

NATIONAL ENDOWMENT FOR THE HUMANITIES

WASHINGTON, D.C. 20506

OFFICE OF INSPECTOR GENERAL

**SEMIANNUAL REPORT
OF THE INSPECTOR GENERAL
TO THE CONGRESS**

APRIL 1, 1995 TO SEPTEMBER 30, 1995

REPORT NUMBER 13

"Democracy demands wisdom and vision in its citizens"
- National Foundation on the Arts and the Humanities Act of 1965

October 30, 1995

The Honorable Sheldon Hackney
Chairman
National Endowment for the Humanities
Washington, DC 20506

Dear Chairman Hackney:

I am pleased to submit the thirteenth Semiannual Report on the activities of the Endowment's Office of Inspector General (OIG) for the six-month period ending September 30, 1995. Submission of the report is in accordance with section 5 of the Inspector General Act of 1978 (Public Law 95-452), as amended. The Act requires that you transmit the report, along with any comments you may wish to make, to the appropriate congressional committees and subcommittees within thirty days from receipt of this letter.

You are aware of the OIG level of involvement and commitment in the agency reduction-in-force process necessitated by Congressionally imposed reduced funding levels. The rapid changes in organizational structure and personnel staffing patterns will result in a difficult period of adjustments for the Endowment. We look forward to a continuation of our working relationship with management during this transition period.

The support and cooperation your senior staff, and all other NEH personnel have provided to the OIG is appreciated. Now more than ever, a positive team effort will be required to make the Endowment's programs more efficient and effective for the American public.

Sincerely,

Sheldon L. Bernstein
Inspector General

Enclosure

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EXECUTIVE SUMMARY

This is the thirteenth semiannual report issued by the Office of Inspector General (OIG) of the National Endowment for the Humanities (NEH) pursuant to the Inspector General Act of 1978, as amended. The report summarizes the major activities and accomplishments of the office from April 1, 1995 to September 30, 1995.

DOWNSIZING/CAPABILITY PLANNING

A major phase of activity for the agency during the current reporting period was preparation for a reduction-in-force of employees due to a reduced appropriation level for fiscal year 1996. The chairman engaged the Endowment staff, the members of the National Council on the Humanities, and numerous humanities constituents in this critically important endeavor. The results of this activity were a smaller agency with reduced funding, but one that would be responsive to the humanities community and the American taxpayer in general. The OIG will be reviewing the documentation relative to the reduction-in-force plans made by management.

INTERNAL AUDITS/INSPECTIONS

We issued two internal reports this period. One involved a study of the General Services Administration (GSA) rental charges, and the other was an inspection of sensitive payments.

EXTERNAL/GRANTEE AUDITS/SURVEYS

We issued limited audit reports on the Hawai'i Committee for the Humanities, the Guam Humanities Council, and the CNMI Council for the Humanities (Northern Marianas).

In addition we issued a report on our desk audits of eighteen state humanities councils' gift certificate letters. This is the second of three desk audits that will cover all of the state humanities councils.

PEER REVIEW

We performed a peer review of the Farm Credit Administration (FCA) Office of Inspector General. The review was limited to the audit operations of the FCA OIG.

INVESTIGATION ACTIVITY

During this period fourteen matters were brought to our attention. We made one internal investigation and will provide a report to management when the investigation is completed. We are waiting for information from the personnel office.

Most matters concerned personnel issues stemming from the agency's downsizing plans. We closed all of the files that were open at the beginning of the period. Two investigative matters remain open as of September 30, 1995.

REPORTING REQUIREMENTS OF THE SEMIANNUAL REPORT OF THE OFFICE OF INSPECTOR GENERAL

Indexed below are the specific reporting requirements prescribed by the Inspector General Act of 1978, as amended (Public Law 100-504).

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* None.

AUDITS AND SURVEYS

SIGNIFICANT PROBLEMS, ABUSES, AND DEFICIENCIES

One report was issued this period that disclosed significant problems.

Audit of the Gift Certification Letters from State Humanities Councils [95-03 (EA)]

We completed the second round of desk audits in a series of follow-up audits of eighteen state humanities councils' records and documentation supporting gift certification letters.

The audit was performed to evaluate the adequacy of the councils' 1) records supporting gifts certified and matched, and 2) documentation used to decide eligibility of the gifts certified to NEH for release of federal matching funds. The audit also reviewed the guidance provided to the councils by NEH as it relates to determining eligibility.

