



**Office of Inspector General**

**SEMIANNUAL  
REPORT TO  
CONGRESS**

For the Period October 1, 2009 through March 31, 2010

**Report No. 42**

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**"Democracy demands wisdom and vision in its citizens"  
National Foundation on the Arts and Humanities Act of 1965**

# **THE OFFICE OF INSPECTOR GENERAL**

serves American taxpayers  
by investigating reports of waste, fraud,  
mismanagement, abuse, integrity violations or  
unethical conduct involving Federal funds.

To report any suspected activity  
involving NEH programs, operations, or employees

## **Call the OIG Hotline**

**1 (877) 786-7598**

## **Mailing Address**

Office of Inspector General — Hotline  
National Endowment for the Humanities  
1100 Pennsylvania Ave. N.W., Room 419  
Washington, DC 20506

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[oig@neh.gov](mailto:oig@neh.gov)

**Government employees are protected from reprisal**

**Caller can remain anonymous**

**Information is confidential**



NATIONAL  
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FOR THE  
HUMANITIES

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April 30, 2010

Honorable James Leach  
Chairman  
National Endowment for the Humanities  
Washington, DC 20506

Dear Chairman Leach:

I am pleased to provide you with the Office of Inspector General's Semiannual Report to Congress for the first half of the fiscal year 2010. The report is submitted in accordance with the Inspector General Act of 1978, as amended. Section 5 of the Act requires that you submit this report, with your Report of Final Action, to the appropriate committee or subcommittee of the Congress within 30 days of its receipt. The report provides a summary of the activities of the OIG during the six-month period ended March 31, 2010.

During the current reporting period, we completed three internal reviews. The annual audit of the agency's financial statements was also completed during the current reporting period. External effort consisted of one limited audit, one preaward survey, one overhead rate desk review, and review of 68 OMB Circular A-133 audit reports.

In our investigations program, one matter was open as of the beginning of the reporting period. We received six "Hotline" contacts during the period, and only one remains open at March 31, 2010.

We are continuing our outreach effort wherein we distribute guidance to recipients of NEH grants that would assist in their efforts to preclude unfavorable outcomes should their grants be selected for audit. This initiative is directed towards all non-profit grantees of the NEH.

I appreciate your support and look forward to working with you and all agency staff to further our common purpose of assuring the effectiveness, efficiency and integrity of NEH's vital contributions to the humanities in the United States.

Sincerely,

A handwritten signature in cursive script that reads "Sheldon L. Bernstein".

Sheldon L. Bernstein  
Inspector General

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## MESSAGE FROM THE INSPECTOR GENERAL

Over the past several years, our workload has constantly increased in volume and complexity and, as a consequence, OIG oversight of the Endowment's grantees is limited.

The OIG is responsible for engaging and reviewing the work of an independent public accountant that conducts the annual audit of the NEH financial statements. The audit is required by the Accountability of Tax Dollars Act of 2002, and applies to many small agencies including the Endowment. The Federal Information Security Management Act (FISMA) review has been performed for several years as required. Each year the Office of Management and Budget (OMB) issues guidance for the review. The National Institute for Standards and Technology (NIST) Computer Security Division issues publications that the agency is responsible for implementing and the OIG is responsible for reviewing the agency's implementation. The Government Accountability Office and the Council of Inspectors General on Integrity and Efficiency periodically update guidance on auditing, inspections and reviews, and investigations. Collectively, these responsibilities increase the burden on the OIG.

OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, issued pursuant to the Single Audit Act of 1984, (as amended), sets forth audit guidance applicable to the expenditure of Federal awards by non-Federal entities. The threshold for an audit is the expenditure of \$500,000 or more in a fiscal year. Consequently, the threshold level eliminates audits for a significant number of non-profit organizations that receive grants from the Endowment, including approximately 17 of the 56 state humanities councils. The President's Council on Integrity and Efficiency issued a report on the single audits. The report disclosed that a majority of the work performed on OMB Circular A-133 audits did not meet professional standards. Thus, besides having fewer NEH grantees subject to the OMB A-133 audit, the reports issued are not totally reliable. This clearly indicates that the OIG needs more resources to provide adequate coverage of grantees. In addition, monitoring by program offices is not, in our opinion, sufficient.

