“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
involving NEH programs, operations, or employees

Call the OIG Hotline

(202) 606-8423

Mailing Address

Office of Inspector General — Hotline
National Endowment for the Humanities
1100 Pennsylvania Ave. N.W., Room 419
Washington, DC  20506

Fax:  (202) 606-8329

Electronic Mail Hotline:  oig@neh.gov

Government employees are protected from reprisal
Caller can remain anonymous
Information is confidential

This report is also available on the NEH/OIG Website at http://www.neh.gov/whoweare/oig.html
October 30, 2003

Honorable Bruce Cole
Chairman
National Endowment for the Humanities
Washington, D.C. 20506

Dear Chairman Cole:

I am pleased to provide you with the Office of Inspector General’s Semiannual Report to Congress for the second half of fiscal year 2003. The report is submitted in accordance with the Inspector General Act of 1978, as amended. Section 5 of the Act requires that you submit this report, with your Report of Final Action, to the appropriate committee or subcommittee of the Congress within 30 days of its receipt. The report provides a summary of the activities of the OIG during the six-month period ended September 30, 2003.

During this period, we completed four internal reviews, two grantee reviews, 19 limited reviews of state humanities council cost-sharing, and processed 158 OMB Circular A-133 audit reports with 15 reports disclosing audit findings. Reports were issued on these reviews. Two additional reviews are in various stages of completion. In the investigations program, we received several “Hotline” contacts. One contact concerning misuse of funds by a grantee took significant human resources and we will be presenting the case to the U.S. Attorney’s Office.

I appreciate your support and look forward to working with you and all agency staff to help ensure that NEH delivers grant awards in an economical, effective and efficient manner.

Sincerely,

Sheldon L. Bernstein
Inspector General
TABLE OF CONTENTS

LETTER TO THE CHAIRMAN

INTRODUCTION .................................................................................................................. 1

AUDIT AND REVIEW ACTIVITIES.................................................................................... 2

INVESTIGATIVE ACTIVITIES ......................................................................................... 7

OTHER ACTIVITIES ....................................................................................................... 9

TABLE I - REPORTING REQUIREMENTS ........................................................................ 11

TABLE II - INSPECTOR GENERAL-ISSUED REPORTS WITH QUESTIONED COSTS ....... 12

TABLE III - INSPECTOR GENERAL-ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE .................................................................................................................. 12

GLOSSARY OF AUDIT TERMINOLOGY ......................................................................... 13
INTRODUCTION

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 as an independent grant-making agency of the federal government to support research, education, and public programs in the humanities. Grants are made through four divisions - Research Programs, Education Programs, Preservation and Access, and Public Programs -- and two offices -- Challenge Grants and Federal-State Partnership.

The Act that established the National Endowment for the Humanities says "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 OFFICE OF INSPECTOR GENERAL

The NEH Office of Inspector General was established on 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. The independence of the IG is an important aspect of the 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 directly to the Chairman, and can only be removed by the Chairman, who must promptly advise Congress of the reasons for the removal; and
- reports directly to Congress.

The Act states that the Office of Inspector General 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 in the programs and operations.

The OIG staff consists of the Inspector General, a Deputy Inspector General, two auditors, and a secretary. The OIG and the Office of the General Counsel (OGC) have a Memorandum of Understanding detailing the procedures for the OIG to be provided with OGC legal services. Investigations are handled by the Inspector General, an auditor and as required by the agency's Assistant General Counsel.
AUDIT AND REVIEW ACTIVITIES

LIST OF REPORTS ISSUED

This office is responsible for external and internal audits. External auditing includes grants, pre-award accounting system surveys, review of OMB Circular A-133 audit reports, and on-site quality control reviews of CPA work papers. Internal efforts consist of audits, inspections, and reviews/evaluations of the NEH administrative, programmatic, and financial operations.

