



NATIONAL ENDOWMENT FOR THE

Humanities

Office of Inspector General

**SEMIANNUAL
REPORT TO
CONGRESS**

For the Period October 1, 2010 through March 31, 2011

Report No. 44

**“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

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Mailing Address

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National Endowment for the Humanities
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NATIONAL ENDOWMENT FOR THE
Humanities

OFFICE OF INSPECTOR GENERAL

May 10, 2011

Honorable James Leach
Chairman, National Council on the Humanities
National Endowment for the Humanities
Washington, DC 20506

Dear Chairman Leach:

I am pleased to provide you with the Office of Inspector General's Semiannual Report to Congress for the first half of the fiscal year 2011. This 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 Office of Inspector General (OIG) during the six-month period ended March 31, 2011.

During the current reporting period, we completed two internal reviews; two limited audits of gifts certified under awards made through the Challenge Grants program; 10 desk reviews of Office of Management and Budget (OMB) Circular A-133 audit reports, as issued by non-Federal auditors concerning NEH grantees; and one peer review of the audit operations of the United States Capitol Police Office of Inspector General. Also, the audit operations of the NEH OIG was reviewed by the Consumer Product Safety Commission OIG and received a rating of "pass". Lastly, the audit of the agency's financial statements for fiscal year 2010 was also completed during the current reporting period.

In our investigations program, one matter was open as of the beginning of the reporting period. We received 21 "Hotline" contacts during the period, and two matters remain open as of March 31, 2011.

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 in the United States.

Sincerely,

Laura Davis
Acting Inspector General

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EXECUTIVE SUMMARY

This reporting period has been very busy for the NEH OIG. I wish to thank the staff for their diligent and productive efforts over the past six months in light of the leadership and administrative changes impacting the office. In December 2010, our administrative assistant of 14 years retired and in January 2011, Mr. Sheldon Bernstein (first Inspector General to serve at the NEH) retired after 22 years of service to the OIG. We wish the two of them all the best.

During the period covered by this report, we continued our series of limited audits of NEH challenge grants. As a result of our audit efforts, NEH management has implemented additional monitoring procedures to ensure grantee compliance with gift eligibility requirements.

We resumed efforts to perform desk reviews of audit reports issued by non-Federal auditors pursuant to OMB Circular A-133. These reviews have revealed areas wherein recipients and independent public accountants are still lacking subsequent to the issuance of the Report on National Single Audit Sampling Project issued by the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency in June 2007 and efforts by the public accounting community to improve audit quality in response to the report.

We have completed an inspection of the NEH grant monitoring function. We anticipate issuing the final report by early June.

The OIG engaged the services of Leon Snead & Company (IPA) to conduct the annual audit of the NEH financial statements, as required by the Accountability of Tax Dollars Act of 2002. The OIG monitored the work of the auditors and examined audit workpapers and the draft report to ensure compliance with the applicable requirements. For the sixth consecutive year, the NEH received an unqualified opinion on the audited financial statements for fiscal year ended September 30, 2010. No internal control deficiencies or instances of noncompliance with applicable laws and regulations were noted by the IPA.

Investigative efforts have been active over the past six months. OIG staff have been working closely with the U.S. Department of Justice and the National Science Foundation. Two cases remain active as of the end of the reporting period.

Administratively, in accordance with the Inspector General Act of 2008, Public Law 110-409, we have renewed a Memorandum of Understanding with the General Counsel for the U.S. Treasury Inspector General for Tax Administration for legal services during fiscal year 2011.

