

NATIONAL ENDOWMENT FOR THE HUMANITIES

OFFICE OF INSPECTOR GENERAL

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

**APRIL 1, 1996 TO SEPTEMBER 30, 1996**

**REPORT NUMBER 15**

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

October 31, 1996

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

Dear Chairman Hackney:

I am submitting herewith the fifteenth semiannual report on the activities of the Endowment's Office of Inspector General (OIG) for the period ending September 30, 1996. The report, which is required by the Inspector General Act as amended, provides an overview of the activities of the Office during this six-month period. The Act requires that you transmit this report, along with any comments you may wish to make and other statistical tables and reports required by the law, to the appropriate congressional committee and subcommittee within thirty days from receipt of this letter.

NEH employees should be commended for providing services to our constituents during this past year. Even with the budget crisis and the furlough, the staff worked industriously to get their work completed on time.

The OIG is continuing to improve its operations and adding value to the NEH through strategic planning and technology. We believe the challenge for the agency and the OIG is to implement even more technologies and to move forward with implementing the Government Performance and Results Act.

I appreciate the cooperation of all NEH employees in the conduct of the OIG activities and look forward to working with them in the next fiscal year.

Sincerely,

Sheldon L. Bernstein  
Inspector General

Enclosure

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## EXECUTIVE SUMMARY

This is the fifteenth 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, 1996 to September 30, 1996.

### **INTERNAL AUDITS/INSPECTIONS**

We issued two reports during this period. These are: (1) a Management Information Alert -- Telephone - Long Distance Calls, and (2) a Limited Scope Review of Telecommunications, Equipment, and Services. We anticipated performing a user survey for *Humanities Magazine*, but after discussions with the Director of Communications for the agency, we decided that the timing wasn't right.

### **EXTERNAL/GRANTEE AUDITS/SURVEYS**

We issued 1) Inspection Report of Compensation Paid to Media Grantees, and 2) Review Report of Grantees' Organizational Prior Approval Systems.

### **QUALITY REVIEWS**

We performed three on-site quality reviews of certified public accounting firms that audited our grantees. We issued one report with no exceptions noted.

### **PEER REVIEW**

A peer review was conducted by the National Archives Records Administration's (NARA) OIG. All government audit organizations must undergo at least one external quality control review every three years. The NARA OIG reported that we have an adequate quality assurance program, but it was not fully implemented. We are implementing their recommendations to alleviate the concerns noted.

### **INVESTIGATION ACTIVITY**

During this period, we received eleven *Hotline* contacts regarding grantees and internal matters.

At the beginning of the reporting period two matters were open, both involving grantees. One has been closed during the period. Three investigative matters remain open as of September 30, 1996; two pertain to grantees and the third concerns employee issues.

## 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**

No reports were issued this period that disclosed significant problems.

### **SUMMARY OF AUDIT REPORTS**

#### **INTERNAL ACTIVITY**

##### Management Information Alert -- Telephone - Long Distance Calls

We reviewed the FTS2000 Agency Invoice provided to NEH by The General Services Administration. Our review of the FTS invoice was for the month of October 1995.

Our objective was to look for the following trends:

- large number of minutes (20 minutes) per call to recurring numbers;
- large number of calls per phone line; and,
- large number of repetitive calls to outside phone line.

We did not use computer matching techniques in our review, only very obvious trends were noted.

Overall, we found eighteen phone lines that met our review objectives. We recommended that NEH periodically remind NEH staff that the telephone is for official government use and that the NEH Administrative Office staff review the FTS long distance invoice on a periodic basis. The NEH has implemented the recommendation.

##### Limited Scope Review of Telecommunication Equipment and Services (OIG-96-01) Internal Survey

We performed a limited scope review of telecommunication equipment and related services. The primary objectives of the review were to ascertain NEH policies and procedures pertaining to the disposition of telecommunication equipment and related services and to evaluate the adequacy of such procedures.