Following is a list of reports issued by the OIG during this reporting period. We also received and processed 158 OMB Circular A-133 audit reports, (see Single Audit Act Reviews). The Inspector General Act of 1978, as amended, requires us to report on the “Dollar Value of Recommendations that Funds Be Put to Better Use” and the “Total Dollar Value of Questioned Costs” (including a separate category for the “Dollar Value of Unsupported Costs”). None are reported during this period.

<table>
<thead>
<tr>
<th>INTERNAL AUDITS/REVIEWS</th>
<th>Report Number</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Follow-up Report on Limited Review of the Grants Management System under the Government Information Security Reform Act</td>
<td>OIG-03-02 (IR)</td>
<td>09/17/03</td>
</tr>
<tr>
<td>Federal Information Security Management Act Review</td>
<td>OIG-03-03 (IR)</td>
<td>09/22/03</td>
</tr>
<tr>
<td>Executive Summary of the FY03 Independent Review in Accordance with the Federal Information Security Management Act of 2002</td>
<td>OIG-03-04 (IR)</td>
<td>09/22/03</td>
</tr>
<tr>
<td>Timekeeping Problems (Management Advisory Memorandum)</td>
<td>OIG-03-01 (MAM)</td>
<td>05/30/03</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXTERNAL AUDITS/REVIEWS/SURVEYS</th>
<th>Report Number</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feasibility of Negotiating an Indirect Cost Rate for the Louisiana Endowment for the Humanities</td>
<td>OIG-03-03 (ER)</td>
<td>04/03/03</td>
</tr>
<tr>
<td>Accounting System/Internal Control Telephone Survey - Ways of Knowing</td>
<td>OIG-03-02(TS)</td>
<td>09/30/03</td>
</tr>
</tbody>
</table>

Limited Review of Cost-Sharing On Final Reports of State Humanities Councils:

- Arizona Humanities Council OIG-03-01 (CS) 09/30/03
- Colorado Endowment for the Humanities OIG-03-02 (CS) 09/30/03
- Connecticut Humanities Council OIG-03-03 (CS) 09/30/03
- Indiana Humanities Council OIG-03-04 (CS) 09/30/03
- Louisiana Endowment for the Humanities OIG-03-05 (CS) 09/30/03
- Oklahoma Humanities Council OIG-03-06 (CS) 09/30/03
- Guam Humanities Council OIG-03-07 (CS) 09/30/03
- North Carolina Humanities Council OIG-03-08 (CS) 09/30/03
- Georgia Humanities Council OIG-03-09 (CS) 09/30/03
- Hawaii Council for the Humanities OIG-03-10 (CS) 09/30/03
- Idaho Humanities Council OIG-03-11 (CS) 09/30/03
- Kentucky Humanities Council OIG-03-12 (CS) 09/30/03
- Wisconsin Humanities Council OIG-03-13 (CS) 09/30/03
- South Carolina Humanities Council OIG-03-14 (CS) 09/30/03
- Nebraska Humanities Council OIG-03-15 (CS) 09/30/03
- West Virginia Humanities Council OIG-03-16 (CS) 09/30/03
- New Hampshire Humanities Council OIG-03-17 (CS) 09/30/03
- Alabama Humanities Council OIG-03-18 (CS) 09/30/03
- Maine Humanities Council OIG-03-19 (CS) 09/30/03
SUMMARY OF REPORTS ISSUED

INTERNAL REVIEWS

Follow-up Report on Limited Review of the Grants Management System under the
Government Information Security Reform Act
September 17, 2003, OIG-03-02 (IR)

The objective of this review was to determine if the Chief Information Officer (CIO) implemented the OIG’s recommendations made in OIG-02-07 (IR), issued September 10, 2002.

We found that three of the seven recommendations were satisfactorily resolved. One recommendation involved a separation of duties concern that was satisfactorily resolved, but in our current review we discovered another separation of duties problem. Two open recommendations concern “principle of least permission”. The remaining open recommendation involves the adequacy of the audit trail in the agency’s Grants Management System. The CIO made some improvements, however we determined that they were not sufficient to satisfy the objective of an audit trail.