As in our first audit OIG-94-03, issued September 29, 1994, the current audit revealed that 1) the procedures used by some councils for determining eligibility are inadequate, and 2) some councils continue to certify third-party donations that have inadequate documentation or that are ineligible for releasing federal matching funds.

We questioned \$539,007 of gifts certified to release federal matching funds. Of this amount \$313,528 has been resolved, and \$225,479 remains unresolved. Nine councils where eligibility problems were disclosed have provided the OIG with adequate documentation supporting eligibility for donations certified or have substituted other gifts. However, for three councils \$102,500 remains unresolved. In addition six councils submitted \$122,979 of gifts received from grantees that were audited after the regrant periods ended and the Grants office will determine the eligibility.

SUMMARY OF AUDIT REPORTS

INTERNAL ACTIVITY

Inspection of Sensitive Payments [95-05 (I)]

We have performed an inspection of the sensitive payments activity in the Endowment. The area of sensitive payments generally concerns transactions by government officials whose duties and responsibilities include a high degree of decision-making authority. It is important that these officials avoid any conflict of interest, or even the appearance of it during their performance in office.

Our inspection of sensitive payments included transactions that occurred during fiscal year 1994 and the first quarter of fiscal year 1995. The inspection objectives were to: 1) review the internal control structure over sensitive payments, conflicts of interest, and related ethics matters; 2) examine a limited sample of transactions to evaluate the effectiveness of the internal control structure; and 3) determine compliance with applicable laws and regulations, policies and procedures, and codes of ethics and conduct.

We limited our inspection to sampling transactions in the sensitive payment areas of salary compensation, travel activity, unvouchered expenditures, and speaking honoraria and gifts. Our inspection was conducted in accordance with the Quality Standards for Inspections, issued by the President's Council on Integrity and Efficiency.

The results of our tests indicate, with respect to the items tested, the Endowment senior management complied, in all material respects, with internal policies and procedures related to sensitive payments areas, as well as certain related provisions of laws and regulations.

Study of General Services Administration Rental Charges [95-05 (IS)]

We performed a study of General Services Administration (GSA) rental charges. The primary objective of the study was to determine if the GSA rental charges appropriately reflect current occupancy.

GSA provides space for NEH activities in the Old Post Office building and at 1500 Eckington Place, (warehouse location). Both facilities are located in Washington, DC. The National Endowment for the Humanities paid an estimated \$2,001,000 to GSA for rent in FY 1995. This expenditure amounts to approximately 9.7 percent of the total administrative funds budgeted for the agency.

We concluded that internal procedures applicable to the review and validation of GSA quarterly billings are adequate. No material findings were discovered during our study. The space included in GSA quarterly billings closely approximates current NEH space holdings. No space has been officially released back to GSA in the past three years.

We developed two recommendations affecting internal NEH procedures which would result in independence from GSA for routine inquiries concerning rents assessed. We recommend that:

- (1) Office of Planning and Budget (OPB) routinely request, verify, and maintain copies of appraisals conducted by GSA on the Old Post Office Building, and
- (2) NEH obtain and maintain annual CPI information employed by GSA in the determination of annual increases so that rate changes can be independently verified by OPB.

EXTERNAL ACTIVITY

Audit of the Gift Certification Letters From State Humanities Councils [95-03(EA)]

See Significant Problems, Abuses, and Deficiencies (page 3)

Limited Audits of State Humanities Councils

The objectives of the limited audits at the three councils were to determine 1) the extent to which the councils' accounting system, internal controls, and management policies could provide reasonable assurance that the councils are adequately managed and account for grant funds in accordance with NEH requirements, including the former Division of State Programs' Procedures Manual and applicable federal regulations; and 2) whether the NEH-issued compliance supplement for state humanities councils was used in performing the A-133 audits.

Hawai'i Committee for the Humanities [95-04 (EA)]

We found that the committee (1) was not budgeting separately, from regrants, funds needed for speaker and resource center awards; (2) was not preparing monthly budget reports comparing actual costs to those budgeted for general operations, exemplary awards, and council projects; (3) included lobbying costs in the final reports to the Endowment; (4) needed to improve the accounting for gifts; (5) needed to revise regrant guidelines and procedures to conform to OMB circulars; and (6) did not have a policy for handling late reports from grantees.

