“Democracy demands wisdom and vision in its citizens”
National Foundation on the Arts and Humanities Act of 1965
No. 33
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 28, 2005

Honorable Bruce Cole
Chairman
National Endowment for the Humanities
Washington, DC 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 2005.

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, 2005.

During the current period, we completed and issued eight reports concerning reviews of grantee compliance with salary and wage documentation and reporting requirements. In addition, 101 OMB Circular A-133 reports were reviewed and six overhead desk reviews were completed. In our investigations program, we received five “Hotline” contacts. Two contacts are open at the end of this period. We also issued a memorandum on Top Management Challenges.

I appreciate your support and look forward to working with you and all agency staff to further our common purpose of assuring the effectiveness, efficiency and integrity of NEH’s contributions to the humanities.

Sincerely,

Sheldon L. Bernstein
Inspector General
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GLOSSARY OF AUDIT TERMINOLOGY ........................................................................ 13
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 divisions and offices also administer the We the People: NEH’s American History initiative.

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 NEH Office of Inspector General 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. 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, 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, overhead desk reviews, and on-site quality control reviews of CPA work papers. Internal efforts consist of audits, inspections, and reviews/evaluations of NEH administrative, programmatic, and financial operations.

Following is a list of reports issued by the OIG during this reporting period. We also reviewed 101 OMB Circular A-133 audit reports. None of the reports contained findings that needed to be reported to NEH management, (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"), (see Table II).

DESK REVIEWS OF DOCUMENTATION RELATED TO SALARIES AND WAGES CHARGED TO NEH GRANTS

<table>
<thead>
<tr>
<th>Organization</th>
<th>Report Number</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massachusetts Historical Society</td>
<td>OIG-05-06 (DR)</td>
<td>09/28/05</td>
</tr>
<tr>
<td>Newberry Library</td>
<td>OIG-05-07 (DR)</td>
<td>09/28/05</td>
</tr>
<tr>
<td>Chicago Historical Society</td>
<td>OIG-05-08 (DR)</td>
<td>09/28/05</td>
</tr>
<tr>
<td>American Library Association</td>
<td>OIG-05-09 (DR)</td>
<td>09/28/05</td>
</tr>
<tr>
<td>New York Foundation for the Arts</td>
<td>OIG-05-10 (DR)</td>
<td>09/28/05</td>
</tr>
<tr>
<td>American Museum of Natural History</td>
<td>OIG-05-11 (DR)</td>
<td>09/28/05</td>
</tr>
<tr>
<td>Chippewa Valley Museum</td>
<td>OIG-05-12 (DR)</td>
<td>09/28/05</td>
</tr>
<tr>
<td>The Library of America</td>
<td>OIG-05-13 (DR)</td>
<td>09/28/05</td>
</tr>
</tbody>
</table>

OVERHEAD DESK REVIEWS

<table>
<thead>
<tr>
<th>Organization</th>
<th>Report Number</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York Public Library</td>
<td>NEH-05-05 (ODR)</td>
<td>05/26/05</td>
</tr>
<tr>
<td>The Bill of Rights Institute</td>
<td>NEH-05-06 (ODR)</td>
<td>08/12/05</td>
</tr>
<tr>
<td>Heritage Preservation</td>
<td>NEH-05-07 (ODR)</td>
<td>07/20/05</td>
</tr>
<tr>
<td>Amigos Library Services</td>
<td>NEH-05-08 (ODR)</td>
<td>08/05/05</td>
</tr>
<tr>
<td>The Boston Athenaeum</td>
<td>NEH-05-09 (ODR)</td>
<td>09/12/05</td>
</tr>
<tr>
<td>Paradigm Productions, Inc.</td>
<td>NEH-05-10 (ODR)</td>
<td>09/30/05</td>
</tr>
</tbody>
</table>
AUDIT AND REVIEW ACTIVITIES (Continued)

SUMMARY OF REPORTS ISSUED

DESKTOP REVIEWS OF DOCUMENTATION RELATED TO SALARIES AND WAGES CHARGED TO NEH GRANTS

The purpose of these reviews was to determine if the grantees’ time and effort accounting policies and procedures meet OMB Circular A-122 requirements. The reviews were performed in accordance with the President’s Council on Integrity and Efficiency, Quality Standards for Inspections. We selected grantees, excluding state humanities councils, that received significant funding during the past several years.