We made recommendations to correct the outstanding deficiencies.
Federal Information Security Management Act Review  
September 22, 2003, OIG-03-03 (IR)

This was a limited review of the NEH computer information system and was performed in accordance with the Federal Information Security Management Act of 2002 (FISMA). FISMA calls for an independent evaluation of the agency’s information security.

The objective of the review was to determine the agency’s compliance with FISMA, OMB guidance on FISMA, and National Institute of Standards and Technology (NIST) guidance on information security. The scope of our review was limited to NEH IT security policies, procedures and practices that were in force for the fiscal year 2003.

We found several deficiencies during the review. Significant deficiencies include:

- Lack of in-depth testing of the network security and lack of procedures for detecting a security incident.
- Information system security evaluations were not documented.
- The CIO did not have a documented vulnerability policy and had no systematic, accountable, documented process for handling security patches.

We made recommendations to correct the deficiencies.

Executive Summary of the FY03 Independent Review in Accordance with the  
Federal Information Security Management Act of 2002  
September 22, 2003, OIG-03-04 (IR)

This review was performed in accordance with instructions provided to federal agencies and to their IGs. The review process was established by the U.S. Office of Management and Budget (OMB). Except for question A.1, the IG and the agency completed the same questionnaire and submitted the results to OMB, Congress and the GAO.

Our review revealed that we had different answers than the agency on a number of the questions. A follow-up review will be conducted during fiscal year 2004.

Timekeeping Problems (Management Advisory Memorandum)  
May 30, 2003, OIG-03-01 (MAM)

The OIG was requested to review the timekeeping process because several NEH offices continually receive Leave Error Reports (LER) from the National Finance Center (the payroll processing agency). Our objective was to identify the reasons for the LERs and to recommend procedures to assist the timekeepers in avoiding future problems.

We found problems caused by both the NEH timekeepers and the National Finance Center (NFC). We issued our report that provided steps to be taken to improve the process. We also contacted NFC and informed them of our concerns. The OIG is working with Office of Human Resources staff by periodically reviewing real-time payroll reports.
EXTERNAL AUDITS/REVIEWS/SURVEYS

Feasibility of Negotiating an Indirect Cost Rate for the Louisiana Endowment for the Humanities (LEH)
April 3, 2003, OIG-03-03 (ER)

The objective of this review was to determine if LEH’s accounting records are adequate as a basis for negotiating an indirect cost rate. The LEH has received multiple project grants during the past several years. In accordance with NEH policy, the LEH has been charging an administrative fee of 10 percent of modified direct costs to project grants. However, NEH policy limits such administrative fees to $5,000 per year for each project grant. State council organizations are allowed up to $20,000 in administrative fees in any one year. (This is necessary because a few state councils may have several projects outstanding in any particular year.)

We initiated this review since LEH receives multiple project grants from NEH and a negotiated rate could allow LEH to recover more of its actual overhead expenses (in excess of the current $20,000 annual limitation). In addition, LEH may be able to charge general administrative costs to project grants from other federal agencies and the State of Louisiana via a negotiated rate.

We found that the LEHs accounting system is inadequate for the purpose of negotiating an indirect cost rate. We informed LEH of the corrections necessary to have an adequate system. We will assist LEH when they request help.

Accounting System/Internal Control Telephone Survey
Ways of Knowing
September 30, 2003, OIG-03-02 (TS)

The objective of this review was to obtain information to determine the adequacy of the organization’s accounting system, management controls, and policies and procedures designed to administer grant funds. In September 2002, Ways of Knowing was awarded a grant of $700,000 over a period of 21 months.

We determined that the organization’s accounting system and administrative controls and policies provide assurance that the organization can adequately manage and account for NEH grant funds.

We made several recommendations for the organization to improve its chance of receiving a favorable OMB Circular A-133 audit report.

