



NATIONAL
ENDOWMENT
FOR THE
HUMANITIES (NEH)

OFFICE OF INSPECTOR GENERAL

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WWW.NEH.GOV
HOTLINE 877-786-7598

September 30, 2010

RETURN RECEIPT REQUESTED

[REDACTED]
[REDACTED]
Dubuque County Historical Society
350 East Third Street
Dubuque, IA 52001

RE: NEH Challenge Grant ([REDACTED])
[OIG-10-04 (DR)]

Dear [REDACTED]

Please note that OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* requires non-profit entities that annually expend \$500,000 or more in federal awards to undergo either a single or program-specific audit. We wanted to alert you to this fact since 1) it appears that the Dubuque County Historical Society (the "Society") has not been subject to an A-133 audit in over five years and 2) a unique rule used to determine annual expenditures applies to the Society's current NEH challenge grant award entitled "*Challenge Grant for Humanities*" [REDACTED] which was funded to endow the Director of Interpretation position.

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 federal funds deposited into income-earning accounts are to be treated as federal expenditures. Accordingly, the cumulative federal funds received from NEH that are specifically restricted to build an endowment must be reported as federal expenditures on the Schedule of Expenditures of Federal Awards (SEFA) annually.

We completed a cursory review of the related grant file and determined that the first certification report reflecting \$ [REDACTED] in non-federal matching funds was recently submitted. This resulted in the release of \$ [REDACTED] in cumulative federal dollars by NEH as of today's date. Assuming NEH represents the Society's only federal funding source, the single audit requirement will be triggered once the Society receives \$ [REDACTED] in federal challenge grant support which, very well, could take place in the next year or two based upon the initial success of your fundraising efforts.

[REDACTED]
RE: NEH Challenge Grant [REDACTED]

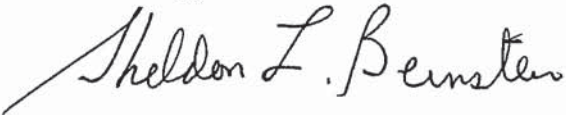
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Please ensure the Society's controller and the independent auditors are promptly informed of this matter since the improper preparation of the SEFA and faulty A-133 audit procedures can lead to additional scrutiny by federal auditors, to include our 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

cc:

[REDACTED]
[REDACTED]
Dubuque County Historical Society
350 East Third Street
Dubuque, IA 52001