional standards in all material respects.

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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 (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 Senate. National Council members serve staggered six-year terms.

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 most recently launched NEH initiative, *Bridging Cultures*, encourages the exploration of ways in which cultures from around the globe, as well as the myriad subcultures within America's borders, have influenced American society. This initiative is designed to bridge both space and time to help American citizens gain a deeper understanding of their own varied cultural heritage, as well as the history and culture of other nations.

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## 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 an important aspect of the Inspector General 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 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; and reports directly to Congress.

The Act states that the 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 Agency. The IG is also responsible for keeping the Chairman and Congress fully and currently informed of problems and deficiencies in the NEH programs and operations.

The OIG staff currently consists of the Inspector General, two auditors, and an administrative officer. The Deputy Inspector General position is vacant. The OIG has a Memorandum of Understanding with the United States Treasury Inspector General for Tax Administration detailing the procedures for the OIG to be provided legal services. Investigations are handled by the IG.

# AUDIT AND REVIEW ACTIVITIES

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## LIST OF REPORTS ISSUED

The OIG is responsible for external and internal audits. External efforts include on-site grant audits, limited-scope desk audits, accounting system surveys, review of OMB Circular A-133 audit reports, and on-site quality control reviews of CPA workpapers. Internal efforts consist of audits, inspections, and reviews/evaluations of NEH administrative and programmatic operations, inclusive of the NEH information security program. The OIG is also responsible for monitoring the work of the independent public accountant (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 reports to ensure compliance with applicable requirements.

Below is a list of reports issued by the OIG during this reporting period. The Inspector General Act of 1978, as amended, requires us 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", [see Tables II and III].

	<u>Report Number</u>	<u>Date Issued</u>
<b><u>EXTERNAL AUDIT</u></b>		
Limited Audit — Virgin Islands Humanities Council	OIG-13-01 (EA)	08/27/2013
<b><u>DESK REVIEWS</u></b>		
Desk Review of the Single Audit Report for Year Ended October 31, 2011 — Idaho Humanities Council	OIG-13-05 (DR)	04/05/2013
Desk Review of the Single Audit Report for Year Ended October 31, 2012 — Pennsylvania Humanities Council	OIG-13-06 (DR)	05/17/2013
Desk Review of the Single Audit Report for Year Ended October 31, 2012 — Indiana Humanities	OIG-13-07 (DR)	05/31/2013
Desk Review of the Single Audit Report for Year Ended June 30, 2012 — Connecticut Humanities	OIG-13-08 (DR)	07/10/2013
Desk Review of the Single Audit Report for Year Ended September 30, 2012 — Alaska Humanities Forum	OIG-13-09 (DR)	07/19/2013
Desk Review of the Single Audit Report for Year Ended October 31, 2012 — Humanities Iowa	OIG-13-10 (DR)	07/30/2013
<b><u>ACCOUNTING SYSTEM SURVEY</u></b>		
Digital Public Library of America	OIG-13-02 (TS)	09/25/2013
<b><u>SINGLE AUDIT ACT REVIEWS</u></b>		
OMB Circular A-133 Reports	— See Page 6 —	

# AUDIT AND REVIEW ACTIVITIES

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## SUMMARY OF REPORTS ISSUED

### EXTERNAL AUDIT

#### **Limited Audit — Virgin Islands Humanities Council August 27, 2013; OIG-13-01 (EA)**

The OIG performed a limited audit of the Virgin Islands Humanities Council (the “Council”) records as they relate to NEH grants SO-50281-08, SO-50450-11, BC-50507-09, and BC-50565-10. The Council receives approximately 95 percent of its annual funding from the NEH through the combination of *General Support* and *We the People* awards. Due to various issues identified by NEH program officials, the Council was placed on “high-risk” status effective March 2013. Upon being notified of fiscal anomalies involving the Council, we initiated a limited-scope audit of recent awards to the Council. The principal objectives of our limited audit were to determine that (1) grant expenditures were made in accordance with applicable provisions of NEH’s *General Terms and Conditions for General Support Grants to State Humanities Councils*, NEH’s *Matching Guidelines for General Support Grants to State Humanities Councils*, NEH’s *General Terms and Conditions for Awards* (GTAC), and the specific terms of the respective grant awards; (2) the Council properly tracked and met the legislatively-mandated cost-sharing requirement; and (3) proper controls over use of the Federal funds exist in accordance with minimum standards prescribed in OMB Circulars A-110 (2 CFR Part 215) and A-122 (2 CFR Part 230). Our review was conducted in accordance with *Generally Accepted Government Auditing Standards* (GAGAS), as promulgated by the Comptroller General of the United States.