Another impact on our oversight of grantees is internal and grantee investigations. Opening an investigation has a significant impact on our audit plan because we do not have staff dedicated to investigation work. Therefore, it becomes necessary to reassign audit staff trained in investigation work to perform the investigation. With significant fluctuations on a yearly basis, it is difficult to be proactive concerning investigations or realistically budget staff time for this effort.

During November 2009, we were very pleased to have hired an auditor. This individual is a licensed CPA with more than 10 years of non-profit accounting and auditing experience. In our next budget request, we will be providing you with information concerning our need for another staff person.

In accordance with the Inspector General Act of 2008, Public Law 110-409, we have signed a service agreement with the United States Treasury Inspector General for Tax Administration's General Counsel for fiscal year 2010. They are providing legal counsel for the NEH OIG.

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## THE NATIONAL ENDOWMENT FOR THE HUMANITIES

In order to promote progress and scholarship in the humanities and the arts in the United States, Congress enacted the National Foundation on the Arts and the Humanities Act of 1965. This Act established the National Endowment for the Humanities as an independent grant-making agency of the Federal government to support research, education, and public programs in the humanities. Grants are made through four divisions - Research Programs, Education Programs, Preservation and Access, and Public Programs -- and three offices -- Challenge Grants, Federal-State Partnership, and Digital Humanities. The divisions and offices also administer the *We the People* program.

The NEH has launched a new initiative ~ *Bridging Cultures*. The initiative is designed to bridge both space and time to help American citizens gain a deeper understanding of their own varied cultural heritage, as well as the history and culture of other nations. The initiative encourages the exploration of ways in which cultures from around the globe, as well as the myriad subcultures within America's borders, have influenced American society.

The Act that established the National Endowment for the Humanities says "The term 'humanities' includes, but is not limited to, the study of the following: language, both modern and classical; linguistics; literature; history; jurisprudence; philosophy; archaeology; comparative religion; ethics; the history, criticism, and theory of the arts; those aspects of social sciences which have humanistic content and employ humanistic methods; and the study and application of the humanities to the human environment with particular attention to reflecting our diverse heritage, traditions, and history and to the relevance of the humanities to the current conditions of national life."

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## THE OFFICE OF INSPECTOR GENERAL

The NEH Office of Inspector General was established April 9, 1989, in accordance with the Inspector General Act Amendment of 1988, (Public Law 100-504). In this legislation, Congress established Offices of Inspector General in several departments and in thirty-three agencies, including the NEH. The NEH Inspector General (IG) is appointed by the Chairman. The independence of the IG is an important aspect of the Act. For example, the IG: cannot be prevented from initiating, carrying out, or completing an audit or investigation, or from issuing any subpoena; has access to all records of the agency; reports directly to the Chairman, and can only be removed by the Chairman, who must give Congress 30 days notice of the reasons for the removal; reports directly to Congress.

The Act states that the Office of Inspector General is responsible for (1) conducting audits and investigations; (2) reviewing legislation; (3) recommending policies to promote efficiency and effectiveness; and (4) preventing and detecting fraud, waste, and abuse in the operations of the agency. The Inspector General is also responsible for keeping the Chairman and Congress fully and currently informed of problems and deficiencies in the programs and operations.

The OIG staff consists of the Inspector General, Deputy Inspector General, two auditors, and a secretary. The OIG has a Memorandum of Understanding with the United States Treasury Inspector General for Tax Administration detailing the procedures for the OIG to be provided legal services. Investigations are handled by the Inspector General and an auditor.

# AUDIT AND REVIEW ACTIVITIES

## LIST OF REPORTS ISSUED

This office is responsible for external and internal audits. External efforts include on-site grant audits, limited scope desk reviews, pre-award accounting system surveys, review of OMB Circular A-133 audit reports, and on-site quality control reviews of CPA workpapers. Internal efforts consist of audits, inspections, and reviews/evaluations of NEH administrative, programmatic, and financial operations. The OIG is also responsible for monitoring the work of the independent public accountant that conducts the annual audit of the NEH financial statements as required by the Accountability of Tax Dollars Act of 2002, and examining the audit workpapers and reports to ensure compliance with applicable requirements.

Following is a list of reports issued by the OIG during this reporting period. The Inspector General Act of 1978, as amended, requires us to report on the "Dollar Value of Recommendations that Funds Be Put to Better Use" and the "Total Dollar Value of Questioned Costs" (including a separate category for the "Dollar Value of Unsupported Costs"), [see Table II].