Limited Review of Cost-Sharing Claimed on Final Financial Status Reports by State Humanities Councils
September 30, 2003, OIG-03-01 (CS) through OIG-03-19 (CS)

State Humanities Councils have a legal duty to cost-share an amount equal to the general operating grants received from the NEH. The OIG has found that independent public accountants are not adequately testing cost-sharing records. Since the cost-sharing requirement is based on a provision in the NEH legislation, the amounts reported to NEH should be tested. We performed our review to determine if the underlying records support amounts claimed on final Financial Status Reports.

The objective of the review was to determine if state humanities councils were accurately reporting cost-sharing on the federal reports submitted. We found that the nineteen councils we reviewed could account for the cost-sharing reported. Some councils provided records indicating that they could have reported more cost-sharing. We noted that many councils were awarding grants of $5,000 to $10,000 to media organizations and claiming cost-sharing of 10 to 15 times the amount of the awards. This does not seem to be the intent of the legislation that set up the request for cost-share. We will be raising this issue with the NEH general counsel.
AUDITS/REVIEWS IN PROGRESS

Review of the NEH Purchase Card Program

The General Accounting Office and other federal Inspectors General have been reporting that weak internal controls create situations where improper purchases can go undetected. The NEH OIG is reviewing the NEH controls to determine if improper purchases would be detected or prevented. We expect to issue our report in October 2003.

Accounting System/Internal Control Review of Catticus Corporation

The objective of this review is to determine the adequacy of the grantee’s accounting system, internal controls, and monitoring procedures related to two subrecipients. In addition, we are reviewing the adequacy of the two subrecipients’ accounting system and internal controls. The grantee was selected for this review because the grantee received a substantial award from NEH and was not required to have an OMB Circular A-133 audit. The field work has been completed and we expect to issue the report in October 2003.

United States Accountability of Tax Dollars Act of 2002

This law requires NEH, as well as several other small agencies and commissions, to prepare and submit to the Congress and the Director of the U.S. Office of Management and Budget an audited financial statement. NEH received a waiver for fiscal year 2003, but will be required to implement the law in fiscal year 2004. The OIG has invested time and resources, during this reporting period, to effectively manage its part in the process.
INVESTIGATIVE ACTIVITIES

BACKGROUND

The Inspector General Act provides the authority for the Office of Inspector General to investigate possible violations of criminal or civil laws, administrative regulations, and agency policies, which relate to the programs and operations of the NEH. The OIG Hotline, e-mail address, and regular mail are efficient and effective means of receiving allegations or complaints from employees, grantees, contractors, and the general public. The OIG has obtained assistance from other OIGs, the Federal Bureau of Investigation, the Postal Inspection Service, and other investigative entities as necessary.

When the OIG receives a complaint or allegation of a criminal or administrative violation, we make a determination of the appropriate action to take. This can be an audit, an investigation, a referral to another NEH office or division, or a referral to another federal agency.

As of April 1, 2003, one case was open. During the six months ended September 30, 2003, we received five “Hotline” contacts. We are holding one matter open at September 30, 2003.

OPEN AT APRIL 1, 2003

During a prior reporting period, we received an allegation that a grantee was having financial problems and NEH would not receive a final product. Our inquiry revealed that the organization was indeed in dire straights; however, there was no indication that NEH funds were not properly spent and accounted for. The grantee raised sufficient funds to have an independent public accountant (IPA) perform an audit. We received a draft audit report from the IPA and we learned that the series, including the one episode for which NEH provided funding, was shown on Public Broadcasting Stations. Therefore, we closed our file.

CONTACTS DURING THIS PERIOD

We received one internal contact during this period and it was referred to the Office of Human Resources. Four contacts concerning grantees were received. One concerned a violation of the Davis-Bacon Act by a grantee and we referred it to the Department of Labor. Two others were looked into and we determined that investigations were not warranted.

