



Office of Inspector General

SEMIANNUAL REPORT TO CONGRESS

For the Period April 1, 2016 through September 30, 2016

Report No. 55

**“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
concerning NEH programs, operations, or employees

Contact the OIG Hotline

1 (877) 786-7598

Mailing Address

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National Endowment for the Humanities
Constitution Center
400 7th Street, SW
Washington, DC 20506

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OIG Hotline Form

www.neh.gov/about/oig

Government employees are protected from reprisal

Contacts may remain anonymous

Information is treated as Confidential

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EXECUTIVE SUMMARY

This Semiannual Report to Congress highlights the activities of the National Endowment for the Humanities (NEH) — Office of Inspector General (OIG) for the period April 1, 2016 through September 30, 2016. OIG activities completed during this reporting period addressed NEH's compliance with government-wide mandates and oversight of non-Federal audits of NEH grantees. We also monitored the independent auditors engaged to conduct the audit of the NEH financial statements for fiscal year ending September 30, 2016.

During this reporting period, we reported on NEH's compliance with the *Federal Managers' Financial Integrity Act* (FMFIA) concerning fiscal year 2015 and the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) concerning fiscal year 2015. We also completed desk reviews of Single Audit reports issued by non-Federal auditors for two NEH grantees. As of the end of this reporting period, we have several audits and inspections in process, the results of which we anticipate including in our semiannual report for the period ending March 31, 2017.

We engaged the services of Leon Snead & Company, P.C. (the "IPA") to conduct the audit of the NEH financial statements for fiscal year ending September 30, 2016, as required by the *Accountability of Tax Dollars Act of 2002*. During this reporting period, we monitored the planning and interim testing activities of the independent auditors to ensure compliance with applicable Federal requirements.

We received two Hotline complaints during this reporting period, neither of which remain open as of the end of the reporting period. No investigations were initiated by the NEH-OIG during this reporting period.

We continue to receive a steady volume of communications from individuals who have been targeted (and in some instances victimized) by an internet scam purporting to represent an NEH financial assistance program. On June 21, 2016, the NEH issued an advisory concerning the scam, which is accessible by the public through the Agency's website.

OIG staff participated in several activities within the Federal accountability community to include a Single Audit Roundtable, (which involves audit and accountability representatives from the non-Federal audit community, and representatives from Federal and State government communities) and a meeting of the Grant Fraud Working Group of the Financial Fraud Enforcement Task Force. We also engaged in outreach activities to promote awareness of the mission and responsibilities of the NEH-OIG and to promote compliance with administrative requirements applicable to Federal grant awards.

The NEH-OIG will continue to enhance and strengthen our capability to perform effective independent oversight and to foster mutually beneficial working relationships with NEH leadership and management, the Congress, other stakeholders (both public and private), and our colleagues within the Inspector General community.

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 (NEH) as an independent, grant-making agency of the Federal government to support research, education, and public programs in the humanities. According to the Act, "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."

The NEH is directed by a Chairman, who is appointed by the President and confirmed by the U.S. Senate, for a term of four years. Advising the Chairman is the National Council on the Humanities, a board of 26 distinguished private citizens who are also appointed by the President and confirmed by the Senate. National Council members serve staggered six-year terms.

Grants are awarded through four divisions - Research Programs, Education Programs, Preservation and Access, and Public Programs -- and three offices - Challenge Grants, Digital Humanities, and Federal/State Partnership.

The NEH recently launched an initiative entitled, *The Common Good*. This initiative is designed to demonstrate the critical role humanities scholarship can play in our public life. Through NEH's traditional grant-making programs and several special initiatives, *The Common Good* encourages humanities scholars to turn their attention to topics that have widespread resonance with the American people and that lend themselves to the methods and concerns of the humanities.