Guam Humanities Council [95-05 (EA)]

We found that the Council (1) certified \$3,277 in gift funds that were ineligible for matching; (2) did not maintain sufficient gift records and control accounts that can provide management with the information needed to monitor and control the gift and matching programs; (3) did not use the accrual method to account for its regrant programs and did not establish separate regrant payable expense and credit accounts for each NEH grant by funding year; (4) did not maintain workpapers to support reports submitted to the Endowment; (5) did not revise the regrant procedure to conform to OMB circulars; (6) did not exclude lobbying costs in its reports to NEH; (7) lacked procedures setting forth the accounting routine ; and (8) were using our inadequate Drug-Free Workplace policy.

CNMI Council for the Humanities [95-06 (EA)]

We found that (1) the council was not accounting for regrants using the accrual method of accounting; (2) the council submitted incorrect final status reports for the year ended October 31, 1994; (3) the council needs to establish written nondiscrimination policies for its staff; (4) the council paid \$81 in unallowable costs and charged it to grants funds; (5) the council paid the total dues for the Federation of State Humanities Councils from federal funds although a portion of the dues was for lobbying (6) the council's grant applications were not in compliance with NEH pronouncements or OMB circulars; (7) workpapers supporting quarterly reports submitted to NEH were not maintained; and (8) written accounting procedures need to be prepared.

We recommended that the councils improve their accounting and grant management; we provided instructions on what needs to be accomplished. The councils are very receptive to our recommendations and have or are in the process of implementing them.

OTHER AUDIT ACTIVITY

OMB CIRCULAR A-133 DESK REVIEWS

During this period we performed thirty-two desk reviews on audit reports prepared by certified public accountants for grantees for whom we are the oversight agency. We have modified, for use on A-133 audits the President's Council on Integrity and Efficiency Standards Subcommittee's "Uniform Desk Review Guide for A-128 Single Audits." We reviewed our data-base and have determined that we will only review audit reports if the grantee received over \$300,000 of Endowment funds during the audit period, or if the grantee is a state humanities council or a media grantee. Based on our analysis, these are high-risk areas of concern.

COGNIZANT AUDIT AGENCY REVIEWS

We receive audit reports on NEH grantee organizations from other federal agencies, state and local government auditors, and independent public accountants. These reports generally are the result of A-128 or A-133 audits. In most instances, the cognizant agency is the Department of Health and Human Services, the federal agency with the predominant financial interest. The reports are reviewed by OIG staff and the results of the review are submitted to NEH management for action, if needed, or for information purposes. During this period we reviewed 161 reports.

INDIRECT COST RATE NEGOTIATIONS/REVIEWS

Grantees are entitled to recover total project costs, both direct and indirect. Indirect costs are those costs of an organization or institution that are not readily identifiable with a particular project or activity but are nevertheless necessary to the general operation of the organization or institution and the conduct of the activities it performs.

The cost of office supplies, general telephone, postage, accounting, and administrative salaries are types of expenses usually considered as indirect costs. In theory, all such costs might be charged directly; practical difficulties, however, preclude such an approach. Therefore, they are usually grouped into a common pool(s) and distributed to those organizational or institutional activities that benefit from them through the expedient of an indirect cost rate(s).

Cognizant federal agencies approve the rates after reviewing cost allocation plans submitted by grantees. The approved rate will generally be recognized by other federal agencies.

During this period, we negotiated indirect cost rates with 17 grantees.

STATE HUMANITIES COUNCILS

We issued a report on the desk audits of eighteen state humanities councils concerning documentation supporting gift certificate letters (see page 3).

We also performed desk reviews of twenty-four audit reports prepared by certified public accountants according to OMB Circular A-133 (see above). In addition, limited audit reports on three councils (see page 4 & 5) were issued.

INVESTIGATIONS

The Inspector General Act of 1978, as amended, provides that the Inspector General may receive and investigate complaints or information concerning the possible existence of an activity constituting a violation of law, rules, or regulations; mismanagement; gross waste of funds; or abuse of authority. The OIG does not employ special investigators. Should the need arise, either the matter would be referred to the Federal Bureau of Investigation or assistance would be contracted with another federal Office of Inspector General. The results of investigations may be referred to the appropriate federal, state, or local prosecutive authorities for action.

