



40TH ANNIVERSARY



Office of Inspector General

**SEMIANNUAL  
REPORT TO  
CONGRESS**

For the Period April 1, 2006 through September 30, 2006

Report No. 35

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**"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  
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Washington, DC 20506

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## **Electronic Mail Hotline**

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NATIONAL  
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FOR THE  
HUMANITIES

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October 30, 2006

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 2006. 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, 2006.

During the current period, we completed and issued final reports concerning six internal reviews, one internal audit, one external audit, and one desk review of documentation supporting effort allocations to an NEH grant. In addition, we reviewed 83 OMB Circular A-133 audit reports and completed one overhead desk review. In our investigations program, we received five "Hotline" contacts and referred one matter to the Department of Justice. As of September 30, 2006, all matters are closed. We also issued a contract to an independent public accounting firm for the annual audit of the agency's financial statements. The OIG is responsible for monitoring, reviewing and accepting the independent auditor's report. With new leadership in the Accounting Office, it appears that the effort in support of the fiscal year 2006 financial statement audit has been more efficient and effective.

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 vital contributions to the humanities.

Sincerely,

Sheldon L. Bernstein  
Inspector General

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## 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 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."

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## THE OFFICE OF INSPECTOR GENERAL

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, limited scope desk reviews, and on-site quality control reviews of CPA workpapers. 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. 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).

	Report Number	Date Issued
<b><u>INTERNAL AUDITS/REVIEWS</u></b>		
Audit of the Selection, Purchase and Implementation of the Oracle Accounting System (Final Report)	OIG-06-02 (IA)	07/19/06
Federal Information Security Management Act (FISMA) Review – Personal Identity Verification (PIV) Compliance	OIG-06-03 (IR)	08/31/06
FISMA Review – Assessment of Agency Efforts to Protect Sensitive Information	OIG-06-04 (IR)	09/21/06
FISMA Review – Compliance with OMB Memorandum M-06-16, <i>Protection of Sensitive Agency Information</i>	OIG-06-05 (IR)	09/27/06
FISMA Review – Oracle Accounting System	OIG-06-06 (IR)	09/28/06
FISMA Review –Reporting Document to the Office of Management and Budget	OIG-06-08 (IR)	09/29/06
Fiscal Year Ended September 30, 2006 Consolidated Review of the Federal Managers' Financial Integrity Act (FMFIA)	OIG-06-07 (IR)	09/28/06
<b><u>EXTERNAL AUDITS/REVIEWS</u></b>		
Clarity Educational Productions	OIG-06-01 (EA)	07/14/06
Bill of Rights Institute	OIG-06-01 (DR)	06/23/06
<b>OVERHEAD DESK REVIEW</b>		
Mars Hill College	NEH-06-14 (ODR)	07/13/06
<b>SINGLE AUDIT ACT REVIEWS</b>		
83 OMB Circular A-133 Reports		- See Page 5 -

# AUDIT AND REVIEW ACTIVITIES

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## SUMMARY OF REPORTS ISSUED

### INTERNAL AUDITS/REVIEWS

#### **Audit of the Selection, Purchase and Implementation of the Oracle Accounting System July 19, 2006, OIG-06-02 (IA)**

The objectives of the audit were to determine 1) whether the selection methodology and supporting documentation indicates that the system selected would deliver the most functionality and would provide the information needed to adequately manage NEH's funding for programs and operations; 2) if the system complied 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 former JFMIP's mandatory requirements at the time NEH contracted for the system; 3) whether the pre-award and post-award contracts were managed adequately; and 4) total costs, including contracts/agreements with Oracle Corporation, Department of Interior's National Business Center, and various contractors hired to implement and integrate existing subsystems [Grants Management for NEH and Institute of Museum and Library Services (IMLS) and the payroll information received from the National Finance Center for both agencies], as well as contractors hired after the system was implemented to resolve system problems.

NEH management did not agree with the report and we closed all of the recommendations except one. We recommended that the NEH General Counsel determine if NEH was within its legal right to accept Federal funds from IMLS to purchase the Oracle license without a signed agreement. We have not received a general counsel opinion.

#### **Federal Information Security Management Act (FISMA) Reviews**

The Federal Information Security Management Act (FISMA) requires Federal agencies to conduct an annual self-assessment review of their information technology security program, to develop and implement remediation efforts for identified security weaknesses and vulnerabilities, and to report to OMB on the agency's compliance. The OIG and management are required to perform independent reviews. NEH submitted results to OMB on September 29, 2006.