THE OFFICE OF INSPECTOR GENERAL

The NEH Office of Inspector General (OIG) 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 of the National Council on the Humanities. The independence of the IG is an important aspect of the Inspector General 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 to the National Council on the Humanities, and can only be removed by the National Council on the Humanities, which must give Congress 30 days notice of the reasons for the removal; and reports directly to Congress.

The Act states that the OIG 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 Head of the Agency and the Congress fully and currently informed of problems and deficiencies concerning NEH programs and operations.

NEH-OIG staff currently consists of the Inspector General and two auditors. The Deputy Inspector General position is vacant. The OIG has a Memorandum of Understanding with the United States Treasury Inspector General for Tax Administration detailing the procedures for the NEH-OIG to be provided legal services. Investigations are handled by the Inspector General.

AUDIT AND REVIEW ACTIVITIES

LIST OF REPORTS ISSUED

The NEH-OIG is responsible for external and internal audits, reviews, and inspections. External activities include on-site grant audits, limited-scope desk audits, accounting system surveys, desk reviews of Single Audit reports, and on-site quality control reviews of CPA workpapers. Internal activities consist of audits, inspections, and reviews/evaluations of NEH administrative and program-related activities, inclusive of the NEH information security program. The NEH-OIG is also responsible for monitoring the work of the independent public accountant (the "IPA") engaged to conduct the annual audit of the NEH financial statements, as required by the *Accountability of Tax Dollars Act of 2002*, and examining the IPA's audit workpapers and draft reporting deliverables to ensure compliance with applicable requirements.

Below is a list of reports issued by the NEH-OIG during this reporting period. The Inspector General Act of 1978, as amended, requires us to report on the "Total Dollar Value of Questioned Costs" (including a separate category for the "Dollar Value of Unsupported Costs") and the "Dollar Value of Recommendations that Funds Be Put to Better Use", [see Tables II and III on page 14].

| | <u>Report Number</u> | <u>Date Issued</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------|----------------------|--------------------|
| <u>INTERNAL REVIEWS</u> | | |
| NEH 2015 Review of Internal Controls in Accordance with the <i>Federal Managers' Financial Integrity Act</i> (FMFIA) | OIG-16-01 (IR) | 04/04/2016 |
| National Endowment for the Humanities' Compliance with the <i>Improper Payments Elimination and Recovery Act of 2010</i> — Fiscal Year 2015 | OIG-16-02 (IR) | 05/13/2016 |
| <u>DESK REVIEWS</u> | | |
| Desk Review of the Single Audit Report for Year Ended October 31, 2014 — Arkansas Humanities Council | OIG-16-05 (DR) | 08/02/2016 |
| Desk Review of the Single Audit Report for Year Ended October 31, 2015 — Nevada Humanities | OIG-16-06 (DR) | 08/26/2016 |
| <u>SINGLE AUDIT ACT REVIEWS</u> | | |
| OMB Circular A-133 Reports | — See Page 6 — | |

AUDIT AND REVIEW ACTIVITIES

SUMMARY OF REPORTS ISSUED

INTERNAL REVIEWS

**NEH 2015 Review of Internal Controls in Accordance
with the *Federal Managers' Financial Integrity Act (FMFIA)*
April 4, 2016; OIG-16-01 (IR)**

The *Federal Managers' Financial Integrity Act (FMFIA)*, P.L. 97-255, as well as Office of Management and Budget (OMB) Circular A-123 ~ *Management Accountability and Control*, and OMB Circular A-127 ~ *Financial Management Systems* establish specific requirements for management control. FMFIA further requires each executive agency head, on the basis of an evaluation conducted in accordance with applicable guidelines, to prepare and submit a signed statement to the President assuring that the agency's systems of internal accounting and administrative control fully comply with the requirements established in FMFIA. To ensure compliance with FMFIA, internal NEH directives require each Division/Office director to report on the status of controls against waste, fraud, and abuse within their area of responsibility. Managers of NEH's various financial and financial-related systems (budget formulation, accounting, cash management, information management, procurement, property control, grant administration, audit, and personnel) are also responsible for (i) ensuring that such systems are established, maintained, improved, and reviewed; and (ii) reporting any exceptions to the NEH Chairman.