Lastly, the Inspector General Act of 1978 (IG Act) required the NEH Inspector General to report to and be supervised by the head of the NEH, (the NEH Chairperson). The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 amended the IG Act by changing the definition of the head of an agency from the entity head to its supervisory Board or Commission. The National Council on the Humanities (National Council) was established by Congress to advise the NEH Chairperson in supervising the work of the agency. The National Council currently has 24 members. The NEH Chairperson serves as the Chairperson of the full National Council. In order to conform to the new requirements enacted by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, during its March 2011 meeting, the National Council designated the NEH Chairperson as its representative and point-of-contact between the National Council and the NEH OIG. However, the NEH Inspector General will have the opportunity to directly address the full National Council on the activities of the NEH OIG at least once a year, or more often, as determined by the NEH Inspector General.

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 (NEH) as an independent grant-making agency of the Federal government to support research, education, and public programs in the humanities. According to the Act, "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."

Grants are made through four divisions - Research Programs, Education Programs, Preservation and Access, and Public Programs -- and three offices -- Challenge Grants, Federal-State Partnership, and Digital Humanities. The divisions and offices also administer the *We the People* initiative.

The NEH has launched a new initiative ~ *Bridging Cultures*. The initiative is designed to bridge both space and time to help American citizens gain a deeper understanding of their own varied cultural heritage, as well as the history and culture of other nations. The initiative encourages the exploration of ways in which cultures from around the globe, as well as the myriad subcultures within America's borders, have influenced American society.

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 to the National Council on the Humanities through the NEH Chairman, and can only be removed by the National Council on the Humanities, which must give Congress 30 days notice of the reasons for the removal; 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 has a Memorandum of Understanding with the United States Treasury Inspector General for Tax Administration detailing the procedures for the OIG to be provided legal services. Investigations are handled by the Inspector General and an auditor.

AUDIT AND REVIEW ACTIVITIES

LIST OF REPORTS ISSUED

This office is responsible for external and internal audits. External efforts include on-site grant audits, limited scope desk reviews, pre-award accounting system surveys, review of OMB Circular A-133 audit reports, 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. The OIG is also responsible for monitoring the work of the independent public accountant that conducts the annual audit of the NEH financial statements as required by the Accountability of Tax Dollars Act of 2002, and examining the audit workpapers and reports to ensure compliance with applicable requirements.

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 Tables II and III].

	<u>Report Number</u>	<u>Date Issued</u>
<u>INTERNAL AUDITS/REVIEWS</u>		
Fiscal Year Ended September 30, 2010 Consolidated Review of the Federal Managers' Financial Integrity Act (FMFIA)	OIG-11-01 (Internal Review)	10/22/2010
Final Audit Report NEH Financial Statement Audit ~ FY 2010	N/A	11/08/2010
Federal Information Security Act (FISMA) Office of Inspector General Section of the Reporting Document to the Office of Management and Budget	OIG-11-02 (IR)	02/17/2011
<u>EXTERNAL AUDITS/REVIEWS</u>		
Limited Audit — Gifts Certified Under Challenge Grant to Christopher Newport University	OIG-11-01 (EA)	10/13/2010
Limited Audit — Gifts Certified Under Challenge Grant to Springfield Library and Museums Association	OIG-11-02 (EA)	12/13/2010
<u>DESK REVIEWS</u>		
Desk Review of the Single Audit Report for Year Ended October 31, 2009 — La Fundación Puertorriqueña de las Humanidades, Inc.	OIG-11-01 (DR)	10/19/2010
Desk Review of the Single Audit Report for Year Ended December 31, 2009 — Vermont Humanities Council	OIG-11-02 (DR)	11/19/2010
Desk Review of the Single Audit Report for Year Ended September 30, 2009 — National Constitution Center	OIG-11-03 (DR)	11/30/2010