	<u>Report Number</u>	<u>Date Issued</u>
<b><u>INTERNAL AUDITS/REVIEWS</u></b>		
FYE September 30, 2009 Consolidated Review of The Federal Managers' Financial Integrity Act	OIG-10-01 (Internal Review)	11/04/09
Federal Information Security Act ~ Reporting Document to the Office of Management and Budget	OIG-10-02 (IR)	11/19/09
Final Audit Report ~ Financial Statement Audit FY 2009	Transmittal Memorandum	11/19/09
Federal Information Security Management Act Review~ Security of Personal Information Collected During HSPD-12 Background Investigations	OIG-10-03 (IR)	01/21/10
<b><u>EXTERNAL AUDITS/REVIEWS</u></b>		
Pre-Award Survey ~ Center for Independent Study	OIG-10-01 (TS)	01/05/10
Limited Audit Report on Gifts Certified Under Challenge Grant to Humanities Texas	OIG-10-01 (EA)	03/10/10
<b><u>OVERHEAD DESK REVIEWS</u></b>		
Western Reserve Historical Society	NEH-06-05 (ODR) Amended	11/18/09
<b><u>SINGLE AUDIT ACT REVIEWS</u></b>		
OMB Circular A-133 Reports		- See Page 6 -

# AUDIT AND REVIEW ACTIVITIES

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## SUMMARY OF REPORTS ISSUED

### INTERNAL AUDITS/REVIEWS

**FYE September 30, 2009 Consolidated Review of the Federal Managers'  
Financial Integrity Act (FMFIA)  
November 4, 2009; OIG-10-01 (Internal Review)**

We made a limited review of the evaluations conducted by NEH division directors and office heads in accordance with Office of Management and Budget, *Guidelines for the Evaluation and Improvement of and Reporting on Internal Control Systems in the Federal Government*, and *Guidelines for Evaluating Financial Management/Accounting Systems*, for the fiscal year ended September 30, 2009.

We made our review to determine if the evaluations appear to be reasonable and prudent. Nothing came to our attention indicating that the evaluations included in our review did not comply with the applicable guidelines.

**Federal Information Security Act (FISMA)  
Reporting Document to the Office of Management and Budget  
November 19, 2009; OIG-10-02 (IR)**

We completed the Office of Inspector General section of the 2009 Annual FISMA Report to the Office of Management and Budget. Agency information was submitted online via a new reporting tool used by OMB called, *CyberScope*. This report documents the OIG's responses and comments as submitted to OMB via *CyberScope* concerning the agency's computer security.

**Final Audit Report  
Financial Statement Audit ~ Fiscal Year 2009  
November 19, 2009; Transmittal Memorandum**

The Office of Inspector General (OIG) engaged Leon Snead & Company, P.C., (IPA) to perform the Fiscal Year 2009 Financial Statement Audit as required by the Accountability of Tax Dollars Act of 2002. The OIG was responsible for 1) evaluating the qualifications and independence of the auditors; 2) reviewing the audit approach and planning; 3) monitoring the work of the auditors; 4) examining audit workpapers and reports to ensure compliance with *Government Auditing Standards*, OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, (as amended), and the *Financial Audit Manual* issued jointly by the Government Accountability Office (GAO) and the President's Council on Integrity and Efficiency (PCIE); and 5) other procedures deemed necessary to oversee the contract and the audit.

The IPA expressed an unqualified opinion on the NEH financial statements as of and for the years ended September 30, 2009 and 2008. The IPA's testing of internal control identified no material weaknesses in financial reporting and the results of the IPA's tests of compliance with certain provisions of laws and regulations disclosed no instances of noncompliance that are required to be reported. Other control deficiencies over financial reporting and its operation were noted and reported to NEH management and those charged with governance in a separate letter dated November 10, 2009.

The IPA reported that the agency completed corrective action concerning the prior year finding related to the NEH continuity of operations plan (COOP). The finding was originally reported as a significant deficiency in the IPA's report on the fiscal year 2008 financial statements.



