

NATIONAL ENDOWMENT FOR THE
Humanities

OFFICE OF INSPECTOR GENERAL

April 18, 2017

RETURN RECEIPT REQUESTED

Board of Directors
Virginia Foundation for the Humanities and Public Policy
145 Ednam Drive
Charlottesville, Virginia 22903
Attn: [REDACTED], Chair

OIG Report Number: OIG-17-02 (DR)

Dear Board Members:

We have completed a Desk Review of the single audit report prepared by Robinson, Farmer, Cox Associates, which includes Federal assistance programs administered by the Virginia Foundation for the Humanities and Public Policy (the "Council"), for the fiscal year ended June 30, 2015 (FY 2015). The independent auditor (IPA) previously furnished a copy of their audit report dated December 10, 2015, to the Council and submitted the related reporting package to the Federal Audit Clearinghouse (FAC). The IPA issued unmodified opinions¹ regarding the financial statements and compliance with Federal requirements. Furthermore, no written findings were issued in conjunction with the single audit.

Our review was limited to an examination of the single audit report submission, email exchanges with the Council's Executive Director and Business Manager, 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, the *Guide for Desk Reviews of OMB Circular A-133 Audit Reports (2015 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 receiving a "Fail" rating require corrective action.

We assigned a rating of *Fail*² for the FY 2015 reporting package due to key deficiencies that affect the reliability of the report. Accordingly, the audit report and the related Data Collection Form

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 accounting principles and Federal requirements stipulated in OMB Circular A-133: *Audits of States, Local Governments, and Non-Profit Organizations*.

² There are three possible conclusions applicable to a single audit desk review -- Pass; Pass with Deficiencies; or Fail. The NEH-OIG has assigned a "Fail" rating to the FY2015 audit report submission since the report contains quality deficiencies that affect the reliability of the audit report and may require the auditor to conduct additional audit work to support the opinions in the report under review.

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(Form SF-SAC) must be revised and resubmitted to the FAC. The following deficiencies were noted during our desk review:

FY 2015 Schedule of Expenditures of Federal Awards

We identified several errors in the audited FY 2015 *Schedule of Expenditures of Federal Awards* (SEFA) related to NEH programs assigned CFDA Number³ 45.129, CFDA Number 45.161, and CFDA Number 45.164.

In response to our request, the Council provided a list detailing the grants, and associated expenditure totals, that are included in the audited FY 2015 SEFA. We determined, based on the listing provided, that expenditures related to NEH grant RZ-51455-12, (CFDA number 45.161) are included in the total expenditures for CFDA Number 45.129. We also determined that these expenditures represent funds passed-through to Flinders University pursuant to a subaward⁴ agreement. Consequently, expenditures reflected in the audited FY 2015 SEFA related to CFDA Number 45.129 are overstated by \$18,760 and expenditures related to CFDA number 45.161 are understated by \$18,760. Also, the funding provided to Flinders University should be specifically identified either in the SEFA or disclosed in a note to the SEFA, as prescribed by OMB Circular A-133⁵.

In addition to the issues discussed above, the audited FY 2015 SEFA does not properly reflect pass-through funding received by the Council. Specifically, NEH grant number TR-50546-14 (CFDA Number 45.164) is reflected in the audited SEFA as a direct award to the Council. Based on our review of NEH records, we determined that this grant was awarded to the University of Virginia and the NEH funds were passed-through to the Council to administer the project associated with the grant⁶. Because this grant is improperly represented as a direct award, the name of the pass-through entity and the identifying number assigned by the pass-through entity are not included in the SEFA, as prescribed by OMB Circular A-133⁷.

We further note that the errors and misstatements identified in the audited FY 2015 SEFA concerning CFDA Number 45.129, CFDA Number 45.161, and CFDA Number 45.164 are replicated in the related Form SF-SAC⁸.

³ The number assigned to a Federal program in the Catalogue of Federal Domestic Assistance (CFDA).

⁴ 2 CFR §200.92 defines a subaward as an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

⁵ According to OMB Circular A-133, §.310(b)(5), pass-through entities should identify in the SEFA the total amount provided to subrecipients from each Federal program, to the extent practical.

⁶ NEH Grant Award Title – “BackStory with the American History Guys: Finding the American Way (series)”

⁷ According to OMB Circular A-133, §.310(b)(2), for Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included in the SEFA.

⁸ The Form SF-SAC (i.e., Data Collection Form) is submitted to the Federal Audit Clearinghouse with the single audit reporting package. This form provides information about the auditee and its Federal programs, and summarizes the results of the audit. The information in this form must agree with information presented in the single audit reporting package.

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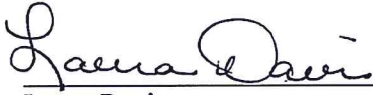
As the Council's oversight agency, NEH-OIG will not accept the FY 2015 single audit reporting package until the above deficiencies are addressed and corrective action taken to include resubmission of the single audit reporting package and the related Form SF-SAC to the FAC. Please contact FAC support staff for assistance with the single audit resubmission process since special procedures must be followed, (800-253-0696 or govs.fac@census.gov).

The exceptions noted during our desk review are troubling. Accordingly, please implement procedures to ensure that all Federal awards expended during the period covered by the single audit are properly reflected in the SEFA and the related SF-SAC consistent with Federal audit reporting requirements stipulated by OMB guidance⁹. Also, we expect the IPA to strengthen their procedures to ensure that all elements of the Council's single audit reporting package comply with Federal requirements. We request that Council management provide the NEH-OIG with a written corrective action plan that addresses the identified deficiencies within 30 days of receipt of this letter.

Please note that we are sending a copy of this letter to the Managing Director at Robinson, Farmer, Cox Associates to inform him 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

Distribution List:

, Managing Director
Robinson, Farmer, Cox Associates
530 Westfield Road
Charlottesville, VA 22901

⁹ OMB recently updated single audit guidance with the issuance of *Uniform Guidance: Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Subpart F)*. This new guidance applies to audits of fiscal years beginning after December 25, 2014.