



## NATIONAL ENDOWMENT FOR THE HUMANITIES

OFFICE OF INSPECTOR GENERAL

May 6, 2026

**Via FedEx**

Board of Trustees  
North Carolina Humanities  
320 East 9th Street, Suite 414  
Charlotte, NC 28202  
Attn: [REDACTED]

OIG Report Number: OIG-26-02 (DR)

Dear Board Members:

The National Endowment for the Humanities (NEH) Office of Inspector General (OIG) has completed a desk review of the single audit report prepared by Bernard Robinson & Company L.L.P. (the "IPA"), which includes the Federal assistance program administered by North Carolina Humanities (the "Council"), during the organization's fiscal year (FY) ended October 31, 2024. The independent auditors (IPA) previously furnished a copy of their audit report dated March 27, 2025, to the Council. The Federal Audit Clearinghouse accepted the single audit reporting package on June 4, 2025.

The IPA issued unmodified opinions<sup>1</sup> regarding the financial statements and compliance with Federal requirements. Furthermore, the IPA issued no written findings in conjunction with the single audit.

Our desk review was limited to an examination of the single audit reporting package; email exchanges with the IPA, and the Council's Executive Director and Finance and Operations Administrator; a limited review of selected IPA workpapers; virtual meetings with the IPA and Council officials; and review of applicable NEH grant files and accounting records. We did not perform a comprehensive examination of the underlying audit documentation to evaluate the adequacy of the audit work performed; rather, we used the *Guide for Desk Reviews of Single Audit Reports (2021 Edition)*, as issued by the Council of Inspectors General on Integrity and Efficiency, to determine whether the reporting package meets the core reporting requirements

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<sup>1</sup> **Unmodified opinion.** The opinion expressed by the IPA upon concluding that the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework. An unmodified opinion represents the highest level of assurance the IPA can provide that (1) the Council's financial statements as a whole, are free from material misstatement, whether due to fraud or error; and (2) the Council's Federal grant activity materially complies with requirements identified as subject to audit in the 2 CFR Part 200 *Compliance Supplement*.

stipulated by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (2 CFR Part 200). Based on our desk review, we can assign a rating of either **Pass**, **Pass with Deficiencies**, or **Fail**. Audit reports receiving a **Fail** rating require corrective action.

We assigned a rating of **Fail** to the FY 2024 single audit reporting package due to key deficiencies that affect the reliability of the single audit report. We noted the following deficiencies during our desk review:

**1. The IPA's Conclusion Concerning the Council's Compliance with Federal Financial Reporting Requirements is Misleading**

In addition to determining whether the Council's financial statements are presented fairly in all material respects in accordance with generally accepted accounting principles, Subpart F of 2 CFR Part 200<sup>2</sup> also requires the IPA to determine whether the Council has complied with Federal statutes, regulations, and the terms and conditions of Federal awards that may have a direct and material effect on each of its major programs. Compliance testing must include tests of transactions and other auditing procedures necessary to support the IPA's opinion on compliance.

According to the 2 CFR Part 200 Compliance Supplement<sup>3</sup> (the "Compliance Supplement"), Federal grant recipients must establish and implement internal controls sufficient to provide reasonable assurance that reports of Federal awards submitted to the Federal awarding agency or pass-through entity (1) include all activity for the reporting period; (2) are supported by applicable accounting or performance records; and (3) are fairly presented in accordance with governing requirements. Recipients must use standard financial reporting forms, or such other forms as may be authorized by the Office of Management and Budget (OMB), to report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. The Compliance Supplement specifies the following audit objectives related to 'Federal Reporting':

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514 (c).
2. Determine whether required reports for Federal awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with governing requirements.

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<sup>2</sup> 2 CFR section 200.514(d)

<sup>3</sup> The 2 CFR Part 200 Compliance Supplement (the "Compliance Supplement") serves to identify existing important compliance requirements that the Federal government expects to be considered as part of a Single Audit. The Compliance Supplement provides information for auditors to understand a Federal program's objectives, procedures, and compliance requirements relevant to the audit, as well as audit objectives and suggested audit procedures for determining compliance with these requirements.

To facilitate the auditor's determination concerning compliance with 'Federal Reporting' requirements, the Compliance Supplement includes suggested procedures for testing the accuracy and completeness of financial reports submitted by grant award recipients. Specifically, the Compliance Supplement suggests auditors trace the amounts reported through the FFRs to accounting records that support the audited financial statements and the audited Schedule of Expenditures of Federal Awards and verify agreement, or perform alternative procedures to verify the accuracy and completeness of the FFRs and that they agree with the accounting records.

