



Office of Inspector General

SEMIANNUAL REPORT TO CONGRESS

For the Period October 1, 2015 through March 31, 2016

Report No. 54

**“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

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, 2015 through March 31, 2016. OIG activities completed during this reporting period addressed NEH grantee operations/compliance, including oversight of non-Federal audits of NEH grantees. We also continued our monitoring of the activities of Leon Snead & Company, P.C., independent auditors engaged to conduct the audit of the NEH financial statements for fiscal year ending September 30, 2015.

During this reporting period, the NEH-OIG experienced 100 percent turnover in the audit staff, which effected a challenge concerning the allocation of effort expended by the Inspector General for recruiting/onboarding and other mission-related activities of the office. Nonetheless, we completed and issued a limited audit report concerning the recipient of an NEH challenge grant and completed desk reviews of Single Audit reports issued by non-Federal auditors for four state humanities councils. We have several audits and inspections in process as of the end of this reporting period, the results of which we anticipate including in our semiannual report for the period ending September 30, 2016.

We engaged the services of Leon Snead & Company, P.C. (the “IPA”) to conduct the audit of the NEH financial statements for fiscal year ending September 30, 2015, as required by the *Accountability of Tax Dollars Act of 2002*. During this reporting period, we continued to monitor the work of the auditors and we completed a final review of the audit working papers and draft report to ensure compliance with applicable Federal requirements. The NEH received an unmodified opinion on the audited financial statements as of and for the years ended September 30, 2015 and 2014. No material internal control deficiencies or instances of noncompliance with applicable laws and regulations were reported by the IPA.

We received 108 Hotline complaints during this reporting period, none of which remain open as of the end of the reporting period. The majority of the complaints received during this reporting period were made by individuals affected by an internet scam purporting to represent an NEH financial assistance program, (105 complaints). No investigations were initiated by the NEH-OIG during this reporting period.

NEH-OIG staff participated in several activities within the Federal accountability community to include a Single Audit Roundtable, (which involves audit and accountability representatives from the non-Federal audit community, and representatives from Federal and State government communities). We also engaged in outreach activities to promote awareness of the mission and responsibilities of the NEH-OIG and to promote compliance with administrative requirements applicable to Federal grant awards.

The NEH-OIG will continue to enhance and strengthen our capability to perform effective independent oversight and to foster mutually beneficial working relationships with NEH leadership and management, the 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 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 NEH recently launched an initiative entitled, *The Common Good*. This initiative is designed to demonstrate the critical role humanities scholarship can play in our public life. Through NEH's traditional grant-making programs and several special initiatives, *The Common Good* will encourage humanities scholars to turn their attention to topics that have widespread resonance with the American people and that lend themselves to the methods and concerns of the humanities.

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 Inspector General is also responsible for keeping the Head of the Agency 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 United States 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 audits, reviews, and inspections. External activities 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 activities consist of audits, inspections, and reviews/evaluations of NEH administrative and program-related activities, inclusive of the NEH information security program. The NEH-OIG is also responsible for monitoring the work of the independent public accountant (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 requirements.

Below is a list of reports issued or transmitted by the NEH-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 on page 14].

	<u>Report Number</u>	<u>Date Issued</u>
<u>FINANCIAL STATEMENT AUDIT</u>		
Final Report NEH Financial Statement Audit ~ FY 2015	N/A (Outsourced)	11/10/2015
<u>EXTERNAL AUDIT</u>		
Limited Audit — Harvard University	OIG-16-01 (EA)	02/22/2016
<u>DESK REVIEWS</u>		
Desk Review of the Single Audit Report for Year Ended October 31, 2014 — Humanities Nebraska	OIG-16-01 (DR)	02/01/2016
Desk Review of the Single Audit Report for Year Ended October 31, 2014 — Humanities Montana	OIG-16-02 (DR)	02/29/2016
Desk Review of the Single Audit Report for Year Ended October 31, 2014 — Arizona Humanities Council	OIG-16-03 (DR)	03/22/2016
Desk Review of the Single Audit Report for Year Ended October 31, 2014 — Hawaii Council for the Humanities	OIG-16-04 (DR)	03/29/2016
<u>SINGLE AUDIT ACT REVIEWS</u>		
OMB Circular A-133 Reports	— See Page 5 —	