AUDIT AND REVIEW ACTIVITIES

LIST OF REPORTS ISSUED

	<u>Report Number</u>	<u>Date Issued</u>
<u>DESK REVIEWS (con't.)</u>		
Desk Review of the Single Audit Report for Year Ended October 31, 2009 — Delaware Humanities Council	OIG-11-04 (DR)	11/19/2010
Desk Review of the Single Audit Report for Year Ended October 31, 2009 — Nebraska Humanities Council	OIG-11-05 (DR)	11/22/2010
Desk Review of the Single Audit Report for Year Ended June 30, 2009 — Asian Art Museum of San Francisco	OIG-11-06 (DR)	12/29/2010
Desk Review of the Single Audit Report for Year Ended October 31, 2009 — Pennsylvania Humanities Council	OIG-11-07 (DR)	12/30/2010
Desk Review of the Single Audit Report for Year Ended October 31, 2009 — Minnesota Humanities Center	OIG-11-08 (DR)	02/01/2011
Desk Review of the Single Audit Report for Year Ended June 30, 2010 — Newberry Library	OIG-11-09 (DR)	03/18/2011
Desk Review of the Single Audit Report for Year Ended October 31, 2009 — South Carolina Humanities Council	OIG-11-10 (DR)	03/23/2011
<u>OTHER REPORTS</u>		
System Review Report on the United States Capitol Police Office of Inspector General	N/A	01/27/2011
<u>SINGLE AUDIT ACT REVIEWS</u>		
OMB Circular A-133 Reports	— See Page 7 —	

AUDIT AND REVIEW ACTIVITIES

SUMMARY OF REPORTS ISSUED

INTERNAL AUDITS/REVIEWS

**Fiscal Year Ended September 30, 2010
Consolidated Review of the
Federal Managers' Financial Integrity Act (FMFIA)
October 22, 2010; OIG-11-01 (Internal Review)**

We made a limited review of the evaluations conducted by NEH division directors and office heads in accordance with Office of Management and Budget (OMB), *Guidelines for the Evaluation and Improvement of and Reporting on Internal Control Systems in the Federal Government* and *Guidelines for Evaluating Financial Management/Accounting Systems*, for the fiscal year ended September 30, 2010.

We made our review to determine if the evaluations appear to be reasonable and prudent. Nothing came to our attention that would indicate that the evaluations reviewed did not comply with the applicable guidelines.

**Final Audit Report
NEH Financial Statement Audit ~ Fiscal Year 2010
November 8, 2010**

The Office of Inspector General (OIG) engaged Leon Snead & Company, P.C., (IPA) to perform the Fiscal Year 2010 Financial Statement Audit as required by the Accountability of Tax Dollars Act of 2002. The OIG was responsible for 1) evaluating the qualifications and independence of the auditors; 2) reviewing the audit approach and planning; 3) monitoring the work of the auditors; 4) examining audit workpapers and reports to ensure compliance with *Government Auditing Standards*, OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements* (as amended), and the *Financial Audit Manual* issued jointly by the Government Accountability Office (GAO) and the President's Council on Integrity and Efficiency (PCIE); and 5) other procedures deemed necessary to oversee the contract and the audit.

The IPA expressed an unqualified opinion on the NEH financial statements as of and for the years ended September 30, 2010 and 2009. Fiscal year 2010 marks the sixth year that NEH has received an unqualified opinion. The IPA's testing of internal control identified no deficiencies in internal control considered to be material weaknesses and the results of the IPA's tests of compliance with certain provisions of laws and regulations disclosed no instances of noncompliance required to be reported. There were no prior year unresolved findings.

**Federal Information Security Act (FISMA)
Office of Inspector General Section of the Reporting Document to the
Office of Management and Budget
February 17, 2011; OIG-11-02 (IR)**

We completed the Office of Inspector General section of the 2010 Annual FISMA Report to the Office of Management and Budget, which was transmitted to OMB on November 15, 2010 via the CyberScope portal. This report documents the OIG responses to OMB's questions concerning the NEH's computer security.