As of April 1, 1995, we had one file open, which has been closed administratively as of September 30, 1995.

During the six-month period April 1, 1995 to September 30, 1995, we received nine investigative contacts. We received additional contacts that are not included in this count because they were dismissed or referred immediately. Four were personnel issues concerning NEH employees; five involved grantee matters.

Concerning one of the personnel issues, we have conducted an investigation and the matter remains open. This involved an anonymous allegation concerning questionable personnel procedures within the Office of the Chairman. The anonymous source alleged that certain individuals were promoted in order to protect them from possible *reduction-in-force* actions that may take place in the near future. The source alleged that nine staff were promoted with no change in job responsibilities; only their job title changed in some minor manner. In addition, the person predicted that three staff in the chairman's office would be promoted in fiscal year 1996. Our report should be issued by the end of October 1995.

As of September 30, 1995, two cases remain open.

HOTLINE AND PREVENTION ACTIVITIES

Due to budget restraints we have closed our 800 hot line number and the rented post office box that we have had since January 1993. We are maintaining our local hotline phone number. In addition, the OIG has an agency E-mail address and an Internet address. We maintain all three to provide additional confidentiality for those persons bringing matters to the attention of the OIG.

We issued one memorandum through the agency E-mail system informing staff of "Matters that should be brought to the attention of the OIG."

Summary of Investigations

Investigative Workload

Pending at beginning of period.....	1
Matters brought to the OIG.....	14
..... Total Investigative contacts.....	15
Closed or referred during reporting period	13
Pending at end of period.....	2

INVESTIGATION FOR THE INSTITUTE OF MUSEUM SERVICES (IMS)

The OIG has an agreement to perform audit and investigative services for IMS on an as-needed basis. During this period we closed an investigative matter that was brought to our attention in the prior semiannual reporting period.

OTHER ACTIVITIES

PEER REVIEW

The Inspector General Act of 1978, as amended, requires all OIGs to have a peer review every three years. The Executive Council on Integrity and Efficiency's (ECIE) committee on peer review assigned the NEH OIG the responsibility of conducting a review of the Farm Credit Administration.

STRATEGIC PLANNING FOR THE OIG

During the last reporting period we developed a strategic plan following guidelines established by the United States General Accounting Office (GAO). This is an on-going effort and the plan is being further reviewed. In light of the downsizing of the NEH and the elimination of certain programs, our audit universe has changed. During the next semi-annual period we expect to revise our strategic plan based on the new NEH organization.

PARTICIPATION ON THE EXECUTIVE COUNCIL ON INTEGRITY AND EFFICIENCY

The Executive Council on Integrity and Efficiency (ECIE) was established by the President in 1992 to coordinate and implement governmentwide activities to combat fraud and waste in federal programs and operations. OIG staff regularly attend monthly meetings of the ECIE.

LIST OF AUDIT REPORTS

The following is a list of audit/survey reports issued by the OIG during the reporting period. For each audit report, where applicable, the total dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) is provided. The Act also requires us to report on "the dollar value of recommendations that funds be put to better use." We have no amounts to report and therefore have omitted the column.

EXTERNAL AUDIT/SURVEY REPORTS ISSUED

	<u>Report Number</u>	<u>Date Issued</u>	<u>Questioned Cost</u>	<u>Unsupported Cost</u>
Audit of the Gift Certification Letters From State Humanities Councils	95-03(EA)	05-19-95	\$ 225,479	\$ 225,479
Hawai'i Committee for the Humanities	95-04(EA)	09-28-95		
Guam Humanities Council	95-05(EA)	09-28-95	(A)	(A)
CNMI council for the Humanities	95-06(EA)	09-28-95	(A)	(A)
TOTALS			<u>\$225,479</u>	<u>\$ 225,479</u>

(A) During the prior semiannual reporting period, we questioned costs on these grantees in an interim report issued only to NEH management.