# AUDIT AND REVIEW ACTIVITIES

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## **Federal Information Security Management Act Review ~ Security of Personal Information Collected During HSPD-12 Background Investigations January 21, 2010; OIG-10-03 (IR)**

We performed a limited review of the National Endowment for the Humanities (NEH) system for the collection of HSPD-12 background investigation information and how personally identifiable information (PII) collected is secured.

The objectives of our review were to determine (1) if the NEH Office of Human Resources has a system in place to secure the PII collected in background investigation forms and the National Agency Check with Written Inquiry (NACI); and (2) that the system complies with applicable Federal law, regulations and NEH policies and procedures. Our review was conducted in accordance with the President's Council on Integrity and Efficiency/Executive Council on Integrity and Efficiency, *Quality Standards for Inspections*.

We found that a system is in place to secure PII collected during the background investigation process, however, it is not documented with policies and procedures. We emphasized the need for documented policies and procedures to ensure consistent application of controls to safeguard the security and confidentiality of HSPD-12 background investigation information, and manage the risks of unnecessary retention and unauthorized disclosure of PII. We further noted that the agency-wide interim policy for handling PII, as issued by the NEH Chief Privacy Officer in July 2006, is limited in scope and mainly addresses how NEH employees should handle PII documents to prevent loss or exposure.

We recommended that policies and procedures be developed and documented to address the security of HSPD-12 background investigation information, (including information documented in electronic format) and that the responsible NEH official develop an implementation tool, (e.g., checklist) that would facilitate and document that the established procedures were properly executed. We further recommended that the NEH Chief Privacy Officer finalize a comprehensive, agency-wide policy that would address PII documented in electronic format.

## **EXTERNAL AUDITS/REVIEWS**

### **Pre-Award Survey ~ Center for Independent Study January 5, 2010; OIG-10-01 (TS)**

The objective of this review was to obtain information to determine the adequacy of the organization's accounting system, management controls and policies and procedures designed to administer grant funds. The review determined that the grantee is in a position to manage and account for grant funds. In addition, we obtained assurances from the principals that they will abide by the terms of the award.

### **Limited Audit Report on Gifts Certified Under Challenge Grant to Humanities Texas March 10, 2010; OIG-10-01 (EA)**

The principal objectives of this limited audit were to determine that 1) gifts certified by Humanities Texas (HT) are eligible to release Federal matching funds; and 2) the organization has a system in place to ensure compliance with the Davis-Bacon Act. Our review was conducted in accordance with *Generally Accepted Government Auditing Standards* as promulgated by the Comptroller General of the United States. The scope of our review was limited to the gifts included in the first certification report submitted by HT for challenge grant CH-50493-08.

In Certification Report No. 1, HT reported 233 gifts totaling \$1,271,405 as eligible donations to release matching funds under the challenge grant. We reviewed documentation supporting 60 gifts totaling \$1,250,295. Based on our review, we questioned the eligibility of 29 gifts totaling \$352,919. Subsequent to our exit conference, the grantee contacted donors of the gifts questioned and requested documentation necessary to substantiate eligibility of the gifts. Our review of the supporting documentation submitted after our fieldwork was completed resulted in the clearance of 23 of the original 29 gifts questioned, representing a total of \$327,319. Six of the original 29 gifts questioned remain as questioned or ineligible for a total of \$25,600.

# AUDIT AND REVIEW ACTIVITIES

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Our limited audit also revealed that:

1. Contributions received and certified as eligible to release Federal matching funds were not being recorded in the accounting system in accordance with Statement of Financial Accounting Standard (SFAS) 116, *Accounting for Contributions Received and Contributions Made*; and
2. HT did not have plans that would ensure compliance with all provisions of the Davis-Bacon Act.

We made specific recommendations to address the findings noted.

## **OVERHEAD DESK REVIEWS**

During the six-month period ended March 31, 2010, the OIG amended the results of a previous overhead desk review (ODR). The review was done in accordance with the PCIE/ECIE *Quality Standards for Inspections*. The results of the amended ODR were transmitted to the Assistant Chairman for Planning and Operations, who negotiated the amended agreement with the grantee.

## **SINGLE AUDIT ACT REVIEWS**

For the past several years, approximately 82 percent of the total NEH budget represents grant awards. Grantees expending \$500,000 or more in Federal dollars per year are required to obtain an OMB Circular A-133 audit. The objective of the audit is to determine whether the recipients expend Federal funds according to applicable laws and regulations.