During this reporting period, we completed a limited review of the evaluations conducted by NEH Division/Office directors and managers of NEH financial/financial-related systems. Based on our independent assessment of the process, the OIG concluded that the fiscal year 2015 management control evaluation was conducted in accordance with OMB and FMFIA requirements. Further, based on the results of audits and inspections conducted by the OIG during fiscal year 2015, the IG concurred with the assertion that the NEH had no material weaknesses during the reporting cycle. However, we issued a separate memorandum to NEH management wherein we highlighted opportunities for existing management controls to be strengthened. Comments concerning staff compliance with Conflict of Interest regulations, deviations from standard webTA procedures, the segregation of duties, and the extent of awareness/promotion of NEH emergency procedures were conveyed in the OIG Letter of Comment.

**National Endowment for the Humanities' Compliance with the
Improper Payments Elimination and Recovery Act of 2010 — Fiscal Year 2015
May 13, 2016; OIG-16-02 (IR)**

The *Improper Payments Elimination and Recovery Act of 2010 (IPERA)* requires the head of each agency to periodically review and identify all programs and activities it administers that may be susceptible to significant improper payments, based on guidance provided by the Director of OMB. For each program and activity identified, the agency is required to produce a statistically valid estimate of the improper payments and include such estimates in the accompanying materials to the annual financial statements of the agency. The agency is further required under IPERA to prepare a report on actions taken to reduce improper payments for programs or activities with significant improper payments. With respect to improper payments identified in recovery audits required by IPERA, the agency must report on all actions taken to recover improper payments.

Additional guidance issued by OMB specifies that each agency's Inspector General should review improper payment reporting in the agency's annual Performance and Accountability Report (PAR) or Annual Financial Report (AFR), and accompanying materials, to determine whether the agency complied with IPERA.

AUDIT AND REVIEW ACTIVITIES

INTERNAL REVIEWS (con't.)

National Endowment for the Humanities' Compliance with the *Improper Payments Elimination and Recovery Act of 2010* — Fiscal Year 2015 (con't.) May 13, 2016; OIG-16-02 (IR)

Concerning fiscal year 2015, I determined that the NEH was compliant with IPERA. Specifically:

- ◆ The Agency published a PAR for fiscal year 2015 and posted the report and accompanying material required by OMB on the NEH website.
- ◆ NEH management conducted a risk assessment for improper payments in accordance with the steps outlined in the revised OMB Circular A-123, Appendix C, Part I. The FY 2015 risk assessment covered grant payments, payroll payments, and other activities within the administrative budget, (i.e., employee payments, travel, panel activities, and credit card purchases).
- ◆ NEH management randomly selected and reviewed a sample of individual grant payments made during fiscal year 2015, which resulted in an error rate of zero percent. This information was properly reported in the PAR.

Furthermore, nothing came to the attention of the OIG during fiscal year 2015 which indicated the NEH is susceptible to significant improper payments.

DESK REVIEWS

Subpart F of OMB Uniform Guidance establishes audit requirements for state and local governments, colleges and universities, and non-profit organizations receiving Federal awards. All non-Federal entities that expend \$750,000 or more a year in Federal awards must undergo an annual organization-wide audit that includes the entity's financial statements and compliance with Federal award requirements. The audits are conducted by non-Federal auditors, such as public accounting firms and state auditors.