We issued five reports related to FISMA, including a report to the Federal Audit Executive Council IT Committee and the Independent Evaluation Report submitted to OMB. In aggregate, the reports identified fifteen areas where NEH can further improve information system security. The CIO agreed with most of our recommendations and needs to review some others. In the meantime, corrective action has been initiated on several recommendations. The objective of each review/report were as follows:

#### **A - Personal Identity Verification (PIV) Compliance August 31, 2006, OIG-06-03 (IR)**

The objective of the review was to determine NEH's compliance with Homeland Security Presidential Directive – 12, *Policy for a Common Identification Standard for Federal Employees and Contractors*; Office of Management and Budget Memorandum M-05-24, *Implementation of Homeland Security Presidential Directive (HSPD) – 12, Policy for a Common Identification Standard for Federal Employees and Contractors*; and the National Institute of Standards and Technology Federal Information Processing Standard Publication 201-1, *Personal Identity Verification (PIV) of Federal Employees and Contractors*.

# AUDIT AND REVIEW ACTIVITIES

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## **B - Federal Audit Executive Council IT Committee Data Collection Instrument for Assessing Agency Efforts to Protect Sensitive Information September 21, 2006, OIG-06-04 (IR)**

The objective was to report to NEH the results of the assessment of the agency's efforts to protect sensitive information as reported to the Federal Audit Executive Council IT Committee on the data collection instrument prepared by the Office of Inspector General.

## **C - Compliance with OMB Memorandum M-06-16, *Protection of Sensitive Agency Information* September 27, 2006, OIG-06-05 (IR)**

The objective of this review was to determine NEH's compliance with the Office of Management and Budget Memorandum M-06-16, *Protection of Sensitive Agency Information* and the checklist accompanying this memorandum entitled, *Security Checklist for Personally Identifiable Information that is to be Transported and/or Stored Offsite, or that is to be Accessed Remotely*.

## **D - Oracle Accounting System Review September 28, 2006, OIG-06-06 (IR)**

The objective of this review was to examine the privileges/rights and responsibilities of users within Oracle to determine incompatible functions, and to review system and information ownership controls.

## **E - Reporting Document to the Office of Management and Budget September 29, 2006, OIG-06-08 (IR)**

The objective was to report to NEH the results of the information gathered and reported by the OIG to the Office of Management and Budget (OMB) on the reporting template/document in accordance with OMB Memorandum M-06-20, *Reporting Instructions for the Federal Information Security Management Act and Privacy Act*.

## **Fiscal Year Ended September 30, 2006 Consolidated Review of the Federal Managers' Financial Integrity Act (FMFIA), September 28, 2006, OIG-06-07 (IR)**

We performed a limited review of the information submitted by each office head/division director. Our review covered fiscal year ended September 30, 2006. We found that the agency's reviews were reasonable and prudent according to guidelines issued by the Office of Management and Budget.

Significant progress has been made in the operation of the Oracle accounting system since the NEH has taken corrective action as suggested by the independent public accountant and the Office of Inspector General. The agency has reduced the number of material weaknesses and significant deficiencies. However, more remains to be accomplished. The Accounting Office must take responsibility and control of inherent functions of the accounting system that are currently being performed by the Office of Administrative Services and the Office of Information Resources Management. We have not been informed of a plan that will alleviate the internal control weaknesses caused by these conditions.

# AUDIT AND REVIEW ACTIVITIES

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## EXTERNAL AUDITS/REVIEWS

### **Clarity Educational Productions July 14, 2006, OIG-06-01 (EA)**

The objective of the audit was to determine whether the expenditures of NEH funds totaling \$700,000 were reasonable, allocable, and allowable considering applicable regulations and the terms and conditions of the NEH grant agreement. To accomplish our objective, we reviewed Clarity's accounting system as it pertained to the NEH grant, tested accounting records and source documents, and other procedures we considered necessary in the circumstances.