We identified significant issues requiring the immediate attention of the Council’s management, to include:

- ◇ The NEH *General Support* grants provide the bulk of the Council’s annual funding. For every dollar in Outright Federal funds provided to a humanities council by the NEH, an equal amount of cash or in-kind contributions must be used to support the Council’s budgeted activities. We determined that the Virgin Islands Humanities Council neither tracks nor reports this information. This represents a major compliance deficiency.
- ◇ Our transaction testing identified unallowable costs totaling \$38,298. Additionally, evidence of Board approval relating to another \$25,570 in regrant awards could not be located, (which is required by the Council’s documented policies and procedures).
- ◇ With all four grants tested, the *Requests for Advance or Reimbursement* (SF-270s) and the *Federal Financial Reports* (SF-425s) erroneously reported Federal expenditures to the NEH. Rather than reporting actual project expenditures, the Council incorrectly based this reporting on the funds requested. We further noted certain limitations with the existing accounting structure that impacted the Council’s ability to extract and summarize expenditure data by grant/funding source.
- ◇ Our testing identified multiple internal control and segregation of duties deficiencies. In most cases, the Council failed to follow its own established policies/procedures.

We further identified several lower-priority matters for management’s consideration. The Council generally concurred with the OIG findings and has submitted a corrective action plan. As of September 30, 2013, the Council remains in “high-risk” status.

# **AUDIT AND REVIEW ACTIVITIES**

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## **DESK REVIEWS**

OMB Circular A-133 establishes audit requirements for state and local governments, colleges and universities, and non-profit organizations receiving Federal awards. Covered entities, as defined by the Circular, that expend \$500,000 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. The audits are conducted by non-Federal auditors, such as public accounting firms and state auditors.

During the reporting period, we issued six letters communicating the results of our desk reviews of OMB Circular A-133 audit reports. The objectives of the desk reviews were to: (1) determine whether the audit reports are acceptable based on the reporting requirements of OMB Circular A-133; (2) identify any quality issues that may warrant follow-up work and/or revisions to the audit report; (3) identify audits for potential Quality Control Reviews (QCR) of the independent auditors' workpapers; and (4) identify issues that may require the attention of NEH management. We used the *Guide for Desk Reviews of OMB Circular A-133 Audit Reports*, issued by the Council of Inspectors General on Integrity and Efficiency (CIGIE), to determine if the reports were in conformance with the core reporting requirements stipulated by OMB Circular A-133.

We determined that four reports were acceptable and two reports were technically deficient. Reports deemed to be technically deficient had to be corrected by the non-Federal auditor and resubmitted to the Federal Audit Clearinghouse.

## **ACCOUNTING SYSTEM SURVEY**

**Digital Public Library of America  
Boston, MA  
September 25, 2013; OIG-13-02 (TS)**

We completed a pre-award survey of the Digital Public Library of America, (DPLA). The purpose of our survey was to obtain information to determine the adequacy of the organization's accounting system, management controls, and related policies and procedures designed to administer NEH grant funds.

The DPLA represents a small, non-profit organization that launched in April 2013. As such, the organization continues to draft and finalize their policies and procedures. Our survey primarily evaluated anticipated policies and procedures that would be fully implemented in the near term. We identified areas in which existing/anticipated financial management controls require improvement and/or strengthening. We concluded that, once the OIG recommendations are implemented, the organization's accounting system, management controls, and formalized administrative policies/procedures should allow the organization to sufficiently manage and account for Federal grant funds.



# **AUDIT AND REVIEW ACTIVITIES**

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## **SINGLE AUDIT ACT REVIEWS**

We receive communications from other Federal agencies regarding single audit findings, (primarily the Department of Health and Human Services and the National Science Foundation) and we routinely perform queries of the Federal Audit Clearinghouse to determine the reporting of single audit findings applicable to NEH awards. We occasionally receive single audit reports directly from NEH grantees.

