



NATIONAL ENDOWMENT FOR THE
Humanities

OFFICE OF INSPECTOR GENERAL

August 29, 2014

RETURN RECEIPT REQUESTED

Board of Directors
Wyoming Humanities Council
1315 E Lewis Street
Laramie, WY 82072
Attn: [REDACTED] Board President

OIG Report Number: OIG-14-09 (DR)

Dear Board Members:

We have completed our desk review of the single audit report prepared by Mader Tschacher Peterson and Company, CPAs, which includes the Federal assistance programs administered by the Wyoming Humanities Council (the "Council"), for the year ended October 31, 2013. The independent auditors (IPA) previously furnished a copy of their audit report (dated March 12, 2014) to the Council and submitted the related reporting package to the Federal Audit Clearinghouse. The IPA issued unmodified opinions¹ regarding the financial statements and Federal compliance, and issued one reportable finding related to financial statement preparation.

Our review was limited to an examination of the audit report and limited email correspondence with the IPA and the Council's fiscal officer. We did not examine the underlying audit documentation to evaluate the adequacy of the audit work performed; rather, the *Guide for Desk Reviews of OMB Circular A-133 Audit Reports (2010 Edition)*, issued by the Council of Inspectors General on Integrity and Efficiency (CIGIE), was used to determine whether the audit report meets the core reporting requirements stipulated by Office of Management and Budget (OMB) Circular A-133. Audit reports determined to be *technically deficient* or *unacceptable* require corrective action.

We determined that the audit report generally meets Federal reporting requirements², with the following exceptions:

¹ An unmodified opinion represents the IPA's highest level of assurance, indicating that the audited entity's financial statement presentation (to include Federal grant activity) materially complies with applicable auditing standards and Federal requirements stipulated in OMB Circular A-133: *Audits of States, Local Governments, and Non-Profit Organizations*.

² Of the four possible conclusions applicable to a single audit desk review, the NEH-OIG has concluded that the Council's FY2013 audit report is *Acceptable with Deficiencies*, [i.e. the report contains quality deficiencies that should be brought to the attention of the auditor (and auditee) for correction in future audits]."

Schedule of Expenditures of Federal Awards (SEFA):

1. OMB Circular A-133.310(b)(5) states that pass-through entities, to the extent practical, should identify the total amount of funding provided to subrecipients from each Federal program. The current NEH Federal/State Partnership awards (CFDA #45.129, "SO" prefix) include specific funding for regrant³ which are awarded by the Council to subrecipients on an annual basis. According to the audited *Statement of Activities*, the Council issued over \$[REDACTED] in regrants during the fiscal year ended October 31, 2013. However, we noted that the SEFA lacked any disclosure concerning the value of Federally-funded regrant awards made to subrecipients.
2. The Council received pass-through⁴ funding from both the American Library Association and the Illinois Humanities Council. Several conflicting disclosures concerning this matter were identified resulting in potential reader confusion.
 - a. The SEFA clearly identifies the pass-through funders; however, the design of the schedule makes it hard to determine which Federal agency provided the direct awards to the pass-through entity.
 - b. The 'Basis of Presentation' footnote to the SEFA states that "the Council receives Federal awards directly from Federal agencies" which is misleading since it fails to provide a complete accounting. Although the Council received two direct awards from NEH, the entity also received two pass-through grants from non-Federal entities.
 - c. The related *Data Collection Form (Form SF-SAC)*⁵ further complicates the matter since the two pass-through awards were improperly identified as direct awards.

Moving forward, please ensure i) the SEFA disclosure incorporates all required disclosures and ii) the single audit reporting package contains factually correct information. Be advised that there is no need to revise the FY2013 audit report and/or resubmit the single audit reporting package to the Federal Audit Clearinghouse. However, future audit reports with similar deficiencies may be deemed unacceptable submissions by the NEH Office of Inspector General.

Other Comments:

As part of our review, we made two other observations that fall outside the scope of the Desk Review that we'd like to bring to your attention.

³ The approved NEH grants (SO-50399-10 & SO-50572-13) included regrant allocations totaling approximately \$39,000 for the fiscal years ended October 31, 2012 and 2013.

⁴ As defined by OMB Circular A-133, a pass-through entity represents a non-Federal entity that provides a Federal award to a subrecipient to carry out a Federal program.

⁵ The Data Collection form represents one of the core components of the Single Audit reporting package that is submitted to the Federal Audit Clearinghouse. This form summarizes the results of the OMB Circular A-133 audit and should agree with the information presented in the audited financial statements.

1. *Reporting of Federal Grant Revenue:* Grants related to two NEH programs were made to the Council and reported on the FY2013 SEFA. The Council recognizes the related revenue as allowable grant expenses are incurred; accordingly, the SEFA expenditures and related grant revenue should materially agree.

During our review, we noted that the *Statement of Activities* includes a specific line item to capture Federal revenue associated with the NEH awards, ("NEH grant revenue"). However, this line item only includes revenue associated with the larger NEH program (Federal/State Partnership; CFDA #45.129). The Council lumps income related to the second NEH program (We The People; CFDA #45.168) into the "gifts and other grant revenue" line item, which made it appear as if this revenue stream was improperly omitted from the financial statements. To avoid reader confusion, we recommend that all revenue associated with direct NEH awards be incorporated into the "NEH grant revenue" presentation. Or, at the very least, a new financial statement footnote should be incorporated to document the bifurcation of NEH revenue streams.

2. As part of our testing, we attempted to reconcile NEH grant amounts reported in the Council's financial statements to the Council-prepared *Federal Financial Reports* (FFRs), which were submitted to Agency management. We noted discrepancies and ultimately determined that the variances were a result of timing differences. Specifically, the financial statements were prepared on the accrual basis of accounting while the FFRs were compiled using the modified cash basis. This approach is acceptable; however, the Council improperly asserted that the FFRs were prepared on the accrual basis. Moving forward, please ensure the FFRs document the proper accounting methodology used. This will prevent confusion when grant documents are reviewed by NEH staff.

Please note that we are sending this letter to the audit partner at Mader Tschacher Peterson and Company to inform him of the results of our review.

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

Sincerely,



Laura Davis
Inspector General

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