AUDIT AND REVIEW ACTIVITIES

SUMMARY OF REPORTS ISSUED

FINANCIAL STATEMENT AUDIT

Final Report NEH Financial Statement Audit ~ Fiscal Year 2015 November 10, 2015

The Office of Inspector General (OIG) engaged Leon Snead & Company, P.C., (the “IPA”) to perform the annual audit of the NEH financial statements, as required by the Accountability of Tax Dollars Act of 2002. The OIG was responsible for (1) evaluating the qualifications and independence of the auditors; (2) reviewing the audit approach and planning; (3) monitoring the work of the auditors; (4) examining audit workpapers and the draft report to ensure compliance with *Government Auditing Standards*, OMB Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*, and the *Financial Audit Manual*, issued jointly by the Government Accountability Office (GAO) and the President’s Council on Integrity and Efficiency (PCIE); and (5) executing other procedures deemed necessary to oversee the audit.

The IPA issued an unmodified opinion on the NEH financial statements as of and for the years ended September 30, 2015 and 2014. The IPA’s testing of internal control did not identify any material weaknesses in financial reporting and the results of the IPA’s tests of compliance with certain provisions of laws and regulations disclosed no instances of noncompliance required to be reported under *Government Auditing Standards* and OMB Bulletin 15-02. The IPA also reported that the prior year finding concerning the allotment of NEH administrative funds in excess of the amount approved for spending by the OMB was resolved as of September 30, 2015. There are no prior year unresolved findings.

EXTERNAL AUDIT

Limited Audit — Harvard University February 22, 2016; OIG-16-01 (EA)

We completed a limited audit of Harvard University (the “University”) records as they relate to NEH grant CZ-50178-08. This challenge grant award was intended to provide bridging funds for the first three years of the University’s *American Republic Initiative* and to support the creation of a permanent endowment. To receive the full NEH offer of \$875,000, the University was required to raise \$2,625,000 in non-Federal matching gifts. According to the final reports submitted by the University (financial and performance), the entity failed to satisfy the matching requirement due to challenges posed by the downturn in the US economy. In aggregate, \$316,992 of the NEH funds advanced to the University (\$375,000) were expended as bridging funds or invested in the related endowment fund, in accordance with the NEH-approved challenge grant budget.

The principal objectives of the limited audit were to determine whether (1) the matching gifts certified by the University meet the challenge grant eligibility requirements; and (2) grant expenditures comply with the applicable NEH grant management publications, guidelines issued by the NEH Office of Challenge Grants, and the terms of the approved grant budget.

AUDIT AND REVIEW ACTIVITIES

EXTERNAL AUDIT (con't.)

Limited Audit — Harvard University (con't.) February 22, 2016; OIG-16-01 (EA)

Our limited audit identified questioned costs totaling \$58,008, which represent unexpended challenge grant funds advanced to the University. We also noted the University's departure from current NEH guidelines concerning the administration of fellowship awards associated with challenge grants. The University has implemented the necessary corrective action to address our finding and has returned the \$58,008 in questioned costs.

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 this reporting period, we issued letters to governance officials for four state humanities councils, communicating the results of our desk reviews of audit reports issued in accordance with OMB Circular A-133. 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 review (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* (2015 Edition), issued by the Council of Inspectors General on Integrity and Efficiency (CIGIE), to determine if the reports are in conformance with the core reporting requirements stipulated by OMB Circular A-133. Audit reports receiving a "Fail" rating require corrective action.

We determined that the four reports reviewed were "Acceptable".

SINGLE AUDIT ACT REVIEWS

We receive communications from other Federal agencies regarding Single Audit findings and desk review results, (primarily the National Science Foundation OIG) and we routinely perform queries of the Federal Audit Clearinghouse to determine the reporting of single audit findings applicable to NEH programs. We occasionally receive Single Audit reports directly from NEH grantees.

