



Office of Inspector General

SEMIANNUAL REPORT TO CONGRESS

For the Period April 1, 2015 through September 30, 2015

Report No. 53

**“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

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TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	1
THE NATIONAL ENDOWMENT FOR THE HUMANITIES.....	2
THE OFFICE OF INSPECTOR GENERAL.....	2
AUDIT AND REVIEW ACTIVITIES.....	3
INVESTIGATIVE ACTIVITIES.....	12
HOTLINE ACTIVITIES.....	13
OTHER ACTIVITIES.....	14
TABLE I - REPORTING REQUIREMENTS.....	16
TABLE II - INSPECTOR GENERAL-ISSUED REPORTS..... WITH QUESTIONED COSTS	17
TABLE III - INSPECTOR GENERAL-ISSUED REPORTS WITH..... RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE	17
GLOSSARY OF AUDIT TERMINOLOGY.....	18
PEER REVIEW RESULTS.....	Appendix A

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 April 1, 2015 through September 30, 2015. OIG activities completed during this reporting period addressed Agency operations and grantee operations/compliance, including oversight of non-Federal audits of NEH grantees. We also monitored the independent auditors engaged to conduct the annual audit of the NEH financial statements for fiscal year ending September 30, 2015.

During this reporting period, we issued an inspection report concerning the NEH information security program and practices in effect for FY 2014, pursuant to the *Federal Information Security Management Act of 2002* (FISMA) and we reported on the Agency's compliance with the *Improper Payments Elimination and Recovery Act of 2010* for FY 2014. We also completed and issued limited audit reports concerning two NEH grantees, completed desk reviews of Single Audit reports issued by non-Federal auditors for five NEH grantees, and completed a quality control review of workpapers supporting Single Audit reports concerning a state humanities council. As of the end of this reporting period, we have several audits and inspections in process, the results of which we anticipate including in our semiannual report for the period ending March 31, 2016.

The OIG 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, 2015, as required by the *Accountability of Tax Dollars Act of 2002*. During this reporting period, we monitored the planning and interim testing activities of the independent auditors to ensure compliance with applicable requirements.

We received fifty Hotline complaints during this reporting period, none of which remain open as of the end of the reporting period. No investigations were initiated by the NEH-OIG during this reporting period.

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 Federal and State government communities). We also engaged in outreach activities to promote awareness of 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 Chairman and Congress fully and currently informed of problems and deficiencies concerning NEH programs and operations.

The OIG staff currently consists of the Inspector General and three 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 OIG to be provided legal services. Investigations are handled by the Inspector General.

AUDIT AND REVIEW ACTIVITIES

LIST OF REPORTS ISSUED

The 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 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 on page 17].

INTERNAL REVIEW

	<u>Report Number</u>	<u>Date Issued</u>
National Endowment for the Humanities' Compliance with the <i>Improper Payments Elimination and Recovery Act of 2010</i> — Fiscal Year 2014	OIG-15-02 (IR)	05/15/2015

INSPECTION

Federal Information Security Management Act (FISMA) Reporting Document: Inspector General Section — Fiscal Year 2014	OIG-15-03 (I)	08/24/2015
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EXTERNAL AUDITS

Limited Audit — University of Chicago	OIG-15-01 (EA)	07/14/2015
Limited Audit — Fundación Puertorriqueña de las Humanidades	OIG-15-02 (EA)	09/17/2015

DESK REVIEWS

Desk Review of the Single Audit Report for Year Ended October 31, 2014 — New York Council for the Humanities	OIG-15-06 (DR)	05/08/2015
Desk Review of the Single Audit Report for Year Ended October 31, 2014 — North Carolina Humanities Council	OIG-15-07 (DR)	06/03/2015
Desk Review of the Single Audit Report for Year Ended October 31, 2014 — Kansas Humanities Council	OIG-15-08 (DR)	06/19/2015
Desk Review of the Single Audit Report for Year Ended October 31, 2014 — Louisiana Endowment for the Humanities at Turners' Hall	OIG-15-09 (DR)	06/25/2015
Desk Review of the Single Audit Report for Year Ended October 31, 2014 — Maryland Humanities Council	OIG-15-10 (DR)	07/01/2015

AUDIT AND REVIEW ACTIVITIES

LIST OF REPORTS ISSUED

	<u>Report Number</u>	<u>Date Issued</u>
<u>QUALITY CONTROL REVIEW</u>		
Quality Control Review of Barbacane, Thornton & Company LLP — Single Audits of the Delaware Humanities Forum (FY 2010 - FY 2012)	OIG-15-01 (QCR)	05/22/2015
<u>ACCOUNTING SYSTEM SURVEY</u>		
Pre-award Survey — Heard Museum	OIG-15-01 (TS)	09/04/2015
Pre-award Survey — Japanese American Citizens League	OIG-15-02 (TS)	09/09/2015
<u>SINGLE AUDIT ACT REVIEWS</u>		
OMB Circular A-133 Reports	— See Page 9 —	