AUDIT AND REVIEW ACTIVITIES

EXTERNAL AUDITS/REVIEWS

Limited Audit — Gifts Certified Under Challenge Grant to Christopher Newport University October 13, 2010; OIG-11-01 (EA)

We performed a limited audit of the Christopher Newport University Education Foundation (the “Foundation”) records as they relate to NEH challenge grant CZ-50196-09. The Foundation certified that eligible gifts were received and used to meet the matching requirements stipulated by the challenge grant. The principal objectives of our limited audit were to determine that (1) the gifts certified by the Foundation meet the eligibility requirements established by NEH for the release of Federal matching funds; and (2) grant expenditures are made in accordance with applicable provisions of NEH’s *General Terms and Conditions for Awards to Organizations* and the terms of the budget approved by NEH and any amendments. Our review was conducted in accordance with *Generally Accepted Government Auditing Standards* (GAGAS).

We identified unallowable expenditures approximating \$5,000. We also made a recommendation concerning the Foundation’s internal policy guidance to ensure the challenge grant gifts are properly classified between the temporarily restricted and permanently restricted net asset categories.

Foundation management concurred with our findings and has properly implemented corrective actions in response to the OIG recommendations.

Limited Audit — Gifts Certified Under Challenge Grant to Springfield Library and Museums Association December 13, 2010; OIG-11-02 (EA)

We performed a limited audit of the Springfield Library and Museums Association (the “Association”) records as they relate to NEH challenge grant CH-50569-09. The Association certified that eligible gifts were received and used to meet the matching requirements stipulated by the challenge grant. The principal objectives of our limited audit were to determine that (1) the gifts certified by the Association meet the eligibility requirements established by NEH for the release of Federal matching funds; (2) grant expenditures are made in accordance with applicable provisions of NEH’s *General Terms and Conditions for Awards to Organizations* and the terms of the budget approved by NEH and any amendments; and (3) Davis-Bacon Act compliance requirements were adhered to with this construction-based award. Our review was conducted in accordance with *Generally Accepted Government Auditing Standards* (GAGAS).

We found that a contract executed for work under the project supported by the challenge grant lacked the required references to the Davis-Bacon Act and the prevailing wage requirement. Additionally, the related request for bids (RFP) used to solicit proposals for the work could not be located for our review. We ultimately verified that employees associated with the contract were paid wages that exceeded the Department of Labor prevailing wage rates. We recommended that the Association’s management implement new procedures to ensure that (1) all future federally-financed construction work is supported by signed agreements that incorporate the required Davis –Bacon Act language; and (2) all related documentation is properly retained in accordance with document retention standards.

The Association’s management concurred with our findings and has properly acted upon our findings.

AUDIT AND REVIEW ACTIVITIES

DESK REVIEWS

During the reporting period, we completed and issued ten (10) desk review letters concerning the results of our review of OMB Circular A-133 audit reports. The objectives of the desk reviews were to: (1) determine whether the audit reports are acceptable under the reporting requirements of OMB Circular A-133; (2) identify any quality issues that may warrant follow-up work and/or revisions to the audit report; (3) identify audits for potential Quality Control Reviews (QCR); and (4) identify issues that may require the attention of NEH management. We used the *Guide for Desk Reviews of OMB Circular A-133 Audit Reports*, issued by the Council of Inspectors General on Integrity and Efficiency (CIGIE) to determine if the reports were in conformance with the core reporting requirements stipulated by OMB Circular A-133.

We determined that two (2) reports were acceptable; four (4) reports were acceptable with deficiencies; two (2) reports were technically deficient; and two (2) reports were unacceptable. Audit reports determined to be technically deficient or unacceptable required corrective action and resubmission. A recurring deficiency noted during our reviews related to the lack of disclosure of subrecipient awards in the Schedule of Federal Expenditures, as required by OMB Circular A-133.310(b)(5).

