



NATIONAL ENDOWMENT FOR THE HUMANITIES

OFFICE OF INSPECTOR GENERAL

May 21, 2021

Via FedEx

Board of Directors
Missouri Humanities
105 N Main, Suite 108
St. Charles, MO 63301
Attn: [REDACTED] Chair

OIG Report Number: OIG-21-05 (DR)

Dear Board Members:

The National Endowment for the Humanities (NEH) Office of Inspector General (OIG) has completed a desk review of the single audit report prepared by Anders Minkler Huber & Helm, LLP (the "IPA"), which includes Federal assistance programs administered by the Missouri Humanities Council (the "Council") during the organization's fiscal year (FY) ended October 31, 2019. The independent auditors previously furnished a copy of their audit report dated March 5, 2020 to the Council. The IPA issued unmodified opinions¹ regarding the financial statements and compliance with Federal requirements. Furthermore, the IPA issued no written findings in conjunction with the single audit. The Federal Audit Clearinghouse (FAC) accepted the single audit reporting package on March 13, 2020.

Our review was limited to an examination of the single audit reporting package, email exchanges with the Executive Director and the Fiscal Officer of the Council, a limited review of select IPA workpapers, and review of applicable NEH grant files and accounting records. We did not perform a comprehensive examination of the underlying audit documentation to evaluate the adequacy of the audit work performed; rather, we used the *Guide For Desk Reviews of Single Audit Reports (2016 Edition)*, as issued by the Council of Inspectors General on Integrity and Efficiency (CIGIE), to determine whether the audit report meets the core reporting requirements stipulated by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (2 CFR Part 200). Based on our review, we

¹ **Unmodified opinion.** The opinion expressed by the IPA upon concluding that the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework. An unmodified opinion represents the highest level of assurance the IPA can provide that the Council's financial statements as a whole are free from material misstatement, whether due to fraud or error.

can assign a rating to the IPA's reporting package of either **Pass**, **Pass with Deficiencies**, or **Fail**. Audit reports receiving a **Fail** rating require corrective action.

We assigned a rating of **Fail** to the FY 2019 reporting package due to key deficiencies that affect the reliability of the report. Accordingly, the audit report and the related data collection form (Form SF-SAC) must be revised and resubmitted to the FAC. We noted the following deficiencies during our desk review:

1. Information Reflected in the Audited Schedule of Expenditures of Federal Awards Concerning Subrecipient Awards is Inconsistent with the Audited Financial Statements

Subpart F of 2 CFR Part 200 requires the Council (as the auditee) to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the Council's financial statements, which must include the total Federal awards expended.² The SEFA must also include the total amount provided to subrecipients from each Federal program. According to the audited financial statements, the Council expended \$231,871 for subrecipient award activity. However, the audited SEFA indicates that total Federal awards provided to subrecipients amount to \$297,765.

In response to our inquiry regarding this discrepancy, the Council explained that the inconsistency between the audited financial statements and the audited SEFA may be an oversight. According to the Council, the amount reported on the SEFA appears to have inadvertently captured certain expenditures from other categories.

While the discrepancy does not exceed the materiality threshold³, the audited SEFA must be revised to accurately identify Federal funds provided to subrecipients. The IPA should also determine if this issue meets the reporting requirements identified in 2 CFR 200.516(a) for inclusion as a finding in the audit report.

2. The Data Collection Form Includes Erroneous Information Concerning Federal Awards Passed Through to Subrecipients

The data collection form (Form SF-SAC) must be submitted to the FAC with the single audit reporting package. This form provides information about the auditee and its Federal programs, and summarizes the results of the single audit. The information in the data collection form must agree with information presented in the single audit reporting package⁴.

² 2 CFR section 200.510(b)

³ According to the IPA, the firm utilized auditing standards set forth in the Uniform Guidance and the Single Audit Guide issued by the American Institute of Certified Public Accountants to determine the materiality amounts for Federal awards. The IPA calculated a materiality threshold of approximately \$74,000 for the FY 2019 audit.

⁴ The Single Audit Reporting Package includes: [2 CFR section 200.512(c)]

- Independent Auditor's Report on the financial statements
- Financial statements and notes to the financial statements
- Independent Auditor's Report on the Schedule of Expenditures of Federal Awards
- Schedule of Expenditures of Federal Awards (SEFA)
- A report on compliance and internal control at the financial statement level in accordance with *Government Auditing Standards*
- A report on compliance for each major program and on internal control over compliance in accordance with *Uniform Guidance*
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Audit Findings (if applicable)
- Corrective Action Plan (if applicable)

The data collection form submitted with the Council's FY 2019 single audit reporting package indicates that Federal award funding in the amount of \$29,765 was passed through to subrecipients. This amount differs from information provided in the audited SEFA. In response to our inquiry concerning this discrepancy, the Council stated that it appears to be due to an inadvertent, clerical input error on the data collection form.