NEH *General Terms and Conditions for General Operating Support Grants to State and Jurisdictional Humanities Councils* require councils to submit a Federal Financial Report (FFR) within 90 days after the completion date of the annual reporting period, to report on the financial progress of each general support grant award. Councils use the FFR as a standardized format to report expenditures under the Federal award and unobligated award funds, as well as cash status.

2 CFR Part 200 stipulates that the Council's financial management system, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of required financial reports; and tracking expenditures to establish that funds have been used in accordance with Federal statutes, regulations, and the terms and conditions of the Federal award.<sup>4</sup> By signing and submitting the FFR to the NEH, Council management certifies to the best of their knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. Council management further attests to being aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject the Authorized Certifying Official to criminal, civil, or administrative penalties for fraud, false statements, false claims or otherwise.<sup>5</sup>

As part of our desk review, NEH-OIG inquired about the IPA's testing related to the Council's Federal financial reporting. In response to our inquiry, the IPA provided a copy of the workpapers that substantiate the firm's review of the Council's compliance with financial and special reporting requirements. Based on the testing procedures performed, the IPA concluded that the Council complies with OMB requirements.

The IPA examined four (4) signed *Requests for Advance or Reimbursement* (Form SF-270s) and three (3) *Federal Financial Reports* (Form SF-425s), as submitted to the NEH. Based on our review of the IPA's workpapers, NEH-OIG identified the following exceptions:

- a) The IPA noted the Council's timely submission of the FFRs<sup>6</sup> and reconciled total "Cash Disbursements"<sup>7</sup> certified through the three FFRs to cumulative Federal expenses, as represented in the Council-provided "Table A"<sup>8</sup>. NEH-OIG deems this testing approach as insufficient to support the IPA's assessment of the Council's compliance with Federal financial reporting requirements, as the design of the audit procedures do not fully address the audit objectives related to 'Federal Reporting', as specified in the Compliance Supplement.

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<sup>4</sup> 2 CFR section 200.302(a)

<sup>5</sup> U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812

<sup>6</sup> The IPA's testing procedures were extended to FFRs submitted for NEH grant awards SO-283085-22, SSO-296250-23, and SSO-296240-23.

<sup>7</sup> "Cash Disbursements" (Line 10.b. of the FFR) represents the cumulative amount of Federal fund disbursements as of the reporting period end date. This information supports the Council's reporting concerning cash management activities.

<sup>8</sup> "Table A" is compiled by the Council and it is designed to track cumulative funding for each Federal grant award and total Federal expenditures for each grant award by fiscal year. We noted discrepancies between expenditure information reflected in the Council's "Table A" and expenditures presented in the respective audited *Schedule of Expenditures of Federal Awards* (SEFAs) to which the expenditure information is attributed.

- b) The IPA’s workpapers do not contain sufficient evidence to substantiate the firm’s testing and conclusion regarding the accuracy of Federal expenditures certified by the Council in the FFRs. We attempted to reconcile “Total Federal share”, as represented on Line 10.g. of the FFR<sup>9</sup> submitted for NEH grant award SO-283085-22, with cumulative Federal expenditures<sup>10</sup> presented in the audited Schedule of Expenditures of Federal Awards (SEFA) associated with the grant award. We noted a discrepancy which is neither identified nor addressed through the IPA’s testing of the Council’s compliance with Federal financial reporting requirements.

**2. Federal Expenditure Information Reflected in the Audited SEFA is Inconsistent with Related Information Presented in the Audited Financial Statements**

Subpart F of 2 CFR Part 200 requires the Council (as the auditee) to prepare financial statements that reflect its financial position, results of operations, or changes in net assets, and where appropriate, cash flows for the fiscal year audited.<sup>11</sup> Additionally, the Council must prepare a SEFA for the period covered by the Council’s financial statements, detailing total Federal awards expended.<sup>12</sup> The IPA issued an opinion that the financial statements present fairly, in all material respects, the financial position of the Council as of October 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. The IPA has also opined that the SEFA is fairly stated, in all material respects, in relation to the financial statements as a whole.

During our review of the audited financial statements and the audited SEFA, we noted the following incongruent comparisons concerning Federal expenditures.

- Total Federal expenditures, as presented in the audited SEFA<sup>13</sup> (\$1,657,350), exceed total organization-wide expenses, as presented in the audited *Statement of Activities and Changes in Net Assets* (\$1,642,436).