During this reporting period, we issued letters to governance officials for two state humanities councils, communicating the results of our desk reviews of audit reports issued in accordance with OMB Circular A-133*. The objectives of the desk reviews were to: (1) determine whether the audit reports are acceptable based on the reporting requirements of OMB Circular A-133; (2) identify any quality issues that may warrant follow-up work and/or revisions to the audit report; (3) identify audits for potential quality control review (QCR) of the independent auditors' workpapers; and (4) identify issues that may require the attention of NEH management. We used the *Guide for Desk Reviews of OMB Circular A-133 Audit Reports* (2015 Edition), issued by the Council of Inspectors General on Integrity and Efficiency (CIGIE), to determine if the reports are in conformance with core reporting requirements stipulated by OMB Circular A-133. Audit reports receiving a "Fail" rating require corrective action.

We determined that one report was "Acceptable" and assigned a "Fail" rating to one reporting package.

* Note: OMB recently updated single audit guidance with the issuance of the *Uniform Guidance: Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Subpart F)*. The Uniform Guidance, which was effective December 26, 2014, streamlined eight OMB circulars associated with Federal grant administration (to include OMB Circular A-133) into a single, comprehensive policy guide. For fiscal years beginning after December 25, 2014, the single audit threshold increased from \$500,000 to \$750,000 under the new guidance.

AUDIT AND REVIEW ACTIVITIES

SINGLE AUDIT ACT REVIEWS

We receive communications from other Federal agencies regarding Single Audit findings and desk review results, (primarily the National Science Foundation OIG) and we routinely perform queries of the Federal Audit Clearinghouse to determine the reporting of single audit findings applicable to NEH programs. We occasionally receive Single Audit reports directly from NEH grantees.

During the six-month period ended September 30, 2016, we reviewed six OMB Circular A-133 audit report communications. No findings were noted that affected NEH programs.

WORK IN PROGRESS/REPORTS TO BE ISSUED (as of September 30, 2016)

Inspection ~ NEH Government Charge Card/Travel Card Programs

On October 5, 2012, the President signed into law the Government Charge Card Abuse Prevention Act of 2012 (“Charge Card Act”) [P.L. 112-194], which reinforced the Administration’s efforts to prevent waste, fraud, and abuse of government-wide charge card programs. Consistent with existing guidance contained in OMB Circular A-123, Appendix B, *Improving the Management of Government Charge Card Programs*, the Charge Card Act requires all executive branch agencies to establish and maintain safeguards and internal controls for purchase cards, travel cards, and centrally-billed accounts.

The Charge Card Act also requires agency Inspectors General to (1) conduct periodic risk assessments of agency charge card programs to analyze the risks of illegal, improper, or erroneous purchases; and (2) submit an annual purchase and travel card audit recommendation status report to the OMB for compilation and transmission to Congress and the Government Accountability Office. Due to this new mandate and fact that the NEH-OIG last reviewed the NEH purchase card program approximately ten years ago, an inspection of the NEH Government Charge Card and Travel Card programs was initiated.

Limited Audit ~ Northeast Document Conservation Center

The principal objectives of this limited audit are to determine whether (1) expenditures related to NEH grant PE-50058-11 were made in accordance with applicable provisions of NEH’s *General Terms and Conditions for Awards to Organizations*, and the terms of the approved grant award; and (2) proper controls over the administration of Federal awards exist in accordance with minimum standards prescribed in OMB Circulars A-110 (2 CFR Part 215) and A-122 (2 CFR Part 230).

Limited Audit ~ Catticus Corporation

The principal objectives of this limited audit are to determine whether (1) expenditures related to NEH grant TR-50158-10 were made in accordance with applicable provisions of NEH’s *General Terms and Conditions for Awards to Organizations*, and the terms of the approved grant award; (2) Catticus Corporation properly implemented a comprehensive subrecipient monitoring program; and (3) proper controls over the use of Federal funds exist in accordance with minimum standards prescribed in OMB Circulars A-110 (2 CFR Part 215) and A-122 (2 CFR Part 230).

AUDIT AND REVIEW ACTIVITIES

WORK IN PROGRESS/REPORTS TO BE ISSUED (as of September 30, 2016) [con't.]

Limited Audit ~ Wright on the Park, Inc.