AUDIT AND REVIEW ACTIVITIES

SUMMARY OF REPORTS ISSUED

INTERNAL REVIEW

National Endowment for the Humanities' Compliance with the *Improper Payments Elimination and Recovery Act of 2010* — Fiscal Year 2014 May 15, 2015; OIG-15-02 (IR)

The *Improper Payments Elimination and Recovery Act of 2010* (IPERA) requires the head of each agency to periodically review and identify all programs and activities it administers that may be susceptible to significant improper payments, based on guidance provided by the Director of the Office of Management and Budget (OMB). For each program and activity identified, the agency is required to produce a statistically valid estimate of the improper payments and include such estimates in the accompanying materials to the annual financial statements of the agency. The agency is further required under IPERA to prepare a report on actions taken to reduce improper payments for programs or activities with significant improper payments. With respect to improper payments identified in recovery audits required by IPERA, the agency must report on all actions taken to recover improper payments.

Additional guidance issued by the OMB specifies that each agency's Inspector General should review improper payment reporting in the agency's annual Performance and Accountability Report (PAR) or Annual Financial Report (AFR), and accompanying materials, to determine whether the agency complied with IPERA.

The OIG determined that the NEH was substantially compliant with the IPERA concerning fiscal year 2014. Specifically:

- ◆ The Agency published a PAR for fiscal year 2014 and posted the report and accompanying materials required by OMB on the NEH website.
- ◆ NEH management conducted a risk assessment for improper payments that was generally consistent with the steps outlined in the revised OMB Circular A-123, Appendix C, Part I. However, the risk assessment did not include payments made to Federal employees. The *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA) amended the definition of "payment" to **include** payments made to Federal employees, in addition to payments made to non-Federal persons or entities. Therefore, beginning in FY 2014, agencies were required to include payments made to employees (including salary, locality pay, travel pay, and other payments to Federal employees) in the risk assessments. We determined that the volume of payments to employees made annually by the NEH would not significantly impact the FY 2014 risk assessment and thereby concluded that the NEH was substantially compliant with improper payment legislation.
- ◆ Agency management randomly selected and reviewed a sample of individual grant payments related to the major NEH grant program during fiscal year 2014, which resulted in a sampling error rate of zero percent. This information was properly reported in the PAR.

Furthermore, nothing came to the attention of the OIG during fiscal year 2014 which would indicate the NEH is susceptible to significant improper payments.

AUDIT AND REVIEW ACTIVITIES

INSPECTION

Federal Information Security Management Act (FISMA) Reporting Document Inspector General Section — Fiscal Year 2014 August 24, 2015; OIG-15-03 (I)

We finalized the annual evaluation of NEH's information security program and practices pursuant to the *Federal Information Security Management Act of 2002* (FISMA) for fiscal year 2014. The Inspector General Section of the National Endowment for the Humanities' FY 2014 FISMA Report was transmitted to the Office of Management and Budget (OMB) on November 13, 2014 via the CyberScope web portal. During this reporting period, we issued a memorandum report to NEH management to summarize the results of the FY 2014 evaluation and discuss the status of the exceptions noted during our FY 2013 evaluation.

We determined that NEH's information security program and practices were generally consistent with FISMA requirements during FY 2014. However, we noted several areas that require management's attention based upon our responses to the FY 2014 Department of Homeland Security IG metrics, which were used to evaluate the Agency's compliance with FISMA. Efforts were still outstanding during FY 2014 related to Continuous Monitoring Management, Configuration Management, Homeland Security Presidential Initiative-12 (Logical Access), Contingency Planning, and Risk Management. An additional matter was noted during the FY 2014 evaluation concerning IT Security Training. While conducting the annual FISMA exercise, we also identified several matters that fell outside the scope of the specific FISMA questions posed of the Inspector General. In the spirit of full disclosure, comments were noted for NEH management's review concerning the performance of annual adverse event drills and contractor oversight.

EXTERNAL AUDITS

Limited Audit — University of Chicago July 14, 2015; OIG-15-01 (EA)

We completed a limited audit of University of Chicago (the "University") records as they relate to NEH grant PF-50089-10. According to the final Performance Report submitted by the University, the grant award supported rehousing of the Oriental Institute Museum's collection of ancient metal artifacts in modern, museum-quality cabinets. During the term of the grant, the metals collection of the Oriental Institute (11,028 objects) was surveyed, photographed, and rehousing in the Institute's climate-controlled metals room. The University submitted a final Federal Financial Report for the award certifying total Federal expenditures of \$306,507. The University also received and expended non-Federal contributions for this project totaling \$331,243.