INTERNAL AUDIT/SURVEY OR INSPECTION REPORTS ISSUED

	<u>Report Number</u>	<u>Date Issued</u>	<u>Questioned Cost</u>	<u>Unsupported Cost</u>
Inspection of Sensitive Payments	95-05(I)	05-03-95		
	<u>Report Number</u>	<u>Date Issued</u>	<u>Questioned Cost</u>	<u>Unsupported Cost</u>
Study of General Services Administration Rental Charges	95-05(IS)	09-15-95		

INDIRECT COST RATE DESK REVIEW REPORTS ISSUED

<u>Grantee</u>	<u>Report Number</u>	<u>Date Issued</u>	<u>Questioned Cost</u>	<u>Unsupported Cost</u>
American Historical Association	95-14(IDC)	04-04-95		
WMHT Educational Telecommunications	95-15(IDC)	04-05-95		
Brooklyn Historical Society	95-16(IDC)	04-07-95		
Mystic Seaport Museum	95-17(IDC)	04-24-95		
Shelburne Museum	95-18(IDC)	05-03-95		
Modern Poetry Association	95-19(IDC)	05-17-95		
New York Foundation for the Arts	95-20(IDC)	05-23-95		
National Humanities Center	95-21(IDC)	06-06-95		
Virginia Historical Society	95-22(IDC)	06-19-95		
American Antiquarian Society	95-23(IDC)	06-19-95		
American Political Science Association	95-24(IDC)	06-29-95		
Conservation Center for Art and Historic Artifacts	95-25(IDC)	07-27-95		
Rhode Island Historical Society	95-26(IDC)	08-15-95		
The Newberry Library	95-27(IDC)	08-24-95		
The Newberry Library	95-28(IDC)	08-24-95		
Buffalo Bill Historical Center	95-29(IDC)	09-01-95		
Filmmakers Collaborative	95-30(IDC)	09-28-95		

COGNIZANT AUDIT AGENCY REVIEW REPORTS ISSUED

<u>Grantee</u>	<u>Report Number</u>	<u>Date Issued</u>	<u>Questioned Cost</u>	<u>Unsupported Cost</u>
Michigan State University	95-219(CAA)	04-25-95		
Natrona County School District	95-220(CAA)	04-25-95		
The Children's Museum City of San Jose, California	95-221(CAA)	04-25-95		
Fine Arts Museums of San Francisco	95-222(CAA)	04-25-95		
Trinity University	95-223(CAA)	04-25-95		
Buffalo and Erie County Historical Society	95-224(CAA)	04-25-95		
GWETA, Inc.	95-225(CAA)	04-25-95		
State of Alabama Archaeological Conservancy	95-226(CAA)	04-25-95		
Shakespeare & Company	95-227(CAA)	04-10-95		
American Council on Education	95-228(CAA)	04-10-95		
Poets House, Inc.	95-229(CAA)	04-10-95		
Ohio Historical Society	95-230(CAA)	04-10-95		
Indiana Historical Society	95-231(CAA)	04-10-95		
Case Western Reserve University	95-232(CAA)	04-10-95		
Saint Bonaventure University	95-233(CAA)	04-10-95		
Eastern Michigan University	95-234(CAA)	04-10-95		
Town of Brookline	95-235(CAA)	04-10-95		
New York Foundation for the Arts	95-236(CAA)	04-10-95		
Saint Mary's College	95-237(CAA)	04-10-95		
Western Washington University	95-238(CAA)	04-10-95		
Kentucky State Museum of Modern Art, NY	95-239(CAA)	04-10-95		
University System of New Hampshire	95-240(CAA)	04-10-95		
Villanova University	95-241(CAA)	04-10-95		
American Museum of Natural History	95-242(CAA)	04-10-95		
Commonwealth of Massachusetts, University of MA	95-243(CAA)	04-10-95		
Archaeological Conservancy	95-244(CAA)	04-10-95		
Chippewa Valley Museum	95-245(CAA)	04-10-95		
University of the State of New York	95-246(CAA)	04-25-95		
University of the State of New York	95-247(CAA)	04-25-95		
Philadelphia Museum of Art	95-248(CAA)	04-25-95		
American Indian College Fund	95-249(CAA)	04-25-95		
Oberlin College	95-250(CAA)	04-25-95		
Westminster College	95-251(CAA)	04-25-95		
Haverford College	95-252(CAA)	04-25-95		
New York Public Library	95-253(CAA)	04-25-95		
American Forum	95-254(CAA)	04-25-95		
National Public Radio	95-255(CAA)	04-25-95		
Ithaca College	95-256(CAA)	04-25-95		
Loyola University, Chicago	95-257(CAA)	04-25-95		
Saint Louis Public Library	95-258(CAA)	04-25-95		
	95-259(CAA)	04-25-95		
	95-260(CAA)	04-25-95		
	95-261(CAA)	04-25-95		