We found that not one of the eight grantees reviewed had a system that fully complied with OMB Circular A-122 requirements. The OIG will be working with the grantees until they are able to demonstrate that their time and effort reports, procedures, and accounting system accurately account for salaries and wages claimed on federal reports. Each grantee had one or more of the following deficiencies with their time and effort reporting system. We found the same deficiencies and reported thereon in our previous semiannual report.

1. Time and effort reports:
   
   (a) did not account for 100 percent of employee effort.
   (b) were not signed by employee or supervisor.
   (c) were not dated or were signed and dated weeks after the payroll period. For example, period ends on January 15th and reports signed on February 8th.
   (d) did not coincide with grantee pay periods.
   (e) reflected mathematical errors.

2. Employees recorded budgetary estimates on time and effort reports in lieu of actual activity, (including administrative staff).

3. NEH-funded effort was properly documented; however, accounting for cost-sharing effort was inadequate.

4. Salaries posted to the general ledger were not based on the time and effort reports.

We made various recommendations to each grantee that would effect compliance with the OMB Circular. All have agreed to implement our recommendations.
SINGLE AUDIT ACT REVIEWS

In fiscal year 2004, the NEH spent approximately 85 percent of its annual expenditures on grantees. Many of the NEH grantees are covered by the Single Audit Act Amendment of 1996. Grantees expending $500,000 or more in federal dollars per annum are required to obtain an OMB Circular A-133 audit.\(^1\) The OIG receives OMB Circular A-133 reports from other federal agencies (mainly the Department of Health and Human Services), state and local government auditors, and independent public accountants. The objective of the audit is to determine whether federal funds are expended in accordance with applicable laws and regulations.

During the six-month period ended September 30, 2005, we reviewed 101 OMB Circular A-133 audit reports. None of the reports contained audit findings that needed to be reported to NEH management.

OVERHEAD DESK REVIEWS

The OIG performs overhead desk reviews (ODRs) for grantees requiring indirect cost rates. The reviews are done in accordance with the President’s Council on Integrity and Efficiency, Quality Standards for Inspections. The OIG sends the results of the ODRs to the Assistant Chairman for Planning and Operations, who negotiates the indirect cost rates with the grantees. We completed six reviews during this period, (see page 2).

AUDITS/REVIEWS IN PROGRESS

United States Accountability of Tax Dollars Act of 2002

The Accountability of Tax Dollars Act of 2002 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 annual audited financial statements. NEH received a written waiver from OMB for fiscal year 2003 and a verbal waiver for fiscal year 2004. During the six-month period ended March 31, 2005, the OIG obtained the services of an independent public accounting firm (IPA). The IPA performed an assessment of the financial management systems and internal controls at NEH to identify weaknesses that could have a direct and significant effect on the financial statement audit.

On April 8, 2005, the IPAs issued the assessment report which identified seven (7) material weaknesses and two (2) reportable conditions. A management letter was also issued. The IPAs performed interim substantive testing on the financial statements for the period ended June 30, 2005 and will resume substantive testing and follow-up on assessment findings in mid-October.

OIG staff hold periodic meetings with the IPAs and have visited the IPA’s office to review interim working papers. Also during this period, OIG staff continued to take training to provide adequate oversight of the audit.

\(^1\) Effective for years ending after December 31, 2003, the threshold was increased from $300,000 to $500,000. An audit is mandatory when a grantee expends $500,000 of federal funds, cumulative from all federal sources, in its fiscal year.
AUDIT/REVIEWS IN PROGRESS

AUDIT OF ORACLE ACCOUNTING SYSTEM

The primary objectives of the audit are to determine (1) whether the selection methodology and supporting documentation indicates the Oracle Accounting System (the System) would deliver the most, functionally (e.g., reports generated directly from the System, user friendly, the best System for NEH); (2) whether the System complies with federal financial management system requirements, generally accepted accounting principles, the U.S. Standard General Ledger at the transaction level, and met all of the mandatory requirements of the Joint Financial Management Improvement Program (JFMIP) at the time NEH contracted for the System; 3) whether pre-award and post-award contract administration was carried out adequately; and (4) the total costs of implementing the System as of December 31, 2004 [extended to August 31, 2005].

AUDIT OF NEH's USE OF DONATED FUNDS

The objectives of the audit are to:

1. Assess the adequacy of internal management controls as they pertain to the administration of donated funds.

2. Determine if disbursements of donated funds were made in accordance with applicable laws, regulations, and internal NEH policies.