During the six-month period ended March 31, 2010, we reviewed 68 OMB Circular A-133 audit reports. None of the reports contained findings that required reporting by the OIG to NEH management.

## **WORK IN PROGRESS**

### **Limited Audit ~ Museo de Las Americas**

The principal objectives of this limited audit are to determine that (1) gifts included in the organization's certification reports are eligible to release Federal matching funds; and (2) endowment expenditures are made in accordance with the terms and conditions of the budget as approved by NEH and any amendments.

This audit was requested by the Office of Challenge Grants and the Office of Grant Management because the grantee did not provide final reports.

### **Limited Audit ~ Wyoming Humanities Council**

The objective of this limited audit is to determine if the cost-sharing requirement applicable to NEH grant SO-50059-04 was satisfied and that the Council's share of outlays, as reported to the NEH, is substantiated and complies with the applicable NEH guidelines.

### **Limited Audit ~ Princeton Public Library Foundation**

The principal objectives of this limited audit are to determine that 1) gifts certified by the Foundation under NEH challenge grant CH-50522-08 are eligible to release Federal matching funds, and 2) grant expenditures are made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations* and the terms of the budget as approved by NEH and any amendments.

# AUDIT AND REVIEW ACTIVITIES

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## **Limited Audit ~ American Research Institute in Turkey**

The principal objectives of this limited audit are to determine that 1) gifts certified by the Institute under NEH challenge grant CH-50528-08 are eligible to release Federal matching funds, and 2) grant expenditures are made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations* and the terms of the budget as approved by NEH and any amendments.

## **Limited Audit ~ High Museum of Art**

The principal objectives of this limited audit are to determine that 1) gifts certified by the Museum under NEH challenge grant CH-50491-09 are eligible to release Federal matching funds, and 2) grant expenditures are made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations* and the terms of the budget as approved by NEH and any amendments.

## **Limited Audit ~ Colonial Williamsburg Foundation**

The principal objectives of this limited audit are to determine that 1) gifts certified by the Foundation under NEH challenge grants CZ-50176-08 and CH-50560-09 are eligible to release Federal matching funds, and 2) grant expenditures are made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations* and the terms of the budgets as approved by NEH and any amendments.

## **Pre-Award Survey ~ The Kamusi Project USA**

The objective of this survey is to obtain information to determine the adequacy of the organization's accounting system, management controls, and policies and procedures designed to administer grant funds.

## **Inspection ~ NEH Grant Monitoring Function**

The objectives of this inspection are to determine 1) if there are agency-wide policies and procedures for monitoring grants and if so, whether the offices and divisions responsible for the monitoring function are complying with those policies and procedures; 2) if the programs, Accounting Office, and the Office of Grant Management (OGM) have policies and procedures to monitor grants and if so, whether they are complying with those policies and procedures; 3) what factors are used to select awards for monitoring; and 4) what mechanism is used by the offices and divisions responsible for the monitoring function to assess the effectiveness and/or adequacy of their monitoring procedures.

## **Cost Incurred Audit ~ Medieval Academy of America**

The principal objective of this audit is to determine if expenditures were in compliance with the terms and conditions of NEH grant RO-50325-08.

## **REVIEW CLOSED WITHOUT A REPORT**

### **Limited Review ~ Reginald F. Lewis Museum**

The principal objectives of this limited review were to determine that (1) gifts included in the organization's certification reports are eligible to release Federal matching funds; and (2) endowment expenditures are made in accordance with the terms and conditions of the budget as approved by NEH and any amendments.

This review was requested by the Office of Challenge Grants and the Office of Grant Management because the grantee did not provide final reports. Based on the results of our initial inquiries of the grantee, the Office of Challenge Grants rendered an opinion that the gifts, as certified by the Museum, are eligible to release Federal matching funds. We closed our review without a report on March 26, 2010.

# INVESTIGATIVE ACTIVITIES

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## BACKGROUND

The Inspector General Act provides the authority for the Office of Inspector General to investigate possible violations of criminal or civil laws, administrative regulations, and agency policies, which relate to the programs and operations of the NEH. The OIG Hotline, e-mail address, and regular mail are efficient and effective means of receiving allegations or complaints from employees, grantees, contractors, and the general public. The OIG has obtained assistance from other OIGs, the Federal Bureau of Investigation, the Postal Inspection Service, and other investigative entities as necessary.