The principal objectives of the limited audit were to determine whether (1) grant expenditures were made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations* (May 2009), and the terms of the approved grant award; and (2) proper controls over the use of Federal funds existed in accordance with minimum standards prescribed in OMB Circulars A-110, *Administrative Requirements for Non-Profit Organizations* (2 CFR Part 215) and A-21, *Cost Principles for Educational Institutions* (2 CFR Part 220). The limited audit was conducted in accordance with *Generally Accepted Government Auditing Standards* (GAGAS).

Our limited audit identified questioned costs totaling \$4,747, which represent charges to the NEH award for purchases intended to replenish supplies used during performance of the NEH-supported project. However, the University was unable to substantiate actual supplies used. We also found that NEH-required financial and performance reports were consistently submitted past the respective due dates. The University accepted our recommendation to address the late report submissions.

AUDIT AND REVIEW ACTIVITIES

EXTERNAL AUDITS (con't.)

Limited Audit — Fundación Puertorriqueña de las Humanidades September 17, 2015; OIG-15-02 (EA)

We completed a limited audit of the Fundación Puertorriqueña de las Humanidades (the “Council”) records as they relate to NEH grant BC-50554-10. According to the final Performance Report submitted by the Council, the proposed objective of the *Trails of Borinquen* project was accomplished and resulted in the production of a CD-ROM with information about the local history and culture of Puerto Rico’s municipalities. The Council submitted a final Federal Financial Report (FFR) for the award certifying total Federal expenditures of \$108,380.

The principal objectives of the limited audit were to determine whether (1) grant expenditures were made in accordance with applicable provisions of NEH’s *General Terms and Conditions for Awards*, and the terms of the approved grant award; and (2) proper controls over the use of Federal funds existed in accordance with minimum standards prescribed in OMB Circulars A-110, *Administrative Requirements for Non-Profit Organizations* (2 CFR Part 215) and A-122, *Cost Principles for Non-Profit Organizations* (2 CFR Part 230). The limited audit was conducted in accordance with *Generally Accepted Government Auditing Standards* (GAGAS).

Our limited audit identified questioned costs totaling \$6,810, which represent expenditures charged to the NEH award that do not directly support and/or relate to the purpose of the award. We also found that the Council (1) certified “Recipient Share of Expenditures” in the final FFR but did not specifically track cost-share activity related to the *Trails of Borinquen* project in their accounting records; and (2) submitted the final financial and performance reports past the respective due dates. The Council concurred with the OIG findings and recommendations.

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 five NEH grantees, 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* (2010 Edition/2015 Edition), issued by the Council of the 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 determined to be “Technically Deficient” or “Unacceptable” require corrective action.

We determined that two reports were “Acceptable” and three reports were “Acceptable with Deficiencies”.

AUDIT AND REVIEW ACTIVITIES

QUALITY CONTROL REVIEW

Quality Control Review of Barbacane, Thornton & Company LLP — Single Audits of the Delaware Humanities Forum May 22, 2015; OIG-15-01 (QCR)

We completed a quality control review of single audit reports issued by Barbacane, Thornton & Company (the “IPA”) concerning the Delaware Humanities Forum for three fiscal years ended October 31, 2010 through October 31, 2012. The objectives of the quality control review (QCR) were to (1) determine whether the audits were conducted in accordance with applicable standards, which include *Generally Accepted Government Auditing Standards* (GAGAS) and *Generally Accepted Auditing Standards* (GAAS), and met the requirements of OMB Circular A-133; (2) identify any follow-up work needed to support the opinions contained in the audit reports; and (3) identify issues that may require the attention of NEH program management. The QCR was conducted in accordance with the *Quality Standards for Inspection and Evaluation*, as issued by the Council of the Inspectors General on Integrity and Efficiency.

We concluded that the IPA generally met auditing standards and OMB Circular A-133 requirements. However, we identified several matters that warrant the attention of both the Council and the IPA. We also identified several potential questioned cost transactions for resolution by NEH management and noted the pending loss of single audit coverage as a result of the newly enacted *Uniform Guidance* for consideration by NEH management.

ACCOUNTING SYSTEM SURVEYS

Heard Museum Phoenix, AZ September 4, 2015; OIG-15-01 (TS)

We completed a pre-award survey of the Heard Museum (the “Museum”). 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.

We concluded that the accounting system, management controls, and administrative policies and procedures that have been and will be implemented by the Museum provide reasonable assurance that the organization will be able to sufficiently manage and account for NEH grant funds. We advised Museum management of several core compliance requirements that directly affect the NEH award. We recommended that NEH management monitor the Museum’s financial management practices and implementation of procedures related to the administration of consultant agreements, documentation of personnel expenses, and record retention to ensure complete accountability and compliance with Federal administrative requirements.