COGNIZANT AUDIT AGENCY REVIEW REPORTS ISSUED

<u>Grantee</u>	<u>Report Number</u>	<u>Date Issued</u>	<u>Questioned Cost</u>	<u>Unsupported Cost</u>
Art Institute of Chicago	95-262(CAA)	04-25-95		
City of Madison, WI Metropolitan	95-263(CAA)	04-25-95		
Dade County, FL Garrett-Evangelical Theological Seminary	95-264(CAA)	04-25-95		
Elon College	95-265(CAA)	04-25-95		
University of Delaware	95-266(CAA)	04-25-95		
Idaho State University Concert Society at Maryland	95-267(CAA)	04-25-95		
American Institute of Physics	95-268(CAA)	04-25-95		
Duke University	95-269(CAA)	04-25-95		
Queens College	95-270(CAA)	05-04-95		
Williams College	95-271(CAA)	05-04-95		
Gallaudet University International	95-272(CAA)	05-04-95		
Documentary Foundation	95-273(CAA)	05-04-95		
Currier Gallery of Art Voorheesvill Public Library	95-274(CAA)	05-04-95		
Historical Society of Western PA	95-275(CAA)	05-04-95		
Department of Parks and Recreation, ID Bank Street	95-276(CAA)	05-04-95		
College of Education Inland Empire	95-277(CAA)	05-04-95		
Educational Foundation University of Louisville	95-278(CAA)	05-04-95		
City of Tucson, AZ	95-279(CAA)	05-04-95		
Chippewa Valley Museum	95-280(CAA)	05-08-95		
Worcester Art Museum	95-281(CAA)	05-08-95		
Modern Poetry Association	95-282(CAA)	05-08-95		
Amon Carter Museum	95-283(CAA)	05-08-95		
Modern Language Association of America	95-284(CAA)	05-08-95		
Huntington Library, Art Gallery and Botanical Gardens	95-285(CAA)	05-08-95		
Columbia University in the City of NY	95-286(CAA)	05-08-95		
Northland College	95-287(CAA)	05-08-95		
American Antiquarian Society	95-288(CAA)	05-08-95		
State of Louisiana Buffalo and Erie County Historical Society	95-289(CAA)	05-08-95		
YIVO Institute for Jewish Research	95-290(CAA)	05-17-95		
National Theatre of the Deaf	95-291(CAA)	05-17-95		
University of Maryland System	95-292(CAA)	05-17-95		
Valentine Museum University of Puerto Rico	95-293(CAA)	05-17-95		
College Board	95-294(CAA)	05-17-95		
Northeastern University	95-295(CAA)	05-17-95		
The Children's Museum Columbia University in the City of NY	95-296(CAA)	05-17-95		
Wheaton College	95-297(CAA)	05-17-95		
Old Sturbridge Village	95-298(CAA)	05-17-95		
	95-299(CAA)	05-17-95		
	95-300(CAA)	05-17-95		
	95-301(CAA)	05-17-95		
	95-302(CAA)	05-17-95		
	95-303(CAA)	05-17-95		
	95-304(CAA)	05-17-95		
	95-305(CAA)	05-17-95		