When the OIG receives a complaint or allegation of a criminal or administrative violation, we make a determination of the appropriate action to take. The result could be an audit, an investigation, a referral to another NEH office or division, a referral to another Federal agency, or no action.

During the past several years, the OIG has frequently received Hotline contacts and did not have sufficient resources to complete the inquiry or investigation in a timely manner. Therefore, to alleviate this problem, we have been inquiring of other OIGs concerning their willingness and ability to assist us on an "as needed" basis under a reimbursable agreement. Several OIGs responded they would consider performing work for us on a case-by-case basis, depending on the availability of their staff to assist us. However, this assistance would be for criminal cases only and we do not have any guarantee that the OIGs would have staff available.

## OPEN AT OCTOBER 1, 2009

One file was open at October 1, 2009. This matter concerned an allegation against an executive director at a state humanities council. We determined that no criminal activity occurred. However, we strongly suggested that the executive director become more transparent with the full board and the staff. This file has been closed.

## CONTACTS DURING THE SIX-MONTH PERIOD ENDED MARCH 31, 2010

We received six Hotline contacts during the current reporting period.

Three contacts were not applicable to NEH - we referred one to another Federal Office of Inspector General, one to a state attorney general, and one to a state university.

One of the complaints concerned an applicant that did not receive a grant award. This matter was referred to the appropriate NEH division and was subsequently closed.

The last matter brought to the OIG's attention concerns a board chairman at a state humanities council. The contact alleges that the chairman's personal opinion regarding a board member and an applicant has resulted in a conflict of interest. Consequently, his decisions are not always made in the best interest of the Council's mission. This matter is still open.

## OPEN AT MARCH 31, 2010

One matter is open as of March 31, 2010.

## MATTERS REFERRED TO PROSECUTIVE AUTHORITIES

We did not refer any matters to prosecutive authorities during the current reporting period.

## INVESTIGATIVE ACTIVITIES (Continued)

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### HOTLINE AND PREVENTION ACTIVITIES

We maintain a toll-free Hotline phone number, an agency e-mail address, and an internet address to provide additional confidentiality for those persons bringing matters to the attention of the OIG. We periodically issue agency-wide e-mail messages informing NEH staff of violations that are reportable to the OIG. We also send e-mail messages several times during the year to inform NEH staff about the OIG operations. Posters advising staff to contact the OIG are displayed throughout the agency's facilities.

### SUMMARY OF INVESTIGATION ACTIVITY

Open at beginning of period	1
Matters brought to the OIG during the reporting period	6
Total investigative contacts	7
Closed, referred, or no action needed during the reporting period	6
Open at end of period	1

### INVESTIGATION MANUAL

We have been developing an investigation manual that will meet the standards of the President's Council on Integrity and Efficiency. The manual has been drafted, however, it needs to be edited since we do not have any criminal investigators on our staff. If we determine a case involves a crime, we will ask the Federal Bureau of Investigations or another Federal Inspector General for assistance. We plan to have the manual completed and put into operation as soon as possible. Other unplanned work prevents us from completing this job. In addition, since the main focus of the manual is on criminal investigations, it is not a high priority. We do not have any series 1811 investigators on staff.

# OTHER ACTIVITIES

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## REGULATORY AND LEGISLATIVE REVIEWS

The Inspector General Act of 1978, as amended, requires the Office of Inspector General to review proposed legislation and regulations. The reviews are to assess whether proposed legislation and/or regulations (1) affect the economy and efficiency of agency programs and operations, and (2) contain adequate internal controls to prevent and detect fraud and abuse. During this period, no legislative reviews were required for NEH. However, we provide responses to the Council of Inspectors General on Integrity and Efficiency on legislation affecting the Inspector General community.

## WORKING WITH THE AGENCY

OIG staff attended various NEH meetings – panel meetings (where grant applications are reviewed by outside consultants), pre-council meetings (where program staff discuss panel review results with the Chairman and his immediate staff), and the National Council meetings. Also, the IG or Deputy IG attends the Chairman's monthly policy group meetings. The Office of Inspector General contributes to the discussions but does not participate in policy-making.