The following desk reviews were in progress as of March 31, 2011:

- * Arkansas Humanities Council (FYE October 31, 2009)
- * Humanities Council of Washington, DC (FYE October 31, 2009)
- * Humanities Washington (FYE December 31, 2009)
- * New York Council for the Humanities (FYE October 31, 2009)
- * Hawaii Council for the Humanities (FYE October 31, 2009)
- * California Council for the Humanities (FYE October 31, 2009)
- * Nevada Humanities (FYE October 31, 2009)
- * Mississippi Humanities Council (October 31, 2009)
- * Kentucky Humanities Council (October 31, 2009)
- * Florida Humanities Council (October 31, 2010)

SINGLE AUDIT ACT REVIEWS

OMB Circular A-133 establishes audit requirements for state and local governments, colleges and universities, and non-profit organizations receiving Federal awards. Covered entities, as defined by the Circular, that expend \$500,000 or more a year in Federal awards must obtain an annual organization-wide audit that includes the entity's financial statements and compliance with Federal award requirements. The audits are conducted by non-Federal auditors, such as public accounting firms and state auditors. The OIG reviews the audit reports for findings and questioned costs related to NEH awards, and to ensure that the reports comply with the requirements of OMB Circular A-133, (see Desk Reviews above).

During the six-month period ended March 31, 2011, the OIG referred findings noted in eleven (11) audit reports to NEH for resolution. The independent auditors identified 21 findings at eleven NEH grantees. Many of the findings involved grantee non-compliance with applicable Federal procurement requirements and lack of timeliness when submitting required financial and/or performance reports.

AUDIT AND REVIEW ACTIVITIES

WORK IN PROGRESS

Limited Audit ~ Wyoming Humanities Council

The objective of this limited audit is to determine if the cost-sharing requirement applicable to NEH grant SO-50059-04 was satisfied and that the Council's share of outlays, as reported to the NEH, is substantiated and complies with the applicable NEH guidelines.

Inspection ~ NEH Grant Monitoring Function

The objectives of this inspection are to determine 1) if there are agency-wide policies and procedures for monitoring grants and if so, whether the offices and divisions responsible for the monitoring function are complying with those policies and procedures; 2) if the program offices, Accounting Office, and the Office of Grant Management have policies and procedures to monitor grants and if so, whether they are complying with those policies and procedures; 3) what factors are used to select awards for monitoring; and 4) what mechanism is used by the offices and divisions responsible for the monitoring function to assess the effectiveness and/or adequacy of their monitoring procedures.

Cost Incurred Audit ~ Medieval Academy of America

The principal objectives of this limited audit is to determine that (1) grant expenditures were made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations* and the terms of the approved grant awards; and (2) proper controls over the use of the Federal funds exist in accordance with minimum standards prescribed in OMB Circulars A-110 and A-122.

Limited Audit ~ Marquette Historical Society

The principal objectives of this limited audit are to determine that (1) the gifts certified by the Society under NEH challenge grant CH-50604-09 are eligible to release Federal matching funds; (2) grant expenditures are made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations* and the terms of the approved challenge grant budget; and (3) construction work complied with Davis-Bacon Act requirements.

Limited Audit ~ University of California Press Foundation

The principal objectives of this limited audit are to determine that (1) the gifts certified by the University of California Press Foundation under NEH challenge grant CH-50213-06 are eligible to release Federal matching funds; (2) grant expenditures are made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations* and the terms of the approved challenge grant budget; and (3) proper controls over the use of the endowment funds and the related earnings exist.

Limited Audit ~ Filmmakers Collaborative

The objective of this limited audit is to determine if expenditures reported by Filmmakers Collaborative for NEH grant TR-50093-09 are accurate and represent allowable and allocable costs in accordance with the provisions of the approved budget (and subsequent revisions) and applicable OMB Circulars.

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. 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. When we determine that a case involves a crime, we will ask the Federal Bureau of Investigations, another Federal Inspector General, or the United States Attorney's office for assistance.