We learned that as of September 30, 1996, NEH had not informed the General Services Administration and the local telephone company that over 100 lines could be removed. We estimated that from March 1996 through August 1996 NEH paid approximately \$ 16,000 for these unused lines. NEH agreed to take immediate action and has done so. We also recommended that NEH develop written policies and procedures governing the disposition of telephone equipment.

#### **EXTERNAL ACTIVITY**

##### Inspection Report of Compensation Paid to Media Grantees (OIG-96-02) External Review

The primary objectives of the review was to determine whether 1) the grantees complied with the terms and conditions of the award letter, and 2) the information provided in the program guidelines and the award letter are adequate. We communicated with the grantees by FAX, letter, and telephone.

We reviewed nine media grantees. We looked at 1) the compensation paid to individuals designated in award letters as fixed fee positions, and 2) equipment charges. Several years ago, as a result of OIG audits and surveys, the NEH Grants Office developed guidelines for compensation paid to key personnel and for equipment charged on media grants. We found that the grantees basically complied with the grant terms and conditions. We suggested to management ways to enhance the NEH guidelines. They have agreed to make the changes.

Review Report of Grantees' Organizational Prior Approval System (OIG-96-03) External Review

The review was performed to determine whether NEH grantee organizations 1) complied with the requirements of the General Grant Provisions for Organizations that called for establishing a prior approval system, and 2) procedures and documentation were adequate.

The results of our review revealed that six of the seventeen grantees did not have written procedures for a prior approval system. All six organizations have since developed written procedures. We noted deficiencies with all of the seventeen written procedures provided to us. The procedures ranged from a simple statement of who was authorized to approve changes to a detailed set of instructions. However, none of the instructions covered all necessary areas of delegated authority, or they erroneously included elements that require prior NEH approval.

We recommended that the NEH Grants Office provide a sample prior approval system to grantees for guidance. They have agreed. The grantees indicated they will make the necessary changes to comply.

**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 60 reports.

## 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, 1996, we had two files open. One remains open as of September 30, 1996, pending information from a grantee. This is an allegation concerning a grantee. An anonymous caller said the executive director of a grant organization was misusing federal funds. We are reviewing the case.

During the six-month period April 30, 1996 to September 30, 1996, we received eleven "Hotline" contacts. Four dealt with NEH employees issues, and the other seven concerned grantees.

As of September 30, 1996, three cases remain open; two involve grantees and one concerns an employee issue.

### 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, 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 two agencywide E-mail messages to NEH staff. One informed staff of what violations should be reported to the OIG and the second was a general announcement to report waste, fraud, mismanagement, or abuse to the OIG. We plan on E-mailing these two messages to all NEH staff three times a year.

### Summary of Investigations

#### Investigative Workload

|  |           |
|--|-----------|
| Open at beginning of period .....                | 2         |
| Matters brought to the OIG .....                 | <u>11</u> |
| ..... Total Investigative contacts .....         | 13        |
| <br>   |           |
| Closed or referred during reporting period ..... | <u>10</u> |
| Open at end of period.....                       | <u>3</u>  |

Presently, the IG is performing all investigations work since the auditor/investigator retired in February 1996. Assistance is obtained from other OIG's on an as-needed basis.

## OTHER ACTIVITIES

### **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 eight grantees.

### **INTRA-AGENCY INVOLVEMENT**

In this period OIG staff attended and engaged in various NEH meetings - panel meetings (where grant applications are reviewed by outside consultants), pre-council meetings (where the program divisions discuss the panel review results with the Chairman and his immediate staff), and the National Council meeting. In addition, the IG attends the Chairman's bi-weekly meeting; the Deputy Chairman's bi-weekly meeting, and a monthly travel policy meeting. The Deputy Inspector General partakes in the Deputy Chairman's bi-weekly meeting and is an active member on the NEH Internal Technology Committee. Two OIG staff attended monthly NEH Employee Association Meetings; one is on the executive committee.

### **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 NARA OIG the responsibility of conducting a review of the NEH OIG.

A peer review was conducted by the National Archives Records Administration's (NARA) OIG. All government audit organizations must under go at least one external quality control review every three years. The NARA OIG reported that we have an adequate quality assurance program, but it was not fully implemented. They also noted that we were not in full compliance with the *Government Auditing Standards*. We were lax in cross-referencing, and believed this caused a problem for the NARA OIG. We are implementing their recommendations to alleviate the concerns noted.

