



NATIONAL  
ENDOWMENT  
FOR THE  
HUMANITIES (NEH)

OFFICE OF INSPECTOR GENERAL

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June 17, 2010

RETURN RECEIPT REQUESTED

[REDACTED]  
[REDACTED]  
Kenyon College  
College Relations Center  
100 Chase Avenue  
Gambier, OH 43022-9623

RE: NEH Challenge Grant [REDACTED]  
[OIG-10-01 (DR)]

Dear Ms. Galipault:

After reviewing Kenyon College's June 30, 2009 single audit report, we determined that the current NEH challenge grant entitled "Center for the Study of American Democracy" ([REDACTED]) was improperly omitted from the Schedule of Expenditures of Federal Awards (SEFA) as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (see attached). Accordingly, this NEH challenge grant ([REDACTED]) was not considered by the independent auditor (IPA) when selecting the federal programs to be tested as part of the A-133 audit.

OMB Circular A-133, Section 205(e) states that the cumulative balance of federal awards for endowment funds, which are federally restricted, are considered awards expended in each year in which the funds are still restricted. Moreover, the *Administration of NEH Challenge Grants* manual states that funds deposited into income-earning accounts are to be treated as federal expenditures. Consequently, the full amount of federal funds received from NEH (\$[REDACTED]) as of June 30, 2009 should have been reported as federal expenditures on the SEFA since these funds are specifically restricted to build an endowment.

Furthermore, we completed a cursory review of the related grant file and determined that three certification reports reflecting \$[REDACTED] in non-federal matching funds have been submitted to NEH. This resulted in the release of \$[REDACTED] in cumulative federal dollars by NEH as of today's date. Now that the total federal "expenditures" exceed the A-133 major program threshold (\$[REDACTED]), it is critical that the NEH challenge grant be properly reported on the SEFA for the upcoming June 30, 2010 audit. Since this program was not audited in either of the past two years, the IPA will need to treat this grant as a high risk, Type A program when performing the 2010 single audit (per OMB Circular A-133, Section 520c1).

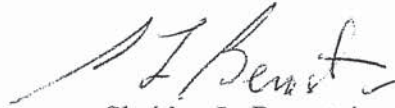
██████████  
June 17, 2010

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Please ensure the College's controller and the outside independent auditors (██████████ & ██████████ in prior year) are informed of this matter. It's imperative that this deficiency be corrected since the improper preparation of the SEFA and faulty A-133 audit procedures can lead to additional scrutiny by federal auditors, to include our office, and the temporary suspension of federal funding. Please note that additional audit guidance concerning the challenge grant program can be found on the NEH Office of the Inspector General website (<http://www.neh.gov/whoweare/oig-challenge-audit.html>).

If you have any questions concerning this matter, please call Mr. Steve Elsberg at (202) 606-8353.

Sincerely,



Sheldon L. Bernstein  
Inspector General

Enclosure

cc:

██████████  
██████████  
██████████  
  
██████████  
██████████  
██████████

KENYON COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2009

NOTE: The NEH Challenge Grant program (CFDA #45.130) improperly omitted.

Source: June 30, 2009 Audited Financial Statements

Federal Grantor/Program Title	Federal CFDA Number	Disbursements/ Expenditures
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>		
U.S. Department of Education		
Federal Supplemental Education Opportunity Grant Program	██████	\$ ██████
Federal Family Education Loan Program	██████	██████
Federal Work Study Program	██████	██████
Federal Perkins Loan Program	██████	██████
Federal Pell Grant Program	██████	██████
Academic Competitiveness Grants	██████	██████
National Science and Mathematics Access to Retain Talent	██████	██████
Total Student Financial Assistance Program		██████
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>		
Department of Agriculture		
Competitive Research Grants	██████	██████
Department of the Interior		
Land and Water Conservation Fund Grants	██████	██████
National Science Foundation		
Mathematical and Physical Sciences	██████	██████
Biological Sciences	██████	██████
Environmental Protection Agency		
Congressionally Mandated Projects	██████	██████
National Institutes of Health		
Environmental Health	██████	██████
Biomedical Research and Research Training	██████	██████
Total Research and Development Cluster		██████
<b>OTHER FEDERAL ASSISTANCE</b>		
Department of Agriculture		
Specialty Crop Block Grant Program	██████	██████
Department of the Interior		
Partners for Fish and Wildlife Program	██████	██████
National Endowment For The Humanities		
Office of Digital Humanities	██████	██████
Department of Homeland Security		
Public Assistance	██████	██████
Total Other Federal Assistance		██████
Total <b>Federal</b> Assistance		\$ ██████

The accompanying notes are an integral part of this schedule.