During the past several years, the OIG has frequently received Hotline contacts and did not have sufficient resources to complete the inquiry or investigation in a timely manner. Therefore, to remedy this problem, we have been inquiring of other OIGs concerning their willingness and ability to assist us on an "as needed" basis under a reimbursable agreement. Several OIGs responded they would consider performing work for us on a case-by-case basis, depending on the availability of their staff to assist us. However, this assistance would be for criminal cases only and we have no guarantee that the OIGs would have staff available when needed.

OPEN AT OCTOBER 1, 2010

One matter was open as of October 1, 2010. The matter involves criminal activity and we are currently working with an Assistant United States Attorney and Department of Justice Special Agent. This case remains active as of the end of this reporting period.

CONTACTS DURING THE SIX-MONTH PERIOD ENDED MARCH 31, 2011

We received twenty-one (21) contacts during the current reporting period.

One contact included allegations of inappropriate uses of Federal funds related to an NEH award made to a university. The matter was investigated by the university's Audit and Advisory Services in conjunction with the university's management. The internal investigation resulted in the reimbursement of \$22,341 to the NEH, which represents charges deemed unallowable or not allocable to the NEH grant. We have closed this matter based on the university's internal investigative efforts.

One matter involves an NEH employee. We are in the process of gathering preliminary information necessary to plan our approach concerning the allegations.

Two contacts were FOIA matters which were referred to the NEH Office of General Counsel.

Seventeen contacts concerned matters that lacked sufficient attributes of criminal or administrative violations.

INVESTIGATIVE ACTIVITIES (Continued)

OPEN AT MARCH 31, 2011

Two matters are open as of March 31, 2011.

MATTERS REFERRED TO PROSECUTIVE AUTHORITIES

We referred one matter to the U.S. Department of Justice during this period.

HOTLINE AND PREVENTION ACTIVITIES

We maintain a toll-free Hotline number, an agency e-mail address, and an internet address to provide additional confidentiality for those persons bringing matters to the attention of the OIG. We periodically issue agency-wide e-mail messages informing NEH staff of violations that are reportable 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.

An OIG staff person also makes a brief presentation during meetings convened by NEH program management involving project directors of new awardees. The presentations include an overview of OIG operations and emphasize the importance of recipients understanding the administrative requirements and specific terms and conditions applicable to their respective awards.

SUMMARY OF INVESTIGATION ACTIVITY

Open at beginning of period	1
Matters brought to the OIG during the reporting period	21
Total investigative contacts	22
Closed, referred, or no action needed during the reporting period	20
Open at end of period	2

OTHER ACTIVITIES

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 to assess whether proposed legislation and/or regulations (1) 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 legislative reviews were required for NEH. However, we provided responses to the Council of Inspectors General on Integrity and Efficiency concerning legislation affecting the Inspector General community.

WORKING WITH THE AGENCY

OIG staff attended 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 meetings of the National Council on the Humanities. Also, the IG or Deputy IG attends the Chairman's monthly policy group meetings. The Office of Inspector General may contribute to the discussions but does not participate in policymaking.

OIG staff made presentations about the NEH Office of Inspector General and the OIG Hotline during meetings held at the NEH with grant project directors in receipt of awards through the Division of Education (*NEH Landmarks of American History and Culture for 2011* and *NEH Humanities Initiatives at Historically Black Colleges and Universities, Institutions with High Hispanic Enrollment, and Tribal Colleges and Universities*) and awards related to the NEH *Bridging Cultures* initiative.

OIG staff also participated with the Chairman, program staff, and grant management staff in the 2010 National Humanities Conference sponsored by the Federation of State Humanities Councils. OIG staff conducted a workshop discussing accountability and compliance matters applicable to state council organizations. The workshop was attended by Board members, executive directors, and council personnel charged with fiscal responsibilities.