The principal objectives of this limited audit are to determine whether (1) expenditures related to NEH grant BH-50497-12 were made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations*, and the specific terms of the grant award; and (2) proper controls over use of Federal awards exist in accordance with minimum standards prescribed in OMB Circulars A-110 (2 CFR Part 215) and A-122 (2 CFR Part 230).

Limited Audit ~ Massachusetts Institute of Technology

The principal objectives of this limited audit are to determine whether (1) expenditures related to NEH grant GI-50353-11 were made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations*, and the specific terms of the grant award; and (2) proper controls over the administration of Federal awards exist in accordance with minimum standards prescribed in OMB Circulars A-110 (2 CFR Part 215) and A-21 (2 CFR Part 220).

Limited Audit ~ State Historical Society of Missouri

The principal objectives of this limited audit are to determine whether (1) expenditures related to NEH grant PJ-50037-08 were made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations*, and the specific terms of the grant award; and (2) proper controls over the administration of Federal awards exist in accordance with minimum standards prescribed in OMB Circulars A-110 (2 CFR Part 215) and A-122 (2 CFR Part 230).

Limited Audit ~ Community College Humanities Association

The principal objectives of this limited audit are to determine whether (1) expenditures related to NEH grants EH-50302-12, EH-50306-12, EH-50356-13, and cooperative agreement ME-50010-12 were made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations*, and the specific terms of the respective awards; and (2) proper controls over the administration of Federal awards exist in accordance with minimum standards prescribed in OMB Circulars A-110 (2 CFR Part 215) and A-122 (2 CFR Part 230).

Limited Audit ~ International Documentary Foundation

The primary objectives of this limited audit are to determine whether (1) expenditures related to NEH grant TW-50296-13 were made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations* (and its Addendum), and the terms of the approved grant award; and (2) proper controls over the administration of Federal awards exist in accordance with minimum standards prescribed in OMB Circulars A-110 (2 CFR Part 215) and A-122 (2 CFR Part 230).

AUDIT AND REVIEW ACTIVITIES

WORK IN PROGRESS/REPORTS TO BE ISSUED (as of September 30, 2016) [con't.]

Limited Audit ~ Pacific Symphony

The primary objectives of this limited audit are to determine whether (1) expenditures related to NEH grant GI-50294-11 were made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations*, and the specific terms of the grant award; and (2) proper controls over the administration of Federal awards exist in accordance with minimum standards prescribed in OMB Circulars A-110 (2 CFR Part 215) and A-122 (2 CFR Part 230).

Inspection ~ NEH Grant Close-out Process

The objectives of this inspection are to (1) assess the efficiency and effectiveness of NEH's grant close-out procedures; and (2) identify improvements to further enhance the process.

Inspection ~ Federal Information Security Management Act (FISMA) — Fiscal Year 2015

The Federal Information Security Management Act of 2002 (FISMA) requires each agency to develop, document, and implement an agency-wide information security program. Each year, the OIG conducts an independent evaluation of the NEH information security program, pursuant to the requirements of FISMA.

Quality Control Review ~ Single Audit of the Humanities Council of Washington, DC (Fiscal Year Ended October 31, 2014)

Due to issues noted during our desk review of the Single Audit report on the Humanities Council of Washington, DC for fiscal year ended October 31, 2014, we initiated a quality control review of the independent auditor's workpapers. The objectives of the QCR are to:

1. determine whether the audit was conducted in accordance with applicable standards, which include *Generally Accepted Government Auditing Standards* (GAGAS) and *Generally Accepted Auditing Standards* (GAAS), and meets the requirements of Office of Management and Budget (OMB) Circular A-133;
2. identify any follow-up work needed to support the conclusions and opinions contained in the audit reporting package; and
3. identify issues that may require Federal program management attention.