The Office of Inspector General participated with the NEH Chairman, NEH program staff, and NEH grant management staff in the 2009 National Humanities Conference sponsored by the Federation of State Humanities Councils. OIG staff conducted a workshop discussing the functions of the Office of Inspector General, the OIG Hotline, and accountability and governance matters applicable to state council organizations. The workshop was attended by Board members, executive directors, and council personnel charged with fiscal responsibilities. The OIG also participated in another meeting during the Conference moderated by and for council fiscal officers.

OIG staff made presentations about the NEH Office of Inspector General and the OIG Hotline during meetings held at the NEH with grant project director's in receipt of awards through the Seminars and Institutes program and Landmarks of American History and Culture program. Both programs are administered by the NEH Division of Education.

## PARTICIPATION ON THE COUNCIL OF INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY

The Inspector General Reform Act of 2008, Public Law 110-409, amended the Inspector General Act of 1978 and established the Council of Inspectors General on Integrity and Efficiency (CIGIE). The CIGIE is comprised of all Inspectors General whose offices are established by the Inspector General Act of 1978, those that are Presidentially-appointed/Senate-confirmed, and those that are appointed by agency heads (designated Federal entities). During the six-month period ending March 31, 2010, OIG staff regularly attended CIGIE meetings and provided input. The Inspector General is a member of the Grant Fraud Committee (a subcommittee of the National Procurement Fraud Task Force) and participates in the Misconduct in Research meetings. The Deputy IG attends meetings of the Federal Audit Executive Council (FAEC), the monthly meetings of the Financial Statement Audit Network (a subcommittee of the FAEC), and the Single Audit Roundtable. One senior auditor regularly attends the Assistant Inspector General for Investigations (AIGI) meetings.

## INTRA-GOVERNMENTAL ACTIVITY

### **Congressional Inquiry**

We received a letter from the Honorable Darrell E. Issa, Ranking Member of the United States House of Representatives, Committee on Oversight and Government Reform concerning the status of open recommendations. A response is due in April 2010.

### **Collaboration with the National Science Foundation ~ Office of Inspector General**

OIG staff is participating in a joint investigative effort concerning a major media grantee. The joint effort involves IG staff from three (3) Federal agencies. NSF ~ OIG is leading the investigation.

## OTHER ACTIVITIES (Continued)

### OIG INTERNET AND INTRANET

The OIG has posted several semiannual reports on the internet and on the NEH intranet. The reports are accessible through the NEH homepage and the OIG homepage (<http://www.neh.gov/whoware/OIG.html>).

To advance NEH staff recognition of the OIG mission and responsibilities, we provide links to several other Federal agencies such as the Office of Management and Budget, the Government Accountability Office, the Office of Government Ethics, and the IGMET.

### TECHNICAL ASSISTANCE

Throughout the reporting period, OIG staff provided technical help to NEH staff, grantees, and independent public accountants about various matters. Generally, these involve the implementation of the audit requirements of OMB Circular A-133 and indirect cost matters.

### “AUDIT READINESS” AWARENESS CAMPAIGN

Throughout the year, the Office of Inspector General executes an awareness campaign via e-mail. The objective of the campaign is to distribute guidance that would assist recipients of NEH grants in their efforts to preclude unfavorable outcomes should the organizations' NEH grants be selected for audit. The e-mail communication emphasizes the importance of the recipients' review of and adherence to the specific NEH grant terms and conditions as well as the laws and regulations applicable to all Federal awards. We remind recipients that they are stewards of Federal funds and that they must comply with the OMB Circulars and the terms and conditions of the grant award. Highlighted in the e-mail communications are specific areas wherein problems are commonly found during audits of NEH grantees and links to appropriate guidance materials and resources. We also mention the importance of effective internal controls and the President's Council on Integrity and Efficiency, *Report on National Single Audit Sampling Project*. The e-mail communications are sent to project directors and grant administrators identified for non-profit awardees.

During the six-month period ending March 31, 2010, e-mail communications were sent as noted below. We have reasonable assurance that all of the awardees received a copy of the communication.

<b>NEH Office or Division</b>	<b>Number of Awardees</b>	<b>Number of E-mails Sent*</b>
Division of Preservation and Access	85	135
Division of Public Programs	6	10

\* There were several instances where either the project director and the grant administrator were the same or we did not have any contact information for an individual.

