



NATIONAL ENDOWMENT FOR THE
Humanities

OFFICE OF INSPECTOR GENERAL

July 12, 2017

RETURN RECEIPT REQUESTED

Board of Directors
Georgia Humanities Council, Inc.
50 Hurt Plaza, S.E., Suite 595
Atlanta, GA 30303-2915
Attn: [REDACTED], Chair

OIG Report Number: OIG-17-05 (DR)

Dear Board Members:

We have completed a Desk Review of the single audit report prepared by Blad & Associates, P.C., which includes the Federal assistance program administered by the Georgia Humanities Council, Inc. (the "Council"), for the fiscal year ended October 31, 2016 (FY 2016). The independent auditor (IPA) previously furnished a copy of their audit report dated February 24, 2017, to the Council. The related reporting package was accepted by the Federal Audit Clearinghouse (FAC) on March 8, 2017. The IPA issued unmodified opinions¹ regarding the financial statements and compliance with Federal requirements. The IPA identified a significant deficiency in internal control over financial reporting. No other written findings were issued in conjunction with the single audit.

Our review was limited to an examination of the audit report, email exchanges with the Executive Director 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, the *Guide for Desk Reviews of Single Audit Reports* (2016 Edition), issued by the Council of Inspectors General on Integrity and Efficiency (CIGIE), was used to determine whether the audit report meets the core reporting requirements stipulated by Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Subpart F)². There are three possible conclusions that can be reached as a result of the desk review -- **Pass**, **Pass with Deficiencies**, or **Fail**. Audit reports receiving a "**Fail**" rating require corrective action.

We assigned a rating of **Pass with Deficiencies** for the FY 2016 reporting package. We determined that that the audit report generally meets Federal reporting requirements, with the following exception:

¹ An unmodified opinion represents the IPA's highest level of assurance, indicating that the audited entity's financial statement presentation (to include Federal grant activity) materially complies with applicable accounting principles and Federal requirements stipulated in OMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

² 2 CFR Part 200

Sufficiency of the IPA's Conclusion Concerning Compliance with Federal Financial Reporting Requirements

In addition to determining whether the Council's financial statements are presented fairly in all material respects in accordance with generally accepted accounting principles, 2 CFR section 200.514(d) 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.

The Council is required by National Endowment for the Humanities (NEH) *General Terms and Conditions for General Support Grants to State Humanities Councils* to submit annual and final Federal Financial Reports (FFRs) to the NEH within 90 days after the completion date of the respective reporting period. The FFR is used as a standardized format to report expenditures as well as Federal cash status. 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. (U.S. Code, Title 18, Section 1001).

As part of our desk review, we inquired about the IPA's testing related to Federal financial reporting. In response to our inquires, the IPA provided a copy of the reconciliation they performed, which supports their conclusion that expenditures reported in the annual FFR submission for NEH grant SO-50528-13 are consistent with expenditures identified in the audited Schedule of Expenditures of Federal Awards for the period covered by the FFR.

We reviewed the FFR that was tested by the IPA and noted rather glaring errors concerning the preparation of the report. Specifically, the "Federal Cash" section³ of the FFR is completely missing the required data. We further noted that the "Federal Cash" section in prior FFR submissions associated with NEH general support grants are likewise incomplete. However, the Council did complete the "Federal Cash" section in FFRs submitted for the most recent NEH *We the People* award.

The IPA recognizes that the Council should complete the "Federal Cash" section of the FFR. According to the IPA, a control deficiency related to the preparation of the FFR was identified in fiscal year 2015 and the matter was discussed with Council management. However, the IPA did not consider the matter as a significant deficiency or material weakness.

Moving forward, we expect Council management to immediately implement new controls and provide staff with the necessary training to ensure all future FFR submissions are complete and accurate. Please be advised that there is no need to revise the FY 2016 audit report and/or resubmit the single audit reporting package to the FAC since NEH represents the Council's only source of Federal funds and our office has alerted Agency management of this matter. However,

³ The "Federal Cash" section tracks and facilitates the reporting of Federal cash status concerning the grant award, as of the end of the reporting period. The section includes the cumulative amount of actual cash received from the Federal agency, cumulative amount of Federal fund disbursements (such as cash or checks), and cash on hand (which represents the immediate cash needs of the grantee).

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the NEH Office of Inspector General may deem future reports with similar concerns as unacceptable.

Please be advised that we are sending a copy of this letter to Blad & Associates, P.C. to inform them 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.

Sincerely,



Laura Davis
Inspector General

Distribution List:

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