INVESTIGATIVE ACTIVITIES

BACKGROUND

The Inspector General Act of 1978, as amended, provides the authority for the Office of Inspector General to investigate possible violations of criminal or civil laws, administrative regulations, and agency policies that impact the programs and operations of the NEH. In the past, in order to fulfill this mandate, we have obtained assistance from other OIGs, the Federal Bureau of Investigation (FBI), the Postal Inspection Service, and other investigative entities.

Over the years, the NEH-OIG has received allegations through the OIG Hotline and did not have sufficient resources to initiate an investigation. To address this challenge, we continue to inquire of other OIGs concerning their willingness and ability to assist us on an “as needed” basis under a reimbursable agreement. A few OIGs have responded that they would consider performing work for us on a case-by-case basis, depending on the availability of their staff. However, this assistance would be for criminal cases only and we have no guarantee that investigative staff would be available when needed.

INVESTIGATIVE ACTIVITIES

No investigations were initiated by the NEH-OIG during this reporting period.

MATTERS REFERRED TO PROSECUTIVE AUTHORITIES

No matters were referred to the U.S. Department of Justice during this reporting period.

HOTLINE ACTIVITIES

We maintain a toll-free Hotline number and a dedicated Agency e-mail address to provide additional confidentiality for individuals bringing matters to the attention of the NEH-OIG. We also have an interactive, web-based template to facilitate the submission of complaints to the NEH-OIG. The complaint template is accessible via the OIG homepage, (www.neh.gov/about/oig). The toll-free Hotline number, facsimile, web-based complaint form, e-mail address, and ground mail services are efficient and effective means for NEH employees, NEH grantees and contractors, and the general public to communicate allegations of fraud, waste, abuse, mismanagement, and misconduct concerning NEH programs/operations to the OIG.

When the NEH-OIG receives a complaint or allegation of a criminal or administrative violation, a preliminary inquiry is conducted to determine the appropriate action to take. This decision could result in the initiation of an investigation or an audit; referral to an NEH office/division or another Federal agency; or no further action. Upon determining that a matter represents a criminal violation, we seek assistance from the Federal Bureau of Investigation (FBI), another Federal Inspector General, or the United States Department of Justice.

There were no Hotline matters open as of the beginning of the reporting period. We received two Hotline contacts during the reporting period —

- ◇ One contact concerned a University's collection of research grant funds from an NEH summer stipend recipient in exchange for research leave. The complainant reported disparity in the proportion of research grant awards collected from professors who have received NEH grants compared to other professors. Based on the results of preliminary research and inquiry, we determined that no further action would be taken concerning this matter.
- ◇ One contact requested an investigation of what appears to be a systemic bias in the granting of awards by NEH to a particular filmmaker, which has adversely impacted the success rate of applications submitted by the contact's organization. Based on the results of preliminary research, we determined that no further action would be taken concerning this matter.

During this reporting period, we also received over 170 communications from individuals targeted by a scam purporting to represent an NEH financial assistance program. This scam is generally initiated through the internet via Facebook Messenger; however, individuals have reported being contacted via text messaging or telephone calls. On June 21, 2016, the NEH issued a press release concerning the scam, which is accessible by the public through the homepage on the Agency's website, (www.neh.gov/news/press-release/2016-06-21).

SUMMARY OF HOTLINE ACTIVITY

| | |
|-----------------------------------------------------------------------------|---|
| Open at the Beginning of Period | 0 |
| Matters Brought to the OIG during the Reporting Period | 2 |
| Total Hotline Contacts | 2 |
| Closed, Referred, or No Action Deemed Necessary during the Reporting Period | 2 |
| Open at the End of Period | 0 |

OTHER ACTIVITIES

REGULATORY AND LEGISLATIVE REVIEWS

The Inspector General Act of 1978, as amended, requires the 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.

No legislative reviews were required for the NEH during this reporting period.

WORKING WITH THE AGENCY

OIG staff attended various NEH meetings – panel meetings (where grant applications are reviewed by outside consultants), meetings of the National Council on the Humanities, and monthly senior staff meetings. OIG staff occasionally contribute to the discussions, but the OIG does not participate in policymaking.