## PRIOR AUDIT REPORTS UNRESOLVED

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- Several recommendations from prior FISMA and Information Technology Security reviews remain to be addressed. The staff of the NEH Office of Information Resources Management is currently working on implementing some of the recommendations.



# TABLE I

## REPORTING REQUIREMENTS

The Inspector General Act of 1978, as amended (Public Law 100-504), specifies reporting requirements for semiannual reports. The requirements are listed and cross-referenced to the applicable pages in this report.

<u>IG Act Reference</u>	<u>Reporting Requirements</u>	<u>Page</u>
Section 4(a)(2)	Regulatory and Legislative Reviews.....	10
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies.....	*
Section 5(a)(2)	Recommendations for Corrective Action .....	*
Section 5(a)(3)	Prior Significant Recommendations Unimplemented.....	*
Section 5(a)(4)	Matters Referred to Prosecutive Authorities.....	8
Section 5(a)(5)	Instances Where Information Was Refused or Not Provided.....	*
Section 5(a)(6)	List of Reports Issued.....	3
Section 5(a)(7)	Summary of Reports Issued.....	4-6
Section 5(a)(8)	Audit Reports - Questioned Costs.....	14
Section 5(a)(9)	Audit Report - Funds To Be Put to Better Use.....	14
Section 5(a)(10)	Prior Audit Reports Unresolved.....	12
Section 5(a)(11)	Significant Revised Management Decisions.....	*
Section 5(a)(12)	Significant Management Decisions with which OIG Disagreed....	*

\* None this period

**TABLE II  
INSPECTOR GENERAL-ISSUED REPORTS  
WITH QUESTIONED COSTS**

	Number Of Reports	Questioned Cost	Unsupported Cost
A. For which no management decision has been made by the commencement of the reporting period.	- 1 -	\$363,747	\$ - 0 -
B. Which were issued during the reporting period.	- 1 -	\$25,600	\$ - 0 -
<b>Subtotals (A+B)</b>	- 2 -	\$389,347	\$ - 0 -
C. For which a management decision was made during the reporting period.			
i. Dollar value of disallowed costs.	- 1 - *	\$10,057	\$ - 0 -
ii. Dollar value of costs not disallowed (grantee subsequently supported costs).	- 1 - *	\$353,690	\$ - 0 -
iii. Dollar value of costs not disallowed based on the "Value of Services Received."	- 0 -	\$ - 0 -	\$ - 0 -
D. For which no management decision has been made by the end of the reporting period.	- 1 -	\$25,600	\$ - 0 -
E. Reports for which no management decision was made within six months of issuance.	- 0 -	- 0 -	\$ - 0 -

\* This data relates to a single IG report.

**TABLE III  
INSPECTOR GENERAL-ISSUED REPORTS  
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE**

	Number Of Reports	Dollar Value
A. For which no management decision has been made by the commencement of the reporting period.	- 0 -	\$ - 0 -
B. Which were issued during the reporting period.	- 0 -	\$ - 0 -
C. For which a management decision was made during the reporting period.	- 0 -	\$ - 0 -
i. Dollar value of recommendations that were agreed to by management.		\$ - 0 -
ii. Dollar value of recommendations that were not agreed to by management.		\$ - 0 -
D. For which no management decision was made by the end of the reporting period.	- 0 -	\$ - 0 -

## GLOSSARY OF AUDIT TERMINOLOGY

**Questioned Cost** - A cost that is questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; because such cost is not supported by adequate documentation; or because the expenditure of funds for the intended purpose is unnecessary or unreasonable.

**Unsupported Cost** - A cost that is questioned because of the lack of adequate documentation at the time of the audit.

**Disallowed Cost** - A questioned cost that management, in a management decision, has sustained or agreed should not be charged to the government.

**Funds Be Put To Better Use** - Funds, which the OIG has disclosed in an audit report, that could be used more efficiently by reducing outlays, de-obligating program or operational funds, avoiding unnecessary expenditures, or taking other efficiency measures.

**Management Decision** - The evaluation by management of the audit findings and recommendations and the issuance of a final decision by management concerning its response to such findings and recommendations.

**Final Action** - The completion of all management actions, as described in a management decision, with respect to audit findings and recommendations. When management concludes no action is necessary, final action occurs when a management decision is made.

Source: Excerpt from Section 106(d) of the Inspector General Act Amendments of 1988 (P.L. 100-504).