During the six-month period ending March 31, 2016, we reviewed 6 OMB Circular A-133 audit report communications. No findings were noted that affected NEH programs.

AUDIT AND REVIEW ACTIVITIES

WORK IN PROGRESS (as of March 31, 2016)

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.

Limited Audit ~ Northeast Document Conservation Center

The principal objectives of this limited audit are to determine whether (1) expenditures related to NEH grant PE-50058-11 were made in accordance with applicable provisions of NEH’s *General Terms and Conditions for Awards to Organizations*, and the terms of the approved grant award; and (2) proper controls over the administration of Federal awards exist in accordance with minimum standards prescribed in OMB Circulars A-110 (2 CFR Part 215) and A-122 (2 CFR Part 230).

Limited Audit ~ Catticus Corporation

The principal objectives of this limited audit are to determine whether (1) expenditures related to NEH grant TR-50158-10 were made in accordance with applicable provisions of NEH’s *General Terms and Conditions for Awards to Organizations*, and the terms of the approved grant award; (2) Catticus Corporation properly implemented a comprehensive subrecipient monitoring program; and (3) proper controls over the use of 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).

Limited Audit ~ Wright on the Park, Inc.

The principal objectives of this limited audit are to determine whether (1) expenditures related to NEH grant BH-50497-12 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; and (2) proper controls over use of Federal awards exist in accordance with minimum standards prescribed in OMB Circulars A-110 (2 CFR Part 215) and A-122 (2 CFR Part 230).

AUDIT AND REVIEW ACTIVITIES

WORK IN PROGRESS (as of March 31, 2016) [con't.]

Limited Audit ~ Massachusetts Institute of Technology

The principal objectives of this limited audit are to determine whether (1) expenditures related to NEH grant GI-50353-11 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; and (2) proper controls over the administration of Federal awards exist in accordance with minimum standards prescribed in OMB Circulars A-110 (2 CFR Part 215) and A-21 (2 CFR Part 220).

Limited Audit ~ State Historical Society of Missouri

The principal objectives of this limited audit are to determine whether (1) expenditures related to NEH grant PJ-50037-08 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; and (2) proper controls over the administration of Federal awards exist in accordance with minimum standards prescribed in OMB Circulars A-110 (2 CFR Part 215) and A-122 (2 CFR Part 230).

Limited Audit ~ Community College Humanities Association

The principal objectives of this limited audit are to determine whether (1) expenditures related to NEH grants EH-50302-12, EH-50306-12, EH-50356-13, and cooperative agreement ME-50010-12 were made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations*, and the specific terms of the respective awards; and (2) proper controls over the administration of Federal awards exist in accordance with minimum standards prescribed in OMB Circulars A-110 (2 CFR Part 215) and A-122 (2 CFR Part 230).

Limited Audit ~ International Documentary Foundation

The primary objectives of this limited audit are to determine whether (1) expenditures related to NEH grant TW-50296-13 were made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations* (and its Addendum), and the terms of the approved grant award; and (2) proper controls over the administration of Federal awards exist in accordance with minimum standards prescribed in OMB Circulars A-110 (2 CFR Part 215) and A-122 (2 CFR Part 230).

Limited Audit ~ Pacific Symphony

The primary objectives of this limited audit are to determine whether (1) expenditures related to NEH grant GI-50294-11 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; and (2) proper controls over the administration of Federal awards exist in accordance with minimum standards prescribed in OMB Circulars A-110 (2 CFR Part 215) and A-122 (2 CFR Part 230).

AUDIT AND REVIEW ACTIVITIES

WORK IN PROGRESS (as of March 31, 2016)

Inspection ~ NEH Grant Close-out Process

The objectives of this inspection are to (1) assess the efficiency and effectiveness of NEH's grant close-out procedures; and (2) identify improvements to further enhance the process.

