



NATIONAL ENDOWMENT FOR THE

# Humanities

OFFICE OF INSPECTOR GENERAL

September 30, 2019

## RETURN RECEIPT REQUESTED

Board of Directors  
Michigan Humanities Council  
119 Pere Marquette Drive, Suite 3B  
Lansing, MI 48912  
Attn: [REDACTED] Chair

OIG Report Number: OIG-19-05 (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 Maner Costerisan PC (the "IPA"), which includes Federal assistance programs administered by Michigan Humanities Council (the "Council") during the organization's fiscal year (FY) ended October 31, 2018. The independent auditors previously furnished a copy of their audit report dated January 24, 2019, to the Council. The Federal Audit Clearinghouse accepted the single audit reporting package on February 7, 2019. The IPA issued unmodified opinions<sup>1</sup> regarding the financial statements and compliance with Federal requirements. Furthermore, the IPA issued no written findings in conjunction with the single audit.

Our review was limited to an examination of the single audit reporting package, email exchanges with the Executive Director of the Council and the IPA, 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 reporting package 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 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 **Pass with Deficiencies** to the FY 2018 reporting package. We determined that the audit report generally meets Federal reporting requirements, with the following exception:

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<sup>1</sup> **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.

**The Note to the Schedule of Expenditures of Federal Awards Regarding the Council's Use of the 10% De Minimis Cost Rate is Misleading**

The Council indicates in a required note to the Schedule of Expenditures of Federal Awards (SEFA) that the organization has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. The SEFA includes expenditures associated with NEH grant award GW-256028-17. In the application related to grant award GW-256028-17, we noted an assertion made by the Council that it will use "the government-wide rate of 10 percent of the total direct costs" for calculating the indirect costs for the project. We inquired about the discrepancy between the SEFA note disclosure and the statement that was made as part of the application for the NEH grant award. The Council explained that the SEFA note disclosure is consistent with prior year disclosures (and is correct concerning the prior years); however, there may have been an oversight concerning grant award GW-256028-17. The Council further explained that the note disclosure for the FY 2019 SEFA will properly reflect the change.

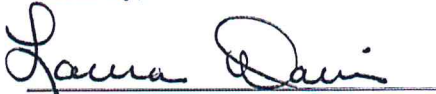
According to 2 CFR Part 200<sup>2</sup>, any non-Federal entity that has never received a negotiated indirect cost rate may elect to charge a de minimis rate of 10 percent of modified total direct costs, which may be used indefinitely. Once this methodology is elected, it must be used consistently for all Federal awards until such time as the entity chooses to negotiate for a rate, which the entity may apply to do at any time. However, costs must be consistently charged as either indirect or direct costs, but may not be double-charged or inconsistently charged as both.

Please be advised that there is no need to revise the FY 2018 audit report and resubmit the single audit reporting package to the FAC. However, we may deem future reports with similar concerns as unacceptable.

We are sending a copy of this letter to the Primary Auditor at Maner Costerisan PC 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](mailto:dgelfand@neh.gov).

Sincerely,



Laura Davis  
Inspector General

**Distribution List:**

Auditor:

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<sup>2</sup> 2 CFR section 200.414(f)