COGNIZANT AUDIT AGENCY REVIEW REPORTS ISSUED

<u>Grantee</u>	<u>Report Number</u>	<u>Date Issued</u>	<u>Questioned Cost</u>	<u>Unsupported Cost</u>
State of Alaska	95-306(CAA)	05-22-95		
University of Wyoming	95-307(CAA)	05-22-95		
Syracuse University	95-308(CAA)	05-22-95		
World Learning inc.	95-309(CAA)	05-22-95		
American Antiquarian Society	95-310(CAA)	05-22-95		
Colonial Williamsburg Foundation	95-311(CAA)	05-22-95		
Humanities West	95-312(CAA)	05-22-95		
City of Portland, Maine	95-313(CAA)	05-22-95		
American Antiquarian Society	95-314(CAA)	05-22-95		
State of Maine	95-315(CAA)	05-22-95		
Colonial Williamsburg Foundation	95-316(CAA)	05-22-95		
American Association of Community Colleges	95-317(CAA)	06-14-95		
Boston University	95-318(CAA)	06-14-95		
Cleveland State University	95-319(CAA)	06-14-95		
Denver Museum of Natural History	95-320(CAA)	06-14-95		
University of Cincinnati	95-321(CAA)	06-14-95		
Philadelphia Museum of Art	95-322(CAA)	06-14-95		
State of New York	95-323(CAA)	06-14-95		
University of Notre Dame du Lac	95-324(CAA)	06-14-95		
International Museum of Photography, George Eastman House	95-325(CAA)	06-14-95		
Gettysburg College	95-326(CAA)	06-14-95		
Museum of Science	95-327(CAA)	07-18-95		
American Research Institute in Turkey	95-328(CAA)	07-18-95		
Missouri Historical Society	95-329(CAA)	07-18-95		
University of Illinois, Chicago Campus & Urbana Campus	95-330(CAA)	07-18-95		
Southern Illinois University SIU, Carbondale, SIU, Edwardsville	95-331(CAA)	07-18-95		
State of North Dakota	95-332(CAA)	07-18-95		
University of Toledo	95-333(CAA)	07-18-95		
Mystic Seaport Museum	95-334(CAA)	07-20-95		
Institute for Arts and Humanities Education	95-335(CAA)	07-20-95		
Isabella Stewart Gardner Museum	95-336(CAA)	07-20-95		
Shelburne Museum, Inc.	95-337(CAA)	07-20-95		
Field Museum of Natural History	95-338(CAA)	07-20-95		
College of the Holy Cross	95-339(CAA)	07-20-95		
Clark University	95-340(CAA)	07-20-95		
State of Maryland	95-341(CAA)	07-20-95		
Adirondack Museum	95-342(CAA)	07-20-95		
St. Mary's University, TX	95-343(CAA)	07-20-95		
State of South Carolina	95-344(CAA)	07-20-95		
Museum of Contemporary Art	95-345(CAA)	08-14-95		
Indianapolis Museum of Art	95-346(CAA)	08-14-95		
Minnesota Humanities Commission	95-347(CAA)	08-14-95		

COGNIZANT AUDIT AGENCY REVIEW REPORTS ISSUED

<u>Grantee</u>	<u>Report Number</u>	<u>Date Issued</u>	<u>Questioned Cost</u>	<u>Unsupported Cost</u>
Fordham University	95-348(CAA)	08-14-95		
Trinity College,				
Hartford	95-349(CAA)	08-14-95		
Georgetown University	95-350(CAA)	08-14-95		
Colonial Williamsburg Foundation	95-351(CAA)	08-14-95		
New Mexico State University	95-352(CAA)	08-14-95		
State of Mississippi	95-353(CAA)	08-14-5		
American Music Center, Inc.	95-354(CAA)	08-14-95		
Sarah Lawrence College	95-355(CAA)	08-14-95		
Rice University	95-356(CAA)	08-14-95		
University of Hawaii	95-357(CAA)	09-12-95		
Wayne State University	95-358(CAA)	09-12-95		
University of Kentucky	95-359(CAA)	09-12-95		
American University	95-360(CAA)	09-12-95		
Guam Humanities Council	95-361(CAA)	09-12-95		
Commonwealth of Virginia Virginia Commonwealth University				
University of Virginia				
James Madison University				
Radford University				
VA Polytechnic Institute & State Univ.				
Old Dominion University				
College of William & Mary				
VA Community College System				
VA State Library & Archives	95-362(CAA)	09-12-95		
Temple University	95-363(CAA)	09-12-95		
University of Vermont	95-364(CAA)	09-12-95		
University of Hawaii	95-365(CAA)	09-12-95		
Georgia Tech Research Corporation	95-366(CAA)	09-12-95		
University of Notre Dame du Lac	95-367(CAA)	09-12-95		
Brandeis University	95-368(CAA)	09-12-95		
State of Nevada	95-369(CAA)	09-12-95		
State of Arizona	95-370(CAA)	09-12-95		
State of Mississippi	95-371(CAA)	09-12-95		
State of Texas	95-372(CAA)	09-12-95		
Tulane University	95-373(CAA)	09-12-95		
State of Georgia	95-374(CAA)	09-12-95		
Johnson County Community College	95-375(CAA)	09-12-95		
Duquesne University	95-376(CAA)	09-12-95		
Claremont University Center	95-377(CAA)	09-12-95		
Foundation for New Media, Inc.	95-378(CAA)	09-12-95		
Purdue University	95-379(CAA)	09-12-95		