The Inspector General presented information about the mission, responsibilities, and activities of the NEH-OIG during Project Directors’ meetings convened by the NEH Division of Education (*Dialogues on the Experience of War*) and the NEH Office of Digital Humanities. The meetings were held in May 2016 and September 2016, respectively. The Inspector General also participated in two orientation sessions organized by NEH Federal/State Partnership leadership and staff for new state council executive directors.

PARTICIPATION ON THE COUNCIL OF THE 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 the Inspectors General on Integrity and Efficiency (CIGIE). CIGIE is comprised of all Inspectors General whose offices are established by the Inspector General Act of 1978 (and subsequent amendments) — those that are Presidentially-appointed/Senate-confirmed and those that are appointed by agency heads (Designated Federal Entities).

During this reporting period, the Inspector General regularly attended monthly CIGIE meetings, provided responses to various CIGIE inquiries, and participated in the 2016 CIGIE Annual Conference held in May 2016.

PARTICIPATION IN OTHER ACTIVITIES WITHIN THE FEDERAL ACCOUNTABILITY COMMUNITY

The Inspector General participated in the Single Audit Roundtable held in April 2016. The Single Audit Roundtable involves audit and accountability representatives from the non-Federal audit community, and Federal and State government communities.

The Inspector General also participated in the quarterly meeting of the Grant Fraud Working Group of the Financial Fraud Enforcement Task Force held in July 2016. The Grant Fraud Working Group represents of a diverse coalition from across the OIG community and certain Justice Department components (like the Civil Division), working to improve investigation and prosecution of grant-fraud matters.

OTHER ACTIVITIES

OIG INTERNET

OIG audit reports and semiannual reports are posted on the internet. The reports are accessible through the OIG homepage on the NEH website (www.neh.gov/about/oig).

To promote NEH staff awareness and understanding of the OIG mission and responsibilities, we provide hyperlinks to several other Federal agencies such as the Office of Management and Budget, the Government Accountability Office, the Office of Government Ethics, and the Council of the Inspectors General on Integrity and Efficiency website (IGNET).

TECHNICAL ASSISTANCE

Throughout this reporting period, OIG staff provided technical help to NEH staff, grantees, and independent public accountants about various non-profit accounting and compliance-related matters. We are generally consulted about matters related to implementation of Federal audit requirements.

During this reporting period, we revised and published the NEH-OIG *Program-Specific Audit Guide ~ Promotion of the Humanities—Federal/State Partnership (CFDA No. 45.129)*. This Audit Guide is designed to be a tool for use by independent auditors engaged to conduct audits of state humanities councils pursuant to the NEH audit requirement applicable to the Federal/State Partnership program.

“AUDIT READINESS” AWARENESS CAMPAIGN

The NEH-OIG executes an email-based “Audit Readiness” awareness campaign, that corresponds with NEH grant award cycles. The objective of the campaign is to proactively promote accountability and to disseminate guidance that would assist NEH award recipients in their efforts to preclude unfavorable outcomes should the organizations’ NEH awards be selected for audit. The email communication emphasizes the value of each recipient’s understanding of the NEH terms and conditions specific to their award and the administrative requirements applicable to all Federal awards. We remind recipients that they are stewards of Federal funds and therefore must comply with the appropriate OMB guidance and the terms and conditions of the NEH grant awards. Highlighted in the communications are specific areas wherein problems are commonly identified during audits of NEH grant recipients and hyperlinks to appropriate guidance materials and resources. We also discuss the importance of effective internal control. The email communications are sent directly to project directors and grant administrators identified for all organization-based awardees.