AUDIT AND REVIEW ACTIVITIES

ACCOUNTING SYSTEM SURVEYS (con't.)

**Japanese American Citizens League
San Francisco, CA
September 9, 2015; OIG-15-02 (TS)**

We completed a pre-award survey of the Japanese American Citizens League (the "JACL"). 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.

We concluded that the accounting system, management controls, and administrative policies and procedures that have been implemented by the JACL provide reasonable assurance that the organization will be able to sufficiently manage and account for NEH grant funds. We advised JACL management of several core compliance requirements that directly affect the NEH award. We recommended that NEH management monitor the JACL's financial management practices and implementation of procedures related to the organization's prior approval system, the administration of consultant agreements, cash management, and record retention to ensure complete accountability and compliance with Federal administrative requirements.

SINGLE AUDIT ACT REVIEWS

We periodically receive communications from other Federal agencies regarding Single Audit findings and desk review results, (primarily the Department of Health and Human Services OIG and 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 September 30, 2015, we reviewed 19 OMB Circular A-133 audit report communications. Six reports contained findings affecting NEH programs. We issued a memorandum to NEH management summarizing the independent auditor (IPA) findings, wherein we advised management to gain an understanding of the deficiencies reported by the IPAs and to follow-up with the grantees, as appropriate, [OIG-15-01 (CAA); dated June 17, 2015].

WORK IN PROGRESS (as of September 30, 2015)

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.

AUDIT AND REVIEW ACTIVITIES

WORK IN PROGRESS (as of September 30, 2015) [con't.]

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 ~ Harvard University

The principal objectives of this limited audit are to determine whether (1) the matching gifts certified by Harvard University related to NEH grant CZ-50178-08 meet the eligibility requirements; and (2) grant expenditures were made in accordance with the applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations*, guidelines issued by the NEH Office of Challenge Grants, and the terms of the approved grant budget.

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).

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).

AUDIT AND REVIEW ACTIVITIES

WORK IN PROGRESS (as of September 30, 2015) [con't.]

Limited Audit ~ Dickinson State University Foundation

The principal objectives of this limited audit are to determine whether (1) the gifts certified by the Foundation related to NEH challenge grant CH-50692-10 are eligible to release Federal matching funds; (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.

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).

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.

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, 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. 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 OIG. We also have an interactive, web-based template to facilitate the submission of complaints to the 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 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 50 Hotline contacts during the reporting period — one complaint concerned a non-profit organization’s practice of discrimination (based on sexual orientation); forty-eight contacts concerned an internet scam (via Facebook) purporting to represent an NEH financial assistance program; and one matter concerned another Federal agency. There were no Hotline contacts open as of September 30, 2015.

SUMMARY OF HOTLINE ACTIVITY

Open at beginning of period	0
Matters brought to the OIG during the reporting period	50
Total Hotline Contacts	50
Closed, referred, or no action deemed necessary during the reporting period	50
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.

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 provided information about the mission, responsibilities, and activities of the NEH Office of Inspector General that was presented during a Project Directors’ meeting convened by the NEH Office of Digital Humanities. The meeting was held in September 2015.

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 September 30, 2015, 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”. The Inspector General also attended the 2015 CIGIE Annual Conference held in May 2015.

PARTICIPATION IN OTHER ACTIVITIES WITHIN THE FEDERAL ACCOUNTABILITY COMMUNITY

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

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 the audit and reporting requirements of OMB Circular A-133.

“AUDIT READINESS” AWARENESS CAMPAIGN

The 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 found 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 September 30, 2015, 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
Division of Public Programs	30	\$8,388,243
Division of Preservation and Access	38	\$7,004,292
Division of Education Programs	28	\$4,716,229
Division of Research Programs	9	\$1,920,300
Office of Digital Humanities	2	\$59,908

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.....	14
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.....	12
Section 5(a)(5)	Instances Where Information Was Refused or Not Provided.....	*
Section 5(a)(6)	List of Reports Issued.....	3 - 4
Section 5(a)(7)	Summary of Reports Issued.....	5 - 9
Section 5(a)(8)	Audit Reports - Questioned Costs.....	17
Section 5(a)(9)	Audit Report - Funds To Be Put to Better Use.....	17
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.	- 2 -	\$ 11,557	\$ - 0 -
Subtotals (A+B)	- 2 -	\$ 11,557	\$ - 0 -
C. For which a management decision was made during the reporting period.			
i. Dollar value of disallowed costs.	- 2 -	\$ 11,557	\$ - 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).

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*.