PARTICIPATION ON THE COUNCIL OF INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY

The Inspector General Reform Act of 2008, Public Law 110-409, amended the Inspector General Act of 1978 and established the Council of Inspectors General on Integrity and Efficiency (CIGIE). The CIGIE is comprised of all Inspectors General whose offices are established by the Inspector General Act of 1978 — those that are Presidentially-appointed/Senate-confirmed and those that are appointed by agency heads (designated Federal entities). During the six-month period ending March 31, 2011, OIG staff regularly attended CIGIE meetings and provided input. The former Inspector General was a member of the Grant Fraud Committee (a subcommittee of the National Procurement Fraud Task Force) and participated in the Misconduct in Research meetings. The Deputy IG attends meetings of the Federal Audit Executive Council (FAEC), the monthly meetings of the Financial Statement Audit Network (a subcommittee of the FAEC), and the Single Audit Roundtable.

INTRA-GOVERNMENTAL ACTIVITY

Collaboration with the National Science Foundation ~ Office of Inspector General

OIG staff is participating in a joint investigative effort concerning a major media grantee. The joint effort involves IG staff from three (3) Federal agencies. NSF ~ OIG is leading the investigation.

OTHER ACTIVITIES (Continued)

OIG INTERNET AND INTRANET

The OIG has posted several audit/review reports and semiannual reports on the internet and on the NEH intranet. The reports are accessible through the NEH homepage and the OIG homepage (<http://www.neh.gov/whoweare/OIG.html>).

To advance NEH staff recognition of the OIG mission and responsibilities, we provide links to several other Federal agencies such as the Office of Management and Budget, the Government Accountability Office, the Office of Government Ethics, and the IGET.

TECHNICAL ASSISTANCE

Throughout the reporting period, OIG staff provided technical help to NEH staff, grantees, and independent public accountants about various matters. Generally, these involve the implementation of the audit requirements of OMB Circular A-133.

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>
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Section 5(a)(10)	Prior Audit Reports Unresolved.....	*
Section 5(a)(11)	Significant Revised Management Decisions.....	*
Section 5(a)(12)	Significant Management Decisions with which OIG Disagreed.....	*
Section 5(a)(14-16)	Peer Review Results.....	Appendix A

* 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 -	\$491,667	\$ - 0 -
B. Which were issued during the reporting period.	- 1 -	\$ 5,000	\$ - 0 -
Subtotals (A+B)	- 2 -	\$496,667	\$ - 0 -
C. For which a management decision was made during the reporting period.			
i. Dollar value of disallowed costs.	- 1 -	\$ 5,000	\$ - 0 -
ii. Dollar value of costs not disallowed (grantee subsequently supported 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 -	\$491,667	\$ - 0 -
E. Reports for which no management decision was made within six months of issuance.	- 1 -	\$491,667	\$ - 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).

APPENDIX A

PEER REVIEW RESULTS

The following information is provided pursuant to the requirements of Section 989C of Public Law 111-203 (July 21, 2010), the Dodd-Frank Wall Street Reform and Consumer Protection Act, amending the Inspector General Act of 1978 (the IG Act), 5 U.S.C. App. This appendix complies with Section 5(a)(14 - 16) of the IG Act of 1978, as amended.

(14)(A) Peer Review of the Audit Function. On December 9, 2010, the U.S. Consumer Product Safety Commission (CPSC) issued a System Review Report on the audit organization of the NEH OIG in effect for the year ended March 31, 2010. The CPSC found that the system of quality control for the audit organization of the NEH OIG had been suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The NEH OIG received a peer review rating of *pass*.

(15) Outstanding Recommendations from any Peer Review of the NEH OIG. There are no outstanding recommendations from any peer review of the NEH OIG conducted by another Office of Inspector General that have not been fully implemented.

(16) Peer Review Conducted by the NEH OIG. On January 27, 2011, the NEH OIG issued a System Review Report on the United States Capitol Police (USCP) Office of Inspector General audit organization in effect for the year ended September 30, 2010. We found that the system of quality control for the audit organization of the USCP OIG had been suitably designed and complied with to provide USCP OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The USCP OIG received a peer review rating of *pass*.