ANNUAL FEDERAL INFORMATION SECURITY MANAGEMENT ACT (FISMA) REVIEW

The purpose of this review is to determine NEH's compliance with FISMA, OMB guidance on FISMA, and NIST guidance on information security. Our scope is limited to NEH IT security policies that were in effect for fiscal year 2005. NEH has three mission critical IT systems as identified in the Office of Information Resources Management (OIRM) Security Operations and Architecture dated August 29, 2005 - the NEH General Support System/Network, the Oracle Accounting System, and the Grants Management System. Our review will concentrate on NEH’s Plan of Action and Milestones, certain general controls/areas, and a mission critical system and/or subsystems of a mission critical system.

ANNUAL REVIEW OF COMPLIANCE WITH THE FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (ACT)

The objectives of this review is to determine whether information submitted by each division director and office head provides reasonable assurance to the Chairman that they complied with the Act. The review covers the fiscal year 2005. Generally these reviews take place in November or December, but because of the financial statement audit, NEH began the review in August 2005. Although we did not issue our report to the Chairman at September 30, 2005, we did issue to the Assistant Chairman for Planning and Operations a report concerning follow-up action that his office should address.
Successfully Implement an Agency Financial Management System

On September 1, 2003, NEH began using a WEB-based accounting system developed by the Oracle Corporation. Oracle was one of several companies that had been approved by the Joint Financial Management Improvement Program (JFMIP) at the time NEH purchased the system. NEH encountered many problems implementing the new system and, to date, is not operating the state-of-the-art system that was purchased in an efficient manner. The main problem was that NEH began implementation of the system without any of the accounting staff having knowledge and experience with the U.S. Standard General Ledger. For almost twenty-five years, the accounting staff controlled all of NEH’s transactions through an allotment ledger. This ledger did not meet JFMIP requirements and preparing financial statements based on this system would have been very labor intensive and costly. NEH selected the Director of Administrative Services to manage the implementation project. Instead of hiring a systems accountant several months prior to the actual implementation, one was not hired until the project was a few months in progress. Initially, competent accountants were not active in the implementation project. Consequently, NEH had to hire various contractors and expended close to double the amount originally budgeted to complete the system implementation. During the approximately twenty months spent on the project, NEH staff put forth an exemplary effort to bring the system to a point where auditable financial statements could be produced. As of the date of this report, NEH staff still has a considerable amount of work to do to ensure that the books and records are in an auditable condition. Even if NEH receives an unqualified opinion on the financial statements, the accounting system is tainted and the accounting processes are flawed because of the supplemental costs and efforts that were needed to ensure the production of reliable financial statements. An accounting system should require little effort at year-end to produce financial statements that are ready for audit.

Some of the problems that will have to be addressed in the next fiscal year are:

- The financial systems are not integrated with the grants management system.
- The agency’s failure to adhere to federal accounting standards.
- The accounting system does not fully comply with the U.S. Standard General Ledger.
- Failure to perform reconciliations in a timely manner.
- Inadequate internal controls between the procurement/contracting function and the accounting office.
- Untimely and inaccurate recording of transactions.

Many of these problems are being addressed as the FY 2005 financial statements are being prepared and audited. In addition, NEH needs to hire an accounting officer that is knowledgeable and qualified to supervise the accounting staff and manage the financial operation.

Strengthen Information Security

- As E-commerce increases, i.e., Grants.Gov, NEH will be more susceptible to outside and inside risks. In addition, telecommuting is also bringing additional security concerns. NEH’s OIRM must proactively monitor system intrusions to determine if user accounts and passwords have been compromised.
Continue to Improve Planning and Performance Measurement in Accordance with the Results Act.

- The Endowment has made progress in the past several years. However, more needs to be accomplished. The OIG recognizes that measuring the benefits of many programs is difficult. In many areas, NEH places more emphasis on outputs than outcomes. NEH should gradually have the divisions collect outcome-type data from grantees. For instance, while we learn that a high school teacher is imparting his/her new summer seminar knowledge to 250 students a year (guestimate), we should try to learn what effect it has on the students. Do they read more books on the topic, are they thinking about taking more courses on the same topic in college? What real effect does a summer seminar have on the students of the person attending the seminar? In addition, what does the school principal and the department chair see as the outcome of the teacher taking the seminar?

Information Resource Management

- NEH has made significant progress on e-gov and is moving to the eventual goal of having grantees submit complete proposals, reviewing the proposals on-line, and processing proposals electronically. This is a long-term government project being developed by several agencies working together. We will be listing this as a management challenge until a significant amount of grants are processed completely through e-gov.