<sup>9</sup> According to the FFR Instructions, Line 10.g. of the FFR (“Total Federal share”) represents the sum of cash disbursements for direct charges for property and services, the amount of indirect expense charged, the amount of cash advance payments and payments made to subrecipients, and obligations of Federally authorized funds which are incurred, but not yet paid as of the end of the reporting period.

<sup>10</sup> Since the audited SEFA for the fiscal year ended October 31, 2024 is presented on the cash basis of accounting, to facilitate the reconciliation, we converted total Federal expenditures reflected in the SEFA to accrual basis by adding the subrecipient awards payable from the grant award (\$220,864), as disclosed in Note C to the audited SEFA (Subrecipient Awards) .

Total Expenditures ~ FY 2022 audited SEFA (Accrual basis)	\$ 195,370	
Total Expenditures ~ FY 2023 audited SEFA (Accrual basis)	990,214	
Total Expenditures~ FY 2024 audited SEFA (Cash basis)	1,634,161	
Subrecipient Awards Payable as of 10/31/2024	<u>220,864</u>	
Cumulative Expenditures as of 10/31/2024	<u>\$ 3,040,609</u>	(a)
Cumulative Expenditures ~ Line 10.g. of the FFR	<u>\$ 2,758,196</u>	(b)
Difference	\$ (282,413)	(b - a)

<sup>11</sup> 2 CFR section 200.510(a)

<sup>12</sup> 2 CFR section 200.510(b)

<sup>13</sup> The SEFA is presented on the cash basis of accounting.

- NEH grants revenue, as presented in the audited *Statement of Activities and Changes in Net Assets* (\$1,633,194), is inconsistent with total Federal expenditures, as presented in the audited SEFA (\$1,657,350). According to Note 1 to the financial statements<sup>14</sup>, the Council follows the guidance of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*<sup>15</sup>. Accordingly, nonexchange transactions are accounted for as contributions and are recognized as revenue in the period received or promised if deemed unconditional, or when conditions are met concerning the conditional contribution. Council management has determined that NEH grant awards are conditional based on time-restrictions per NEH.

NEH general support grant awards incorporate donor-imposed conditions concerning use of the funds and the recipient's compliance with the legislatively-mandated cost-share requirement.<sup>16</sup> Accordingly, the Council would recognize NEH grant revenue when the conditions are met, (e.g., as allowable expenditures are incurred). NEH grant award funding that has been authorized but, as of the end of the fiscal year, has not been expended by the Council or earned through the Council's fulfillment of the stipulations applicable to the NEH grant award, should be disclosed in the footnotes of the financial statements consistent with the disclosure requirements applicable to conditional contributions.

As the Council's oversight agency, due to the timing of this communication, the NEH-OIG will not require the Council to revise and resubmit the FY 2024 single audit reporting package. However, moving forward, we expect the IPA to design and implement audit procedures sufficient to conclude as to whether the Federal financial reports submitted to the NEH (1) include all activity of the respective reporting period; (2) are supported by applicable accounting records; and (3) are fairly presented in accordance with governing requirements, as prescribed by the Compliance Supplement. We also expect the Council to review and update their revenue recognition accounting procedures to fully align with the provisions of ASU 2018-08.

Please be advised that we are sending a copy of this letter to the Assurance Senior Manager at Bernard Robinson & Company L.L.P. to inform the firm of the results of our review.

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<sup>14</sup> Note 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Revenue and Other Support)

<sup>15</sup> ASU 2018-08 provides a framework for determining whether a contribution is conditional or unconditional, which affects the timing of revenue recognition. An unconditional contribution is recognized immediately whereas a conditional contribution cannot be recorded until the conditions have been met. The guidance further requires conditional contributions to be disclosed in the footnotes of the financial statements, as prescribed in FASB Accounting Standards Codification (ASC) Paragraph 958-310-50-4.

<sup>16</sup> In accepting an NEH general operating support grant award and any related funding supplements, the Council assumes the legal responsibility for administering the award in accordance with the general terms and conditions applicable to the grant award and of complying fully with any special terms and conditions included in the grant award agreement. Failure to do so may result in the suspension or termination of the grant award and NEH's recovery of grant award funds.

Board of Trustees  
May 6, 2026  
Page 6

If you have any questions concerning this letter or need accounting assistance, please contact Ms. Brandie Staton at (202) 606-8355 or via email at [bstaton@neh.gov](mailto:bstaton@neh.gov).

Sincerely,



Laura Davis  
Inspector General

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