We found that Clarity accounted for NEH project costs by using a separate set of books and records specifically set-up for the NEH grant. This was acceptable when Clarity was only working on the NEH project. When Clarity worked on other projects, we were unable to determine if incurred costs were charged to more than one project. Clarity had an accounting system that could account for NEH line items as proposed in the budget; however, it was not used. While we did not question costs, we found that Clarity did not spend \$534,000 of cost sharing as proposed in the budget. The project is incomplete at this time and we have requested that NEH declare the organization and principal participant ineligible to receive future NEH grants.

### **Bill of Rights Institute June 23, 2006, OIG-06-01 (DR)**

The objective of this desk review was to assess the adequacy of the organization's procedures to ensure compliance with OMB Circular A-122 concerning time and effort reporting.

We found that the policies and procedures implemented by the organization to account for employee time and effort are adequate to ensure compliance with the requirements set forth in OMB Circular A-122 concerning support of salaries and wages. However, we noted a disconnect between the system used to track and account for salary expenses associated with specific grant projects and the organization's general ledger.

We informed the organization of actions necessary to ensure full compliance with the Circular.

## **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 one review during this period. (See page 3).

## **Single Audit Act Reviews**

During fiscal year 2006, the NEH spent more than 80 percent of its annual expenditures on grantees. The Single Audit Act Amendment of 1996 covers many NEH grantees. Grantees expending \$500,000 or more in Federal dollars per annum are required to obtain an OMB Circular A-133 audit. The objective of the audit is to determine whether the recipients expend Federal funds in accordance with applicable laws and regulations. The OIG receives OMB Circular A-133 reports from other Federal agencies (primarily the Department of Health and Human Services), state and local government auditors, and independent public accountants.

During the six-month period ended September 30, 2006, we reviewed 83 OMB Circular A-133 audit reports. None of the reports reviewed contained findings that required reporting by the OIG to NEH management.

# AUDIT AND REVIEW ACTIVITIES

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## WORK IN PROGRESS

### **Desk Reviews of Documentation Related To Salaries and Wages Charged to NEH Grants**

- Educational Broadcasting Corporation (WNET)
- WGBH Educational Foundation
- Washington Educational Television Association (WETA)
- Fine Arts Museum of San Francisco
- Connecticut Historical Society Mid-Atlantic Arts Alliance
- American Council of Learned Societies

### **Overhead Desk Reviews**

- Washington Educational Television Association (WETA)
- The Newberry Library
- Save Ellis Island!

### **External Inspection**

- Ways of Knowing, Inc.

### **Financial Statement Audit**

The OIG contracted for the audit of NEH's fiscal year ended September 30, 2006 financial statements. The independent public accountants (IPAs) performed a significant amount of work prior to September 30. The OIG is monitoring the performance of the IPAs. We plan a more extensive review of their working papers after the audit is completed. During the internal control phase, the IPAs identified one material weakness concerning separation of duties. This finding was also reported last year.

# INVESTIGATIVE ACTIVITIES

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## 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. The result could be an audit, an investigation, a referral to another NEH office or division, a referral to another Federal agency, or no action is necessary.

## OPEN AT APRIL 1, 2006

Four matters were open at April 1, 2006 and closed during this period.

## CONTACTS DURING THE PERIOD

We received five "Hotline" contacts during this reporting period. One concerned an internal matter and four concerned external matters. All issues were resolved during this period.

## MATTERS REFERRED TO PROSECUTIVE AUTHORITIES

We referred one matter to the Department of Justice (DOJ) concerning an employee who applied to another Federal agency for a grant. The person was acting in the capacity of the President of a not-for-profit organization. DOJ declined prosecution and the matter was referred to the NEH general counsel for disposition.

## 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.

## 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.

# INVESTIGATIVE ACTIVITIES

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## SUMMARY OF INVESTIGATION ACTIVITY

Open at beginning of period	4
Matters brought to the OIG during the reporting period	5
Total investigative contacts	9
Closed, referred, or no action needed during the reporting period	9
Open at end of period	0

# OTHER ACTIVITIES

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## **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 input 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 affect 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, no reviews were required.

## **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 or 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 policymaking.

## **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/howeare/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 IGMET.

## **TECHNICAL ASSISTANCE**

Throughout the reporting period, OIG staff provided telephone technical assistance to NEH grantees and independent public accountants concerning various matters. Generally, these involve the preparation of indirect cost proposals and the implementation of the Federal audit requirements of OMB Circular A-133.