Human Capital

- The Comptroller General of the United States has cited human capital as a high-risk area. Similar to many federal agencies, NEH will be facing the retirement of a large amount of staff within the next several years. One office, the Office of Grant Management, has the possibility of having a complete turnover of staff within the next three to six years. NEH’s challenge is to evaluate how retirements will change the agency. Now would also be a good time to review workflow of all offices and divisions and determine if any workload and mission realignment is necessary.
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, 2005, two files were open. During the six months ended September 30, 2005, we received five “Hotline” contacts. We are holding two matters open as of September 30, 2005.

OPEN AT APRIL 1, 2005

One case involved a grantee institution and a project director who may have provided false information in grant applications. In accordance with NEH’s Policy of Research Misconduct, we asked the organization to perform an internal investigation and report the results to the OIG. Our review of the report submitted by the institution revealed that research misconduct did not occur. This matter is now closed.

The other case involved a teacher at a summer institute who did not attend classes. We closed this matter based on a cost benefit decision.

CONTACTS DURING THE PERIOD

We received five contacts during this reporting period. Three concerned internal matters, one concerned an external matter, and one contact was referred to an NEH division. The external matter was resolved by an NEH grantee after some preliminary questioning of the executive director. One internal matter was closed and two remain open.

MATTERS REFERRED TO PROSECUTIVE AUTHORITIES

None during this period.

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 informing NEH staff 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’s facilities.

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.
<table>
<thead>
<tr>
<th>Description</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open at beginning of period</td>
<td>2</td>
</tr>
<tr>
<td>Matters brought to the OIG during the reporting period</td>
<td>5</td>
</tr>
<tr>
<td>Total investigative contacts</td>
<td>7</td>
</tr>
<tr>
<td>Closed or referred during the reporting period</td>
<td>5</td>
</tr>
<tr>
<td>Open at end of period</td>
<td>2</td>
</tr>
</tbody>
</table>
OTHER ACTIVITIES

PARTICIPATION ON THE EXECUTIVE COUNCIL ON INTEGRITY AND EFFICIENCY

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.

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 Inspector General community.

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. OIG staff was 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.

OIG INTERNET AND INTRANET

The OIG has listed several semiannual reports on the internet. The reports are accessible through the NEH homepage and the OIG 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 Accountability Office, the Office of Government Ethics, and the IGNET.

TECHNICAL ASSISTANCE

Throughout the reporting period, OIG staff provided telephone technical assistance to NEH grantees and independent public accountants concerning various matters including the preparation of indirect cost proposals and the implementation of Federal audit requirements.
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>10</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>12</td>
</tr>
<tr>
<td>Section 5(a)(9)</td>
<td>Audit Report - Funds To Be Put to Better Use</td>
<td>12</td>
</tr>
<tr>
<td>Section 5(a)(10)</td>
<td>Prior Audit Reports Unresolved</td>
<td>*</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

** While no information was refused or not provided, the audits of the Oracle Accounting System and Use of Donated Funds were seriously delayed because of the effort expended by NEH’s accounting staff to prepare for the agency’s financial statement audit.
### TABLE II
**INSPECTOR GENERAL-ISSUED REPORTS WITH QUESTIONED COSTS**

<table>
<thead>
<tr>
<th>Number Of Reports</th>
<th>Questioned Cost</th>
<th>Unsupported Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A.</strong> For which no management decision has been made by the commencement of the reporting period.</td>
<td>- 1 -</td>
<td>$ 92,998</td>
</tr>
<tr>
<td><strong>B.</strong> Which were issued during the reporting period.</td>
<td>- 0 -</td>
<td>$ 0 -</td>
</tr>
<tr>
<td><strong>Subtotals (A+B)</strong></td>
<td>- 1 -</td>
<td>$ 92,998</td>
</tr>
<tr>
<td><strong>C.</strong> For which a management decision was made during the reporting period.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i. Dollar value of disallowed costs.</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>
</tr>
<tr>
<td>iii. Dollar value of costs not disallowed based on the &quot;Value of Services Received.&quot;</td>
<td>- 0 -</td>
<td>$ 0 -</td>
</tr>
<tr>
<td><strong>D.</strong> For which no management decision has been made by the end of the reporting period.</td>
<td>- 1 -</td>
<td>$ 92,998</td>
</tr>
<tr>
<td><strong>E.</strong> Reports for which no management decision was made within six months of issuance.</td>
<td>- 1 -</td>
<td>$ 92,998</td>
</tr>
</tbody>
</table>

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

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