The other hotline contact was received anonymously and it concerned a grantee in the New England area. The person made many allegations and our investigations found that there were indeed several problem areas. We uncovered that the gifts certified by the grantee for matching on an NEH challenge grant were not eligible for matching according to the NEH guidelines. We found that almost all of the “gifts” were not gifts, but grants or contracts for specific projects. We found the same problem on two other NEH grants that had matching components. In addition, we found that final Financial Status Reports, submitted by the grantee for NEH project grants, reflected budgeted amounts in lieu of actual amounts. The grantee’s books and records could not support the costs claimed. The case is in the process of being referred to a U.S. Attorney’s Office.
HOTLINE AND PREVENTION ACTIVITIES

We maintain a local Hotline phone number, agency e-mail address, and an Internet address to provide additional confidentiality for those persons bringing matters to the attention of the OIG. We continue to issue agency-wide e-mail messages to NEH staff informing them of violations that should be reported to the OIG. We also send e-mail messages several times during the year to inform NEH staff about the OIG operations. Posters advising staff to contact the OIG are displayed throughout the agency building.

ANONYMOUS E-MAIL

We have on the NEH Intranet and the Internet a system for staff, grantees, contractors, etc., to report waste, fraud, abuse, and mismanagement in an anonymous manner.

SUMMARY OF INVESTIGATION ACTIVITY

| Open at beginning of period | 1 |
| Matters brought to the OIG during the reporting period | 5 |
| Total investigative contacts | 6 |
| Closed or referred during the reporting period | 5 |
| Open at end of period | 1 |
Grantees are entitled to recover total project costs, both direct and indirect. Indirect costs are those costs of an organization or institution that are not readily identifiable with a particular project or activity but are nevertheless necessary to the general operation of the organization or institution and the conduct of the activities it performs.

The cost of office supplies, general telephone, postage, accounting, and administrative salaries are types of expenses usually considered as indirect costs. In theory, all such costs might be charged directly; practical difficulties, however, preclude such an approach. Therefore, they are usually grouped into a common pool(s) and distributed to those organizational or institutional activities that benefit from them through the expedient of an indirect cost rate(s).

Cognizant federal agencies approve rates after reviewing cost allocation plans submitted by grantees. The approved rates are generally recognized by other federal agencies.

During this period, we negotiated indirect cost rates with seven grantees.

<table>
<thead>
<tr>
<th>Grantee</th>
<th>Report Number</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northeast Document Conservation Center</td>
<td>OIG-03-02 (IDC)</td>
<td>04/02/03</td>
</tr>
<tr>
<td>School of American Research</td>
<td>OIG-03-03 (IDC)</td>
<td>04/02/03</td>
</tr>
<tr>
<td>The Rhode Island Historical Society</td>
<td>OIG-03-04 (IDC)</td>
<td>04/17/03</td>
</tr>
<tr>
<td>The Herndon Home</td>
<td>OIG-03-05 (IDC)</td>
<td>06/25/03</td>
</tr>
<tr>
<td>The Newberry Library</td>
<td>OIG-03-06 (IDC)</td>
<td>07/03/03</td>
</tr>
<tr>
<td>The Newberry Library</td>
<td>OIG-03-07 (IDC)</td>
<td>07/03/03</td>
</tr>
<tr>
<td>The OASIS Institute</td>
<td>OIG-03-08 (IDC)</td>
<td>07/07/03</td>
</tr>
<tr>
<td>ETV Endowment of South Carolina</td>
<td>OIG-03-09 (IDC)</td>
<td>07/10/03</td>
</tr>
</tbody>
</table>

The Executive Council on Integrity and Efficiency (ECIE) was established by the President in 1992 to coordinate and implement government-wide activities to combat fraud and waste in federal programs and operations. OIG staff regularly attend ECIE meetings and provide information to the ECIE.