### **STRATEGIC PLANNING FOR THE OIG**

We developed a strategic plan following guidelines established by the United States General Accounting Office (GAO). This is a continuous effort. With the downsizing of the NEH and the elimination of certain programs, our audit universe has changed and this has had an effect on our plan. We are developing a strategy to work with grantees early in the grant period to avoid future problems. We anticipate that we will need more agency support of computer hardware and software. Due to the staffing constraints, we will continue to use various reporting structures such as surveys memorandums, and management alerts to speed up the reporting process. The evidence and supporting documentation will continue to support our opinions.

### **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 ECIE meetings.

### **REGULATORY AND LEGISLATIVE REVIEWS**

The Inspector General Act of 1978, as amended, requires the Office of Inspector General to review proposed legislation and regulations. The reviews are made to assess whether the proposed legislation or regulation (1) impacts on the economy and efficiency of Endowment programs and operations, and (2) contains adequate internal controls to prevent and detect fraud and abuse.

During this period, we commented on several OMB circulars. We also reviewed several documents for NEH grantees and staff. In addition, we reviewed several internal administrative directives for NEH.

### **TRAINING**

The OIG is complying with the continuing education requirements of the General Accounting Office's Government Auditing Standards. All auditors are receiving at least forty hours of training per year as required.

### **AUDIT RESOLUTION AND FOLLOW-UP**

Budgetary restraints at NEH have forced the OIG to assume the dominant role in the audit follow-up process. Fortunately, the procedures used by NEH make the process efficient. Many of the auditors' recommendations concern accounting system improvements by our grantees. Our auditors are the only staff in the agency qualified to review and reply to grantees. In addition, since we are aware of time frames, we are generally able to meet the 180-day deadline. In this small agency, we find this procedure to be efficient and effective.

Some of our grantees are taking longer than the 180-day deadline to implement procedural recommendations and in responding to questioned costs. These delays are understandable because of the grantees' small staffs.

***SEMIANNUAL REPORTS ON THE  
WORLD WIDE WEB (WWW)***

The OIG has portions of several semiannual reports on the www. The reports have been accessible through the Inspector's General homepage (<http://www.sbaonline.sba.gov/ignet/ig.html>). Now it links up with the NEH homepage (<http://www.neh.fed.us>). To access the semiannual reports, enter the URL "<http://www.sbaonline.sba.gov/ignet/internal/neh.neh.html>."

***REVIEW OF NEH's COMPLIANCE WITH THE  
HOTEL AND MOTEL FIRE SAFETY ACT OF 1990  
(PUBLIC LAW 101-391)***

At the request of the NEH Accounting Office, we reviewed the Endowment's compliance with lodging requirements of the Hotel and Motel Fire Safety Act of 1990. Based on our review, the agency was able to report that it was in compliance with the law. Upon our request, the accounting office agreed to issue a memorandum urging all Endowment travelers to make inquiries concerning the fire safety at the hotels stayed at.

## REPORTS WITH OUTSTANDING MANAGEMENT DECISIONS

Section 5(a)(3) of the Inspector General Act, as amended, requires an identification of audit recommendations disclosed in previous semiannual reports which corrective actions are still in process. The following is a list of all OIG audit reports, discussed in prior semiannual reports, for which final management actions have not been completed and closed out.

| <u>Report Issued</u> | <u>Grantee</u>  | <u>Report No.</u>           |
|----------------------|---|-----------------------------|
| 05-09-95             | Audit of Gift Certification Letters from<br>State Humanities Councils | OIG-95-03 (EA) <sup>1</sup> |

Our approach is to be aggressive in meeting the deadlines--including recommending that the agency suspend grants in progress and hold in abeyance new grant applications. However, we believe the above are working diligently to implement the findings.

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1/ Two councils are required to provide documentation for \$74,500 (\$54,500 and \$20,000).

