



## NATIONAL ENDOWMENT FOR THE HUMANITIES

OFFICE OF INSPECTOR GENERAL

September 30, 2020

**via FedEx**

Board of Directors  
Minnesota Humanities Center  
987 Ivy Ave E  
Saint Paul, MN 55106  
Attn: [REDACTED] Chair

OIG Report Number: OIG-20-09 (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 Mahoney Ulbrich Christiansen & Russ P.A. (the "IPA"), which includes Federal assistance programs administered by Minnesota Humanities Center (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 April 28, 2020, to the Council. The Federal Audit Clearinghouse accepted the single audit reporting package on April 29, 2020. 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 and Chief Operating 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 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

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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.

on our review, we can assign a rating of either a **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 2019 reporting package. We determined that the audit report generally meets Federal reporting requirements, with the following exception:

**The IPA's Conclusion Concerning Compliance with Federal Financial Reporting Requirements is Not Fully Substantiated**

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<sup>2</sup> 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. 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 Supplement<sup>3</sup> (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. Recipients must use the standard financial reporting forms, or such other forms as may be authorized by OMB, to report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. 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.

2 CFR Part 200 stipulates that the Council's financial management system, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of required

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<sup>2</sup> 2 CFR section 200.514(d)

<sup>3</sup> 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.

financial reports; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the terms and conditions of the Federal award.<sup>4</sup> 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 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.<sup>5</sup>

As part of our desk review, we inquired about the IPA’s testing related to the Council’s Federal financial reporting. In response to our inquiry, we were informed that the IPA only tested the reimbursement requests submitted by the Council, (i.e. Forms SF 270<sup>6</sup>). According to the IPA, the reimbursement requests were matched to detail expense reports provided by the Council. The IPA further explained that the FFR related to the reporting period ending October 31, 2019 was not tested because it was submitted after the completion of the IPA’s fieldwork.

We reviewed two FFRs submitted to the NEH by the Council related to the reporting period ending October 31, 2019.<sup>7</sup> Our review identified discrepancies between total expenditures reported in the FFRs in comparison to the audited Schedule of Expenditures of Federal Awards (SEFA) for the fiscal year ended October 31, 2019. We further identified a discrepancy concerning total expenditures associated with NEH grant award SO-263525-19 as represented in the SEFA, the detail expense report provided to the IPA for use in conducting Federal financial reporting compliance testing, and in the associated FFR, (see chart below).

NEH Grant Award	Total Federal Expenditures		
	FFR	SEFA	Council’s Expense Report
SO-233941-16	\$412,842	\$406,086	\$406,086
SO-263525-19	\$411,798	\$425,285	\$418,584

Based on the results of our limited testing, we conclude that the scope of the IPA’s testing related to the Council’s compliance with Federal financial reporting requirements was not sufficient to support a conclusion regarding the adequacy of the Council’s internal control over Federal financial reporting to ensure compliance with Federal financial reporting requirements. Since the discrepancies identified through our limited analysis are not material, we are not requiring corrective action. However, we fully expect the Council to implement control procedures to ensure Federal financial reports include all

<sup>4</sup> 2 CFR section 200.302(a)

<sup>5</sup> U.S. Code, Title 18, Section 1001

<sup>6</sup> NEH grant award recipients use the *Request for Advance or Reimbursement* (Standard Form 270) to request payments.

<sup>7</sup> On January 30, 2020, the Council submitted two FFRs that include Federal expenditure activity during the reporting period ending October 31, 2019.

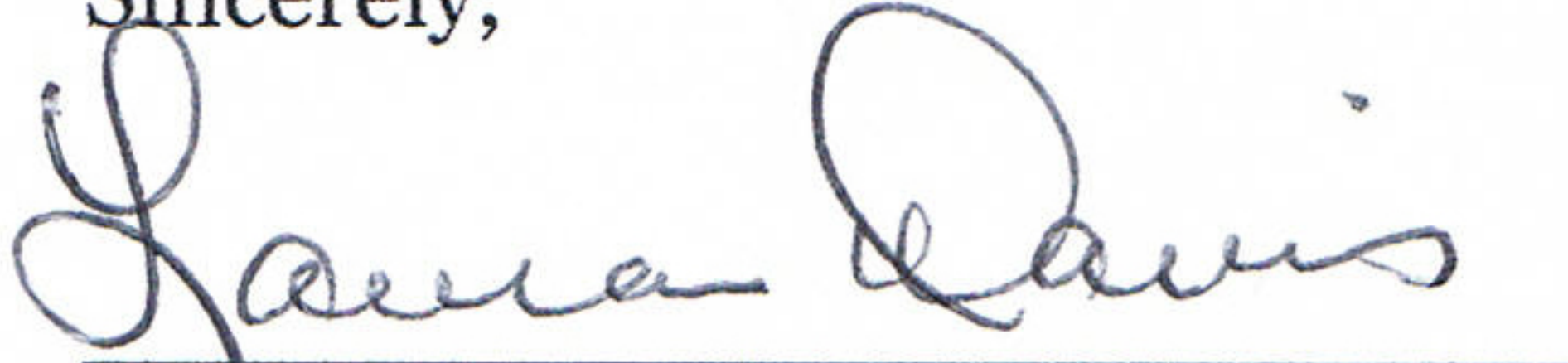
activity of the respective reporting period, are supported by applicable accounting records, and are fairly presented in accordance with governing requirements.

Please be advised that the NEH-OIG may deem future reports with similar concerns as unacceptable.

We are sending a copy of this letter to the Partner at Mahoney Ulbrich Christiansen & Russ P.A. 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

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