During this reporting period, email communications were sent as noted below. We have reasonable assurance that all of the awardees received a copy of the communication.

| NEH Office or Division | Number of Awardees | Total Value of Awards/ Offers |
|-------------------------------------|---------------------------|------------------------------------------|
| Division of Education Programs | 117 | \$13,872,633 |
| Division of Preservation and Access | 61 | \$10,758,783 |
| Division of Public Programs | 53 | \$11,058,678 |
| Division of Research Programs | 43 | \$9,053,370 |
| Office of Digital Humanities | 30 | \$4,338,624 |
| Office of Challenge Grants | 29 | \$1,805,361 |

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> |
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| 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..... | * |
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* 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. | - 0 - | \$ - 0 - | \$ - 0 - |
| B. Which were issued during the reporting period. | - 0 - | \$ - 0 - | \$ - 0 - |
| Subtotals (A+B) | - 0 - | \$ - 0 - | \$ - 0 - |
| C. For which a management decision was made during the reporting period. | | | |
| i. Dollar value of disallowed costs. | - 0 - | \$ - 0 - | \$ - 0 - |
| ii. Dollar value of costs not disallowed | - 0 - | \$ - 0 - | \$ - 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. | - 0 - | \$ - 0 - | \$ - 0 - |
| E. Reports for which no management decision was made within six months of issuance. | - 0 - | \$ - 0 - | \$ - 0 - |

**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 - | \$ - 0 - |
| ii. Dollar value of recommendations that were not agreed to by management. | - 0 - | \$ - 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 (1) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Unsupported Cost: A cost that is questioned by the OIG because, at the time of the audit, such cost is not supported by adequate documentation.

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: A recommendation by the OIG that funds could be used more efficiently if management of an establishment took actions to implement and complete the recommendation, including (1) reductions in outlays; (2) deobligation of funds from programs or operations; (3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (4) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee; (5) avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or (6) any other savings which are specifically identified.

Management Decision: The evaluation by the management of an establishment of the findings and recommendations included in an audit report and the issuance of a final decision by management concerning its response to such findings and recommendations, including actions concluded to be necessary.

Final Action: The completion of all actions that the management of an establishment has concluded, in its management decision, are necessary with respect to the findings and recommendations included in an audit report. In the event that management concludes no action is necessary, final action occurs when a management decision has been made.

Source: Excerpt from Section 5(f) of the Inspector General Act of 1978, as amended (through Pub. L. 113-126, enacted July 7, 2014).

PEER REVIEW RESULTS

The following information is provided pursuant to the requirements of Section 989C of Public Law 111-203 (July 21, 2010), the Dodd-Frank Wall Street Reform and Consumer Protection Act, amending the Inspector General Act of 1978 (the IG Act), 5 U.S.C. App. This appendix complies with Section 5(a)(14 - 16) of the IG Act of 1978, as amended.

(14)(A) Peer Review of the Audit Function. On September 30, 2013, the Federal Elections Commission Office of Inspector General (FEC-OIG) issued a System Review Report on the audit organization of the NEH-OIG in effect for the year ended March 31, 2013. The FEC-OIG found that the system of quality control for the audit organization of the NEH-OIG had been suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The NEH-OIG received a peer review rating of *pass with deficiency*.

(15) Outstanding Recommendations from any Peer Review of the NEH-OIG. The FEC-OIG recommended that the NEH should adhere to the requirements specified in the IG Act, as amended by Dodd-Frank, which stipulates that the NEH IG shall report only to the National Council on the Humanities. Corrective action has been fully implemented in response to this recommendation. There are no other outstanding recommendations from any peer review of the NEH-OIG, as conducted by another Office of Inspector General, that have not been fully implemented.

(16) Peer Review Conducted by the NEH-OIG. On March 27, 2014, the NEH-OIG issued a System Review Report on the Peace Corps (PC) Office of Inspector General audit organization in effect for the year ended September 30, 2013. We found that the system of quality control for the audit organization of the PC-OIG had been suitably designed and complied with to provide PC-OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The PC-OIG received a peer review rating of *pass*.