<table>
<thead>
<tr>
<th>Report Name</th>
<th>Report Number</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited Review of the Grants Management System under the Government Security Reform Act</td>
<td>OIG-02-07 (IR)</td>
<td>09/10/02</td>
</tr>
</tbody>
</table>
OTHER ACTIVITIES (Continued)

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 made to assess whether the proposed legislation and/or regulations (1) impact on the economy and efficiency of agency programs and operations, and (2) contain adequate internal controls to prevent and detect fraud and abuse. During this period we provided the ECIE with comments on various matters affecting the OIG.

OIG INTERNET AND INTRANET

The OIG has listed several semiannual reports on the Internet. The reports are accessible through the NEH homepage and the Inspectors General homepage (http://www.neh.gov/whoweare/OIG.html).

To enhance the NEH staff's recognition of the OIG mission and responsibilities, we provide links to several other federal agencies such as the Office of Management and Budget, the General Accounting Office, the Office of Government Ethics, and the IGNET.

WORKING WITH THE AGENCY

In this period, OIG staff attended and engaged in various NEH meetings - panel meetings (where grant applications are reviewed by outside consultants), pre-council meetings (where program staff discuss panel review results with the chairman and his immediate staff), and the National Council meeting. In addition, the IG and Deputy IG attended the chairman's monthly policy group meetings. An OIG staff person attended monthly NEH Employee Association meetings. The staff were also involved in the review of NEH administrative directives.

The Office of Inspector General contributes to the discussions; however, the office does not participate in policy making.

STRATEGIC PLAN

The OIG has completed the strategic plan that we will be using for the next several years. During October 2003, we will issue the plan to the agency.

PEER REVIEW OF NEH – OIG AUDIT FUNCTION

During the reporting period, the NEH OIG audit function was reviewed by the United States International Trade Commission OIG. The objective of the review was to assess whether the OIG’s internal quality control system was designed in accordance with the quality standards established by the President’s Council on Integrity and Efficiency (PCIE) and was being complied with for the year ended March 31, 2003 to provide reasonable assurance of material compliance with professional auditing standards in the conduct of audits. The review was conducted in conformity with standards and guidelines established by the PCIE. A draft report was issued September 30, 2003.
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.

<table>
<thead>
<tr>
<th>IG Act Reference</th>
<th>Reporting Requirements</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 4(a)(2)</td>
<td>Regulatory and Legislative Reviews</td>
<td>*</td>
</tr>
<tr>
<td>Section 5(a)(1)</td>
<td>Significant Problems, Abuses, and Deficiencies</td>
<td>*</td>
</tr>
<tr>
<td>Section 5(a)(2)</td>
<td>Recommendations for Corrective Action</td>
<td>*</td>
</tr>
<tr>
<td>Section 5(a)(3)</td>
<td>Prior Significant Recommendations Unimplemented</td>
<td>*</td>
</tr>
<tr>
<td>Section 5(a)(4)</td>
<td>Matters Referred to Prosecutive Authorities</td>
<td>8</td>
</tr>
<tr>
<td>Section 5(a)(5)</td>
<td>Instances Where Information Was Refused or Not Provided</td>
<td>*</td>
</tr>
<tr>
<td>Section 5(a)(6)</td>
<td>List of Audit Reports Issued</td>
<td>2</td>
</tr>
<tr>
<td>Section 5(a)(7)</td>
<td>Summary of Significant Reports</td>
<td>3-5</td>
</tr>
<tr>
<td>Section 5(a)(8)</td>
<td>Audit Reports - Questioned Costs</td>
<td>*</td>
</tr>
<tr>
<td>Section 5(a)(9)</td>
<td>Audit Report - Funds To Be Put to Better Use</td>
<td>*</td>
</tr>
<tr>
<td>Section 5(a)(10)</td>
<td>Prior Audit Reports Unresolved</td>
<td>9</td>
</tr>
<tr>
<td>Section 5(a)(11)</td>
<td>Significant Revised Management Decisions</td>
<td>*</td>
</tr>
<tr>
<td>Section 5(a)(12)</td>
<td>Significant Management Decisions with which OIG Disagreed</td>
<td>*</td>
</tr>
</tbody>
</table>