The data collection form associated with the FY 2019 single audit reporting package must be revised to accurately reflect Federal funds provided to subrecipients, consistent with the disclosure in the audited SEFA.

3. The IPA's Compliance Testing Failed to Identify a Federal Financial Reporting Error

In addition to determining whether the Council's financial statements are presented fairly in all material respects in accordance with generally accepted accounting principles, Subpart F of 2 CFR Part 200 also requires the IPA to determine whether the Council has complied with Federal statutes, regulations, and the terms and conditions of Federal awards that may have a direct and material effect on each of its major programs.⁵ Compliance testing must include tests of transactions and other auditing procedures necessary to support the IPA's opinion on compliance.

According to the Office of Management and Budget (OMB) Compliance Supplement⁶ (the "Compliance Supplement"), Federal grant recipients must establish and implement internal controls sufficient to provide reasonable assurance that reports of Federal awards submitted to the Federal awarding agency or pass-through entity (1) include all activity for the reporting period; (2) are supported by underlying accounting or performance records; and (3) are fairly presented in accordance with program requirements. The Compliance Supplement specifies the following audit objectives related to 'Federal Reporting':

- 1) Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514 (c).
- 2) Determine whether required reports for Federal awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with governing requirements.

NEH *General Terms and Conditions for General Support Grants to State Humanities Councils* require councils to submit a Federal Financial Report (FFR) within 90 days after the completion date of the annual reporting period for each general support grant award. Councils use the FFR as a standardized format to report expenditures under the Federal award, as well as cash status. By signing and submitting the FFR to the NEH, Council management certifies to the best of their knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are

⁵ 2 CFR section 200.514(d)

⁶ The OMB Compliance Supplement serves to identify existing important compliance requirements that the Federal government expects to be considered as part of a Single Audit. The Compliance Supplement provides a source of information for auditors to understand a Federal program's objectives, procedures, and compliance requirements relevant to the audit, as well as audit objectives and suggested audit procedures for determining compliance with these requirements.

for the purposes and intent set forth in the award documents. Council management further attests to being aware that any false, fictitious, or fraudulent information may subject the Council to criminal, civil, or administrative penalties.⁷

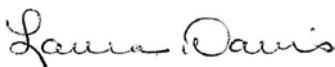
As part of our desk review, we inquired about the IPA's testing related to the Council's Federal financial reporting. We ascertained that the IPA reviewed the FFR dated January 29, 2019, as submitted by the Council for NEH grant award SO-253355-17. The FFR covers the grant reporting period ending October 31, 2018. Through this reporting, the Council certified cumulative 'Cash Receipts'⁸ related to the grant award in the amount of \$1,734,100. This amount differs from NEH accounting data that represents cumulative cash drawdowns made by the Council as of the grant reporting period ending October 31, 2018, (\$850,000). It appears that the Council reported cumulative 'Cash Receipts' consistent with the cumulative funding authorized for the respective grant award. Consequently, the amount certified by the Council as cumulative 'Cash Receipts' and 'Cash on Hand' is overstated by \$884,100. Furthermore, the amount of 'Cash of Hand' certified by the SF-425 submission that was reviewed by the IPA, would be considered excessive based on Federal payment standards⁹. The IPA's testing did not identify this condition as a financial reporting error and therefore a written finding was not issued to effect correction of this improper reporting practice.

As the Council's oversight agency, the NEH-OIG will not accept the FY 2019 single audit reporting package until the deficiencies identified above are addressed and the single audit reporting package is revised as necessary. The Council should contact FAC support staff for assistance with the resubmission process since there are special procedures that must be followed.¹⁰ Please notify the NEH-OIG when the revised FY 2019 reporting package has been submitted to the FAC.

Please be advised that we are sending a copy of this letter to the Audit Partner at Anders Minkler Huber & Helm, LLP to inform her of the results of our review.

If you have any questions concerning this letter or need accounting assistance, please contact Mr. Daniel M. Gelfand at (202) 606-8353 or via email at dgelfand@neh.gov.

Sincerely,



Laura Davis
Inspector General

⁷ U.S. Code, Title 18, Section 1001

⁸ According to the instructions for the *Federal Financial Report*, the line item identified as 'Cash Receipts' represents the cumulative amount of actual cash received by the recipient from the Federal agency as of the reporting period end date.


⁹ Advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs. [2 CFR section 200.305(b)(1)]

¹⁰ FAC support staff can be contacted at 800-253-0696 or govs.fac@census.gov.

Board of Directors
May 21, 2021
Page 5

Distribution List:

Auditor:

 Audit Partner
Anders Minkler Huber & Helm, LLP
800 Market Street, Suite 500
St. Louis, MO 63101