During the period ended September 30, 2013, we reviewed 53 OMB Circular A-133 audit reports. Seven reports contained significant findings pertaining to NEH programs. We issued a memorandum to NEH management summarizing the independent auditor (IPA) findings, [OIG-13-01 (CAA); dated September 11, 2013]. We encouraged management to gain an understanding of the deficiencies reported by the IPAs and to follow-up with the grantees, as appropriate.

## **WORK IN PROGRESS (as of September 30, 2013)**

### **Inspection ~ Grant Application In-take Process and Panel Development**

For purposes of this inspection, activities of NEH program staff and management from receipt of a grant application to presentation of the application for peer review/evaluation represent the grant application in-take process. The objectives of this inspection are to determine: (1) how applications are screened for eligibility and completeness, and when this screening takes place; (2) the scope of the review of draft proposals by NEH program staff and the criteria used during the review; (3) the extent of conformity with established guidance pertaining to the review of draft proposals; (4) the extent that program officials use agency guidance, *NEH Principles and Considerations for Recruiting Panelists*, when a panel is assembled; and (5) the existence of any division/office-specific guidance on panel recruitment and/or composition, and the extent of its use.

### **Inspection ~ NEH Government Charge Card/Travel Card Programs**

On October 5, 2012, the President signed into law the Government Charge Card Abuse Prevention Act of 2012 (“Charge Card Act”) [P.L. 112-194], which reinforced the Administration’s efforts to prevent waste, fraud, and abuse of government-wide charge card programs. Consistent with existing guidance contained in OMB Circular A-123, Appendix B, *Improving the Management of Government Charge Card Programs*, the Charge Card Act requires all executive branch agencies to establish and maintain safeguards and internal controls for purchase cards, travel cards, and centrally-billed accounts.

The Charge Card Act also requires agency Inspectors General to (1) conduct periodic risk assessments of agency charge card programs to analyze the risks of illegal, improper, or erroneous purchases; and (2) submit an annual purchase and travel card audit recommendation status report to the OMB for compilation and transmission to Congress and the Government Accountability Office. Due to this new mandate and fact that the NEH OIG last reviewed the NEH purchase card program approximately ten years ago, an inspection of the NEH Government Charge Card and Travel Card programs was initiated. The results of this inspection will establish a baseline for the required risk assessments that must be performed by the OIG (as least annually) moving forward.

# AUDIT AND REVIEW ACTIVITIES

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## WORK IN PROGRESS (as of September 30, 2013) [con't.]

### Inspection ~ Federal Information Security Management Act (FISMA) — Fiscal Year 2013

The Federal Information Security Management Act of 2002 (FISMA) requires each agency to develop, document, and implement an agency-wide information security program. Each year, the OIG conducts an independent evaluation of the NEH information security program, pursuant to the requirements of FISMA.

### Limited Audit ~ Eastern Michigan University

The principal objectives of this limited audit are to determine (1) whether grant expenditures related to NEH grant PD-50002-06 were made in accordance with applicable provisions of the *Documenting Endangered Languages (DEL) Program* guidance, NEH's *General Terms and Conditions for Awards to Organizations*, and the specific terms of the grant award; (2) the underlying reasons that led to a reduction in the scope of the project and the delinquent filing of the final financial and performance reports; and (3) whether proper controls over use of the Federal funds exist in accordance with minimum standards prescribed by OMB Circulars A-110 (2 CFR Part 215) and A-21 (2 CFR Part 220).

### Limited Audit ~ Film Forum, Inc.

The principal objectives of this limited audit are to determine that (1) grant expenditures related to NEH grant TR-50071-09 were made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations*, and the specific terms of the grant award; (2) Film Forum, Inc. properly implemented a comprehensive subrecipient monitoring program; and (3) proper controls over use of Federal funds exist in accordance with minimum standards prescribed by OMB Circulars A-110 (2 CFR Part 215) and A-122 (2 CFR Part 230).

### Desk Review ~ Georgia Humanities Council

The objectives of the desk review are to: (1) determine whether the grantee's single audit report for fiscal year ended October 31, 2012 is acceptable based on the reporting requirements of OMB Circular A-133; (2) identify any quality issues that may warrant follow-up work and/or revisions to the audit report; and (3) identify issues that may require the attention of NEH management.

# **INVESTIGATIVE ACTIVITIES**

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## **BACKGROUND**

The Inspector General Act of 1978, as amended, provides the authority for the Office of Inspector General to investigate possible violations of criminal or civil laws, administrative regulations, and agency policies that impact the programs and operations of the NEH. In the past, we have obtained assistance from other OIGs, the Federal Bureau of Investigation (FBI), the Postal Inspection Service, and other investigative entities.