* None this period
### TABLE II
**INSPECTOR GENERAL-ISSUED REPORTS WITH QUESTIONED COSTS**

<table>
<thead>
<tr>
<th>Description</th>
<th>Number Of Reports</th>
<th>Questioned Cost</th>
<th>Unsupported Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. For which no management decision has been made by the commencement of the reporting period.</td>
<td>- 0 -</td>
<td>$ - 0 -</td>
<td>$ - 0 -</td>
</tr>
<tr>
<td>B. Which were issued during the reporting period.</td>
<td>- 0 -</td>
<td>$ - 0 -</td>
<td>$ - 0 -</td>
</tr>
<tr>
<td>Subtotals (A+B)</td>
<td>- 0 -</td>
<td>$ - 0 -</td>
<td>$ - 0 -</td>
</tr>
<tr>
<td>C. For which a management decision was made during the reporting period.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i. Dollar value of disallowed costs.</td>
<td>- 0 -</td>
<td>$ - 0 -</td>
<td>$ - 0 -</td>
</tr>
<tr>
<td>ii. Dollar value of costs not disallowed (grantee subsequently supported all costs).</td>
<td>- 0 -</td>
<td>$ - 0 -</td>
<td>$ - 0 -</td>
</tr>
<tr>
<td>D. For which no management decision has been made by the end of the reporting period.</td>
<td>- 0 -</td>
<td>$ - 0 -</td>
<td>$ - 0 -</td>
</tr>
<tr>
<td>E. Reports for which no management decision was made within six months of issuance.</td>
<td>- 0 -</td>
<td>$ - 0 -</td>
<td>$ - 0 -</td>
</tr>
</tbody>
</table>

### TABLE III
**INSPECTOR GENERAL-ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE**

<table>
<thead>
<tr>
<th>Description</th>
<th>Number Of Reports</th>
<th>Dollar Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. For which no management decision has been made by the commencement of the reporting period.</td>
<td>- 0 -</td>
<td>$ - 0 -</td>
</tr>
<tr>
<td>B. Which were issued during the reporting period.</td>
<td>- 0 -</td>
<td>$ - 0 -</td>
</tr>
<tr>
<td>C. For which a management decision was made during the reporting period.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i. Dollar value of recommendations that were agreed to by management.</td>
<td>- 0 -</td>
<td>$ - 0 -</td>
</tr>
<tr>
<td>ii. Dollar value of recommendations that were not agreed to by management.</td>
<td>- 0 -</td>
<td>$ - 0 -</td>
</tr>
<tr>
<td>D. For which no management decision was made by the end of the reporting period.</td>
<td>- 0 -</td>
<td>$ - 0 -</td>
</tr>
</tbody>
</table>
GLOSSARY OF AUDIT TERMINOLOGY

**Questioned Cost** - A cost that is questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; because such cost is not supported by adequate documentation; or because the expenditure of funds for the intended purpose is unnecessary or unreasonable.

**Unsupported Cost** - A cost that is questioned because of the lack of adequate documentation at the time of the audit.

**Disallowed Cost** - A questioned cost that management, in a management decision, has sustained or agreed should not be charged to the government.

**Funds Be Put To Better Use** - Funds, which the OIG has disclosed in an audit report, that could be used more efficiently by reducing outlays, de-obligating program or operational funds, avoiding unnecessary expenditures, or taking other efficiency measures.

**Management Decision** - The evaluation by management of the audit findings and recommendations and the issuance of a final decision by management concerning its response to such findings and recommendations.

**Final Action** - The completion of all management actions, as described in a management decision, with respect to audit findings and recommendations. When management concludes no action is necessary, final action occurs when a management decision is made.

Source: Excerpt from Section 106(d) of the Inspector General Act Amendments of 1988 (P.L. 100-504).