TABLE I
INSPECTOR GENERAL-ISSUED REPORTS
WITH QUESTIONED COSTS DOLLAR VALUE

	Number of Reports	Questioned Cost	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	2	\$ 3,338	\$ 3,338
B. Which were issued during the reporting period	<u>1</u>	<u>\$ 225,479</u>	<u>\$ 225,479</u>
Subtotals (A+B)	<u>3</u>	<u>\$ 228,817</u>	<u>\$ 228,817</u>
C. For which a management decision was made during the reporting period	0	\$ 0	\$ 0
(i) dollar value of disallowed costs	0	\$ 0	\$ 0
(ii) dollar value of costs not disallowed (grantee subsequently supported all costs)	0	\$ 0	\$ 0
D. For which no management decision has been made by the end of the reporting period	3	\$ 228,817	\$ 228,817
Reports for which no management decision was made within six months of issuance	1	\$ 225,479	\$ 225,479

Note: The \$3,338 from the prior period consists of costs questioned at two grantees. During the last period we disclosed these questioned costs in an interim report issued only to NEH management.

TABLE II
INSPECTOR GENERAL-ISSUED REPORTS
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

During this period, we did not issue any audit reports with recommendations that funds be used more efficiently.

GLOSSARY OF AUDIT TERMINOLOGY

Questioned Cost - A cost that is questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; because such cost is not supported by adequate documentation; or because the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Unsupported Cost - A cost that is questioned because of the lack of adequate documentation at the time of the audit.

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 - Funds, which the OIG has disclosed in an audit report, that could be used more efficiently by reducing outlays, de-obligating program or operational funds, avoiding unnecessary expenditures, or taking other efficiency measures.

Management Decision - The evaluation by management of the audit findings and recommendations and the issuance of a final decision by management concerning its response to such findings and recommendations.

Final Action - The completion of all management actions, as described in a management decision, with respect to audit findings and recommendations. When management concludes no action is necessary, final action occurs when a management decision is made.

Source: Excerpt from Section 106(d) of the Inspector General Act Amendments of 1988 (P.L. 100-504).

OVERVIEW OF 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 as an independent grant-making agency of the federal government to support research, education, and public programs in the humanities. Grants are made through six divisions--Education Programs, Fellowships and Seminars, Preservation and Access, Public Programs, Research Programs, and State Programs.

THE HUMANITIES

The act that established the National Endowment for the Humanities says "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."

ESTABLISHMENT OF THE OFFICE OF INSPECTOR GENERAL

On October 18, 1988, the Inspector General Act Amendments of 1988, Public Law 100-504 was signed into law. In this legislation, Congress established Offices of Inspector General in several departments and in thirty-three agencies, including NEH. The NEH inspector general (IG) is appointed by the chairman. The independence of the IG is an important aspect of the 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 directly to the chairman, and can only be removed by the chairman, who must promptly advise Congress of the reasons for the removal; and
- reports directly to Congress.

The OIG has the responsibility and authority to:

- conduct audits and investigations;
- provide leadership and coordination, and recommend policies to promote efficiency and effectiveness and to prevent fraud;
- keep the chairman and Congress fully and currently informed of problems and deficiencies; and
- comply with governmental auditing standards.

The Act requires the IG to report semiannually to the chairman and Congress. The report is provided to the chairman, who may comment on the report. The report must be forwarded to Congress within thirty days. Serious or flagrant problems can be reported anytime to the chairman, who may comment but must transmit the report intact to Congress within seven days of receipt.

THE OFFICE OF INSPECTOR GENERAL

**serves American taxpayers
by investigating reports of waste, fraud,
mismanagement, or abuse
involving federal funds.**

**If you want to report any matter
involving NEH programs, operations, or employees**

please call

(202) 606-8423

or,

you may write

**Office of Inspector General-HotLine
National Endowment for the Humanities
1100 Pennsylvania Ave. N.W., Room 801
Washington, DC 20506**

FAX: (202) 606-8329

ELECTRONIC MAIL HOTLINE

<mailto:oig@neh.gov>

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that such disclosure is unavoidable**

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