Over the years, the OIG has received allegations via the OIG Hotline and did not have sufficient resources to initiate an investigation. Therefore, to address this 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, depending on the availability of their staff. However, this assistance would be for criminal cases only and we have no guarantee that the OIGs would have staff available when needed.

During this reporting period, we engaged in a joint investigative effort with the National Science Foundation — Office of Inspector General (NSF OIG). The NSF OIG is leading the investigation. There are no other matters currently being investigated by the NEH OIG.

## **MATTERS REFERRED TO PROSECUTIVE AUTHORITIES**

No matters were referred to the U.S. Department of Justice during this reporting period.

## **HOTLINE ACTIVITIES**

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We maintain a toll-free Hotline number and an agency e-mail address to provide additional confidentiality for individuals bringing matters to the attention of the OIG. We have also developed an interactive, web-based template to facilitate the submission of complaints to the OIG. The complaint template is accessible via the OIG homepage, ([www.nih.gov/about/oig](http://www.nih.gov/about/oig)). The toll-free Hotline number, facsimile, web-based complaint form, e-mail address, and regular mail are efficient and effective means for NIH employees, NIH grantees and contractors, and the general public to submit allegations of fraud, waste, abuse, mismanagement, and misconduct concerning NIH programs/operations to the OIG.

When the OIG receives a complaint or allegation of a criminal or administrative violation, a preliminary inquiry is conducted to determine the appropriate action to take. This decision could result in the initiation of an investigation or an audit; referral to an NIH office/division or another Federal agency; or no further action. When we determine that a matter represents a criminal violation, we will seek assistance from the Federal Bureau of Investigations (FBI), another Federal Inspector General, or the United States Department of Justice.

As of the beginning of this reporting period, disposition of matters presented by three hotline contacts was open, pending the conclusion of the preliminary inquiry phase. Upon conclusion of the inquiry phase, we determined that no further action was necessary concerning each of the three matters. Three hotline contacts were received during the reporting period, of which one resulted in the initiation of a joint investigation and two were determined to lack merit. There are no hotline contacts open as of the end of the reporting period.

### **SUMMARY OF HOTLINE ACTIVITY**

Open at beginning of period	3
Matters brought to the OIG during the reporting period	3
Total Hotline Contacts	6
Closed, referred, or no action deemed necessary during the reporting period	6
Open at end of period	0

# OTHER ACTIVITIES

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## 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 to assess whether proposed legislation and/or regulations (1) affect the economy and efficiency of agency programs and operations; and (2) contain adequate internal controls to prevent and detect fraud and abuse.

During this reporting period, OIG staff continued participation in the efforts of the CIGIE Grant Reform Working Group (GRWG). This working group was organized to review the Advanced Notice of Proposed Guidance published in the Federal Register on February 28, 2012 by the Office of Management and Budget (OMB) entitled, *Reform of Federal Policies Relating to Grants and Cooperative Agreements; Cost Principles and Administrative Requirements (Including Single Audit Act)*, and to develop comments for consideration by the OMB. On February 1, 2013, OMB published proposed guidance in the Federal Register entitled, *Proposed OMB Uniform Guidance: Cost Principles, Audit, and Administrative Requirements for Federal Awards*. The GRWG submitted final comments in response to the proposed guidance in June 2013.

OIG staff also participated in the National Single Audit Coordinators' (NSAC) review of proposed changes to the approved information form (SF-SAC) that is used to report audit results, audit findings, and questioned costs as required by the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, (notice published in the Federal Register on May 9, 2013). The NSAC group submitted comments to the OMB in response to the proposed changes in July 2013 and August 2013.

## WORKING WITH THE AGENCY

OIG staff attended various NEH meetings – panel meetings (where grant applications are reviewed by outside consultants), meetings of the National Council on the Humanities, and monthly senior staff meetings. OIG staff occasionally contribute to the discussions, but the OIG does not participate in policymaking.

OIG staff also delivered a presentation about the mission, responsibilities, and activities of the NEH Office of Inspector General during an orientation meeting convened by the NEH Federal/State Partnership office in May 2013 for new executive directors of state humanities councils.

