



NATIONAL ENDOWMENT FOR THE  
**Humanities**

OFFICE OF INSPECTOR GENERAL

July 27, 2018

**RETURN RECEIPT REQUESTED**

Board of Directors  
New Mexico Humanities Council  
4115 Silver Avenue, SE  
Albuquerque, NM 87108  
Attn: [REDACTED], Chair

OIG Report Number: OIG-18-05 (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 Mackie, Reid & Company, P.A. (the "IPA"), which includes Federal assistance programs administered by the New Mexico Humanities Council (the "Council"), for the fiscal year (FY) ended October 31, 2017. The independent auditors previously furnished a copy of their audit report dated February 15, 2018, to the Council. The Federal Audit Clearinghouse (FAC) accepted the related reporting package on March 19, 2018. 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 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 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 on our review, we can assign a rating to the IPA's reporting package of either a **Pass**, **Pass with Deficiencies**, or **Fail**. Audit reports receiving a **Fail** rating require corrective action.

We assigned a rating of **Fail** to the FY 2017 reporting package due to a key deficiency that affects the reliability of the report. Accordingly, the audit report and the related Data Collection Form (Form SF-SAC) must be revised and resubmitted to the FAC. We noted the following deficiency during our desk review:

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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.

### **Lack of Disclosure of Subrecipient Awards in the Schedule of Expenditures of Federal Awards:**

According to 2 CFR Part 200, the Council must prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the Council's financial statements, which must include the total Federal awards expended<sup>2</sup>. At a minimum, the schedule must:

1. List individual Federal programs by Federal agency.
2. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
3. Provide total Federal awards expended for each individual Federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.
4. Include the total amount provided to subrecipients<sup>3</sup> from each Federal program.
5. Include notes that describe the significant accounting policies used in preparing the schedule, and note whether or not the Council elected to use the 10% de minimis cost rate.

The NEH program administered by the Council during the fiscal year ended October 31, 2017 [Federal/State Partnership (CFDA No. 45.129)] includes specific funding for regrants<sup>4</sup>, which are awards made by the Council to subrecipients on an annual basis<sup>5</sup>. According to the audited *Statements of Activities*, the Council incurred "Regrants" expenses totaling \$197,557 during the fiscal year ended October 31, 2017<sup>6</sup>. The Council further discloses in the notes to the financial statements that a portion of the NEH grant awards was obligated to grantees<sup>7</sup>. However, the total amount provided to subrecipients from the NEH program is not identified in the audited SEFA for the fiscal year ended October 31, 2017, as required by 2 CFR Part 200.

As the Council's oversight agency, the NEH-OIG will not accept the FY 2017 single audit reporting package until the above deficiency is addressed and corrective action taken to include

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<sup>2</sup> 2 CFR § 200.510(b)

<sup>3</sup> 2 CFR § 200.93 defines a subrecipient as a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program.

<sup>4</sup> According to the NEH General Terms and Conditions for General Support Grants to State Humanities Councils (GTAC), a "regrant" is an award of financial assistance, including cooperative agreements, made by a council to an organization or individual in support of a humanities project that was selected in open competition on the basis of established criteria that are widely known. The GTAC further explains that regrants, which are funded under an NEH general support grant, are examples of subawards.

<sup>5</sup> The approved budget for NEH general support grant SO-253164-17 includes a "regrant" allocation totaling \$67,200 for the fiscal year ending October 31, 2017.

<sup>6</sup> We have been advised by [REDACTED] Executive Director, that actual regrant awards during FY 2017 totaled [REDACTED]. The remaining amount (\$ [REDACTED]) represents administrative expenses associated with the Council's regrant program.

<sup>7</sup> Note 9 ~ GOVERNMENT GRANTS AND CONTRACTS

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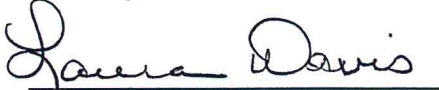
resubmission of the single audit reporting package to the FAC. Please contact FAC support staff for assistance with the single audit resubmission process (800-253-0696 or [govs.fac@census.gov](mailto:govs.fac@census.gov)).

We recommend that the Council implement new procedures to ensure that subrecipient award information is tracked and properly presented in the SEFA as prescribed in 2 CFR Part 200. We request that Council management provide the NEH-OIG with a written corrective action plan that addresses the identified deficiency within 30 days of receipt of this letter.

Please be advised that we are sending a copy of this letter to the Partner at Mackie, Reid & Company, 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

**Distribution List:**

Auditor:

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