Inspection ~ Federal Information Security management Act (FISMA) — Fiscal Year 2015

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.

TERMINATED AUDIT

Limited Audit ~ Dickinson State University Foundation

We initiated a limited audit of Dickinson State University Foundation (the "Foundation") records as they relate to NEH grant CH-50692-10. This challenge grant award was intended to support the creation of an endowment for a chair in Theodore Roosevelt studies and to fund library and artifact acquisitions to complement the web-based collections maintained by Dickinson State University's Theodore Roosevelt Center. To receive the full NEH offer of \$500,000, the Foundation was required to raise \$1,500,000 in non-Federal matching gifts.

The principal objectives of our limited audit were to determine whether (1) the gifts certified by the Foundation meet the challenge grant eligibility requirements; (2) grant expenditures were made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations*, and the terms of the approved grant budget; and (3) effective controls are in place to ensure the restricted funds (Federal and non-Federal) are administered in accordance with the terms of the challenge grant award.

During the planning phase of the limited audit, we learned that the Foundation had been placed into Receivership at the request of the North Dakota Attorney General. This action was prompted by significant accounting irregularities, qualified audit opinions, abrupt resignations by senior management, and allegations that restricted funds were improperly spent to cover the Foundation's general operating costs. The Court-appointed Receiver engaged and retained a CPA firm to assist in rendering an appropriate accounting of the business affairs and activities of the Foundation. We elected to defer further audit planning pending the results/outcome of the Receiver's activities.

In light of legal developments resulting from the Receiver's activities (i.e., Court-ordered dissolution of the Foundation), we terminated our limited audit and issued a recommendation that NEH management take action to effect recovery of challenge grant funds disbursed to the Foundation, as deemed appropriate.

INVESTIGATIVE ACTIVITIES

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, in order to fulfill this mandate, 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 NEH-OIG has received allegations via the OIG Hotline and did not have sufficient resources to initiate an investigation. 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 investigative staff would be available when needed.

INVESTIGATIVE ACTIVITIES

No new investigations were initiated by the NEH-OIG during this reporting period.

MATTERS REFERRED TO PROSECUTIVE AUTHORITIES

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

HOTLINE ACTIVITIES

We maintain a toll-free Hotline number and a dedicated Agency e-mail address to provide additional confidentiality for individuals bringing matters to the attention of the NEH-OIG. We also have an interactive, web-based template to facilitate the submission of complaints to the NEH-OIG. The complaint template is accessible via the OIG homepage, (www.neh.gov/about/oig). The toll-free Hotline number, facsimile, web-based complaint form, e-mail address, and ground mail services are efficient and effective means for NEH employees, NEH grantees and contractors, and the general public to communicate 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, 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 NEH office/division or another Federal agency; or no further action. Upon determining that a matter represents a criminal violation, we seek assistance from the Federal Bureau of Investigations (FBI), another Federal Inspector General, or the United States Department of Justice.

There were no Hotline matters open as of the beginning of the reporting period. We received 108 Hotline contacts during the reporting period — one complaint concerned the “Grantee Communications Toolkit” posted on the NEH website; one complaint concerned the propriety of planned NEH personnel actions, the propriety of the NEH Chairman’s travel, and other NEH budget-related issues; one complaint concerned stipend funds allegedly owed to the contact; and 105 contacts concerned an internet scam (via Facebook) purporting to represent an NEH financial assistance program. There were no Hotline contacts open as of March 31, 2016.

SUMMARY OF HOTLINE ACTIVITY

Open at beginning of period	0
Matters brought to the OIG during the reporting period	108
Total Hotline Contacts	108
Closed, referred, or no action deemed necessary during the reporting period	108
Open at end of period	0

OTHER ACTIVITIES

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.

No legislative reviews were required for the NEH during this reporting period.

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.

The Inspector General presented information about the mission, responsibilities, and activities of the NEH Office of Inspector General during a Project Directors’ meeting convened by the NEH Division of Education (*NEH Humanities Initiatives at Historically Black Colleges and Universities, Hispanic-Serving Institutions, and Tribal Colleges and Universities*). The meeting was held in February 2016.