## PRIOR AUDIT REPORTS UNRESOLVED

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- Several recommendations from prior FISMA and Informational Technology Security reviews have not been implemented. The NEH Office of Information Resources Management staff are currently working on implementing some of the recommendations.
- Couple of recommendations disclosed in the Independent Auditors Report on the financial statements for fiscal year ending September 30, 2005 are still open. NEH management has indicated that they are taking action to resolve these issues.

# TOP MANAGEMENT CHALLENGES

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As of Fiscal Year Ended September 30, 2006

## **Successfully Implement an Agency Financial Management System**

NEH has made significant progress with the web-based accounting system developed by the Oracle Corporation. Many problems implementing the new system have been corrected. An interface has been established between the Grants Management System and the accounting system.

Some of the problems that will have to be addressed in fiscal year 2007 are:

- Separation of incompatible duties involving the procurement/contracting function and the accounting office.
- Program fund reports and travel reports provided to the Divisions are not considered timely by some Division officials.

Several of these problems are being addressed as the FY 2006 financial statements are being prepared and audited. NEH has hired an accounting officer that is knowledgeable and qualified to supervise the accounting staff and manage the financial operation. We strongly recommend that the Accounting Office hire a highly qualified accountant that is familiar with the Oracle system operated by NEH. This person should be capable of handling day-to-day activities and thereby free the accounting officer to perform managerial duties. The process of hiring of this person should begin as soon as the report on the FY 2006 financial statements is issued by the independent public accounting firm.

## **Strengthen Information Security**

- As E-commerce increases, i.e., Grants.Gov, NEH will be more susceptible to outside and *inside* risks. Also, telecommuting creates additional security concerns. NEH's Office of Information Resources Management (OIRM) must proactively monitor system intrusions to determine if user accounts and passwords have been compromised.
- NEH will be providing computer hardware and software to the National Archives and Records Administration (NARA) for NARA's use in managing their grant administration program. NEH has to determine what effect these additional responsibilities and risks have from a security viewpoint.

## **Continue to Improve Planning and Performance Measurement in Accordance with the Results Act**

- Over the past several years, NEH has made progress. However, more needs to be accomplished. The OIG recognizes that measuring the benefits of many NEH 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 the effect 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 and continues to make significant progress on e-gov and is moving towards the eventual goal of having grantees submit complete proposals electronically, reviewing the proposals on-line, and processing proposals electronically. This long-term e-government project of the President's Management Agenda has several agencies working together. We will be listing this as a management challenge until a significant amount of grants is processed completely through e-gov in an economical and efficient manner.

# TOP MANAGEMENT CHALLENGES

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## 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 realignments are necessary.

## Continuity of Operations

- After September 11, 2001, the agency began Continuity of Operations Planning (COOP); however, a formal plan has not been completed and distributed to NEH staff. In the recent flooding problem at the Internal Revenue Service building (our building's supplier of air conditioning), exemplary work by NEH staff saved the agency many problems. Mainly, our grantees were provided with funds requested in a timely manner. In addition, the Administrative Services Officer worked diligently with the building's owner (General Services Administration) to secure temporary air conditioning and heating units to service the building. In addition, the system used to notify employees of the building's status performed extremely well. Unfortunately, a majority of the staff was on administrative leave for several days. NEH needs a plan that will restore staff productivity within an acceptable timeframe if a man-made or natural disaster prevents employee access to the building.

# 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.....	9
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.....	*
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Section 5(a)(10)	Prior Audit Reports Unresolved.....	10
Section 5(a)(11)	Significant Revised Management Decisions.....	*
Section 5(a)(12)	Significant Management Decisions with which OIG Disagreed....	*

\* 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.	- 1 -	\$ - 0 -	\$ - 0 -
B. Which were issued during the reporting period.	- 0 -	\$ - 0 -	\$ - 0 -
<b>Subtotals (A+B)</b>	- 1 -	\$ - 0 -	\$ - 0 -
C. For which a management decision was made during the reporting period.			
i. Dollar value of disallowed costs.	- 0 -	\$ - 0 -	\$ - 0 -
ii. Dollar value of costs not disallowed (grantee subsequently supported all costs).	- 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.	- 1 -	\$ - 0 -	\$ - 0 -
E. Reports for which no management decision was made within six months of issuance.	- 1 -	\$ - 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 -
ii. Dollar value of recommendations that were not agreed to by management.		\$ - 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 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).