## PARTICIPATION ON THE COUNCIL OF 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 Inspectors General on Integrity and Efficiency (CIGIE). The 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 (Designated Federal Entities).

During the reporting period ended September 30, 2013, the IG regularly attended monthly CIGIE meetings (and provided responses to various CIGIE inquiries), bi-monthly meetings of the Federal Audit Executive Council (FAEC), and bi-monthly meetings of the CIGIE sub-group representing the “Smaller OIGs”. The Inspector General also attended the annual CIGIE Conference held in May 2013 and the annual FAEC Conference held in September 2013. The Inspector General and a senior auditor participated in the Single Audit Roundtable held in May 2013.

## **OTHER ACTIVITIES**

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### **OIG INTERNET**

OIG audit/review reports and semiannual reports are posted on the internet. The reports are accessible through the OIG homepage on the NEH website ([www.neh.gov/about/oig](http://www.neh.gov/about/oig)).

To promote NEH staff awareness and understanding of the OIG mission and responsibilities, we provide hyperlinks to several other Federal agencies such as the Office of Management and Budget, the Government Accountability Office, the Office of Government Ethics, and the Council of Inspectors General on Integrity and Efficiency website (IGNET).

### **TECHNICAL ASSISTANCE**

Throughout this reporting period, OIG staff provided technical help to NEH staff, grantees, and independent public accountants about various non-profit accounting and compliance-related matters. We are generally consulted about matters related to implementation of the audit requirements of OMB Circular A-133.

### **“AUDIT READINESS” AWARENESS CAMPAIGN**

The OIG executes an “Audit Readiness” awareness campaign via e-mail, consistent with the NEH grant award cycles. The objective of the campaign is to proactively promote accountability and to disseminate guidance that would assist recipients of NEH grants in their efforts to preclude unfavorable outcomes should the organizations’ NEH grants be selected for audit. The e-mail communication emphasizes the value of each recipient’s understanding of the specific NEH grant terms and conditions 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 OMB circulars and the terms and conditions of the NEH grant awards. Highlighted in the communications are specific areas wherein problems are commonly found during audits of NEH grantees and hyperlinks to appropriate guidance materials and resources. We also discuss the importance of effective internal controls. The e-mail communications are sent directly to project directors and grant administrators identified for all non-profit awardees.

During the reporting period ended September 30, 2013, e-mail communications were sent as noted below. We have reasonable assurance that all of the awardees received a copy of the communication.

<b>NEH Office or Division</b>	<b>Number of Awardees</b>	<b>Total Value of Awards</b>
Division of Public Programs	33	\$6,428,700
Division of Preservation and Access	33	\$5,443,647
Division of Education Programs	20	\$3,432,894
Division of Research Programs	14	\$3,029,625
Office of Digital Humanities	8	\$1,211,056
Office of Challenge Grants	3	\$1,100,000

# 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 Reports Issued.....	3
Section 5(a)(7)	Summary of Reports Issued.....	4-6
Section 5(a)(8)	Audit Reports - Questioned Costs.....	13
Section 5(a)(9)	Audit Report - Funds To Be Put to Better Use.....	13
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.....	*
Section 5(a)(14-16)	Peer Review Results.....	Appendix A

\* 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 -	\$ 63,868	\$ - 0 -
<b>Subtotals (A+B)</b>	- 1 -	\$ 63,868	\$ - 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.	- 1 -	\$ 63,868	\$ - 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**

	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 -
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 -



## 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).

## APPENDIX A

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### 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 30, 2013, the Federal Elections Commission Office of Inspector General (FEC OIG) issued a System Review Report on the audit organization of the NEH OIG in effect for the year ended March 31, 2013. The FEC 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 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 with deficiency*.

**(15) Outstanding Recommendations from any Peer Review of the NEH OIG.** There are no outstanding recommendations from any peer review of the NEH OIG conducted by another Office of Inspector General that have not been fully implemented.

**(16) Peer Review Conducted by the NEH OIG.** On January 27, 2011, the NEH OIG issued a System Review Report on the United States Capitol Police (USCP) Office of Inspector General audit organization in effect for the year ended September 30, 2010. We found that the system of quality control for the audit organization of the USCP OIG had been suitably designed and complied with to provide USCP OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The USCP OIG received a peer review rating of *pass*.

The NEH OIG is scheduled to conduct a peer review of the audit organization of the Peace Corps Office of Inspector General for the year ended September 30, 2013.