The Inspector General also participated with the NEH Chairman, program staff, and grant management staff in the 2015 National Humanities Conference sponsored by the Federation of State Humanities Councils. The Inspector General moderated a conference session wherein accountability and compliance topics applicable to state council organizations were discussed, (inclusive of OMB Uniform Guidance updates). The session was attended by Council Board members, executive directors, and Council staff charged with financial management responsibilities.

PARTICIPATION ON THE COUNCIL OF THE 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 the 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 ending March 31, 2016, the Inspector General regularly attended monthly CIGIE meetings (and provided responses to various CIGIE inquiries) and meetings of the CIGIE sub-group representing the “Smaller OIGs”.

PARTICIPATION IN OTHER ACTIVITIES WITHIN THE FEDERAL ACCOUNTABILITY COMMUNITY

The Inspector General participated in the Single Audit Roundtable held in October 2015. The Single Audit Roundtable involves audit and accountability representatives from the non-Federal audit community, and Federal and State government communities.

The Inspector General also participated in the National Single Audit Coordinator (NSAC) review of Federal Register Notice 2015-30986 concerning the new Form SF-SAC. Form SF-SAC is used to report audit results, audit findings, and questioned costs as required by the Single Audit Act Amendments of 1996 and 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The Inspector General contributed to the NSAC consolidated response to OMB through a comment that would enhance the collection of data pertaining to NEH, NEA, and IMLS programs.

OTHER ACTIVITIES

OIG INTERNET

OIG audit 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).

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 the 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 Federal audit requirements.

“AUDIT READINESS” AWARENESS CAMPAIGN

The NEH-OIG executes an email-based “Audit Readiness” awareness campaign, that corresponds with NEH grant award cycles. The objective of the campaign is to proactively promote accountability and to disseminate guidance that would assist NEH 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 NEH terms and conditions specific to their 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 appropriate OMB circulars and the terms and conditions of the NEH grant awards. Highlighted in the communications are specific areas wherein problems are commonly identified during audits of NEH grant recipients and hyperlinks to appropriate guidance materials and resources. We also discuss the importance of effective internal control. The email communications are sent directly to project directors and grant administrators identified for all non-profit awardees.

During the reporting period ending March 31, 2016, email communications were sent as noted below. We have reasonable assurance that all of the awardees received a copy of the communication.

NEH Office or Division	Number of Awardees	Total Value of Awards/ Offers
Office of Challenge Grants	15	\$6,830,000
Division of Public Programs	31	\$4,903,506
Division of Preservation and Access	53	\$3,571,811
Division of Education Programs	10	\$1,229,498
Office of Digital Humanities	4	\$375,671

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.....	*
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.....	*
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 - 5
Section 5(a)(8)	Audit Reports - Questioned Costs.....	14
Section 5(a)(9)	Audit Report - Funds To Be Put to Better Use.....	*
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 -	\$ 58,008	\$ - 0 -
Subtotals (A+B)	- 1 -	\$ 58,008	\$ - 0 -
C. For which a management decision was made during the reporting period.			
i. Dollar value of disallowed costs.	- 1 -	\$ 58,008	\$ - 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**

	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 -

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, such 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, such 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 such 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 5(f) of the Inspector General Act of 1978, as amended (through Pub. L. 113-126, enacted July 7, 2014).

APPENDIX A

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. The FEC-OIG recommended that the NEH should adhere to the requirements specified in the IG Act, as amended by Dodd-Frank, which stipulates that the NEH IG shall report only to the National Council on the Humanities. Corrective action has been fully implemented in response to this recommendation. There are no other 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 March 27, 2014, the NEH-OIG issued a System Review Report on the Peace Corps (PC) Office of Inspector General audit organization in effect for the year ended September 30, 2013. We found that the system of quality control for the audit organization of the PC-OIG had been suitably designed and complied with to provide PC-OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The PC-OIG received a peer review rating of *pass*.