



NATIONAL ENDOWMENT FOR THE

Humanities

OFFICE OF INSPECTOR GENERAL

January 17, 2012

RETURN RECEIPT REQUESTED

[REDACTED]
Director of Finance
American Council of Learned Societies
633 Third Avenue
New York, NY 10017

RE: NEH Challenge Grant (CH-50844-11)
[OIG-12-01 (DR)]

Dear [REDACTED]:

Earlier in the year, our office issued general guidance to new challenge grant award recipients¹. The communication addressed six areas in which the Office of Inspector General has historically encountered compliance issues. The intent of this letter is to expand upon item #5 – “Compliance with Federal audit requirements” since the American Council of Learned Societies (ACLS) recently received an endowment-based challenge grant award from the National Endowment for the Humanities (NEH).

Please note that OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* requires non-profit entities that annually expend \$500,000 or more in Federal awards to undergo either a single or program-specific audit. We wanted to alert you to this fact since a unique rule used to determine annual expenditures applies to ACLS’s current NEH challenge grant award entitled “*Endowment Campaign for ACLS Fellowship Program*” (CH-50844-11).

OMB Circular A-133, Section 205(e) states that the cumulative balance of Federal awards for endowment funds, which are federally restricted, are considered awards expended in each year in which the funds are still restricted. Moreover, the *Administration of NEH Challenge Grants* publication states that Federal funds deposited into income-earning accounts are to be treated as Federal expenditures. Accordingly, cumulative Federal funds received from the NEH that are specifically restricted to build an endowment must be reported as Federal expenditures on the Schedule of Expenditures of Federal Awards (SEFA) annually.

We determined that certification report(s) reflecting non-Federal matching funds have been submitted resulting in the release of \$ [REDACTED] in cumulative Federal dollars by the NEH as of December 31, 2011. Based upon a review of the Federal Audit Clearinghouse, we see that ACLS receives other Federal funds and undergoes an annual single audit. Accordingly, please ensure the cumulative Federal expenditures related to the NEH challenge grant are properly reported on

¹ Back in May 2011, the NEH Office of Inspector General emailed a memorandum entitled “*Important Challenge Grant Information*” to both the project director and the grant administrator of record.

Letter to [REDACTED]
RE: NEH Challenge Grant (CH-50844-11)
January 17, 2012
Page: 2

the annual SEFA. This is critical since an improperly prepared SEFA will impact the independent auditor's selection of the major Federal programs to be audited and, likely result in a significant deficiency or a material weakness audit finding.

Please note that additional audit guidance concerning the challenge grant program can be found on the NEH Office of the Inspector General website (<http://www.neh.gov/whoweare/oig-challenge-audit.html>).

If you have any questions concerning this matter, please call Mr. Steve Elsberg at (202) 606-8353.

Sincerely,



Laura Davis
Acting Inspector General