## SUMMARY OF AUDIT REPORTS ISSUED BEFORE THE COMMENCEMENT OF THE REPORTING PERIOD FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE

### Audit of Gift Certificate Letters from State Humanities Councils OIG-95-03 (EA)

We reviewed eighteen state humanities councils' records and documentation supporting gift certification letters. We originally questioned \$534,847 of gifts certified to release federal matching funds. Of this amount \$74,500 remains unresolved.

## **AGENCY REFUSAL TO PROVIDE INFORMATION OR ASSISTANCE**

There were no reports made to the Chairman of the National Endowment for the Humanities where information or assistance, requested under section 5(a)(5) of the Inspector General Act of 1978, as amended, was unreasonably refused or not provided.

## **SIGNIFICANT REVISED MANAGEMENT DECISIONS MADE DURING THE REPORTING PERIOD**

No significant management decisions were revised during this reporting period.

## **SIGNIFICANT MANAGEMENT DECISIONS WHICH THE INSPECTOR GENERAL IS IN DISAGREEMENT**

The Inspector General has no disagreement with significant management decisions made during this reporting period.

## 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.

### INTERNAL AUDIT/SURVEY/INSPECTION REPORTS ISSUED

|  | <u>Report<br/>Number</u> | <u>Date<br/>Issued</u> | <u>Questioned<br/>Cost</u> | <u>Unsupported<br/>Cost</u> | <u>Funds<br/>Put to<br/>Better<br/>Use</u> |
|--|--------------------------|------------------------|----------------------------|-----------------------------|--|
| Management Information Alert --<br>Telephone - Long Distance Calls     | --                       | 05/07/96               | \$                         | \$                          | \$   |
| Limited Scope Review of<br>Telecommunication Equipment<br>and Services | 96-01                    | 09-30-96               |                            |                             | 16,000                                     |

### EXTERNAL AUDIT/SURVEY/REPORTS ISSUED

|   | <u>Report<br/>Number</u> | <u>Date<br/>Issued</u> | <u>Questioned<br/>Cost</u> | <u>Unsupported<br/>Cost</u> |
|---|--------------------------|------------------------|----------------------------|-----------------------------|
| Inspection Memorandum Report<br>on Compensation Paid to<br>Media Grantees | 96-02                    | 09-20-96               | \$                         | \$                          |
| Review of Grantees' Organizational<br>Prior Approval Systems              | 96-03                    | 09-30-96               |                            |                             |

### INDIRECT COST RATE DESK REVIEW REPORTS ISSUED

| <u>Grantee</u>  | <u>Report<br/>Number</u> | <u>Date<br/>Issued</u> | <u>Questioned<br/>Cost</u> | <u>Unsupported<br/>Cost</u> |
|---|--------------------------|------------------------|----------------------------|-----------------------------|
| Northeast Document Conservation<br>Center               | 96-09                    | 05-02-96               | \$                         | \$                          |
| Old Sturbridge Village                                  | 96-10                    | 05-03-96               |                            |                             |
| Friends School of Baltimore                             | 96-11                    | 05-21-96               |                            |                             |
| Mystic Seaport Museum                                   | 96-12                    | 05-22-96               |                            |                             |
| GWETA, Inc.   | 96-13                    | 06-25-96               |                            |                             |
| Brookland Historical Society                            | 96-14                    | 07-24-96               |                            |                             |
| New England Foundation for the<br>Humanities            | 96-15                    | 08-28-96               |                            |                             |
| Soc. for the Preservation of<br>New England Antiquities | 96-16                    | 09-30-96               |                            |                             |

### ON-SITE QUALITY REVIEW

| <u>Grantees</u>                                 | <u>Report<br/>Number</u> | <u>Date<br/>Issued</u> | <u>Questioned<br/>Cost</u> | <u>Unsupported<br/>Cost</u> |
|---|--------------------------|------------------------|----------------------------|-----------------------------|
| Southeastern Library<br>Network, Inc. (SOLINET) | 96-101                   | 09/24/96               | \$                         | \$                          |

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> |
|---|----------------------|--------------------|------------------------|-------------------------|
| New York Foundation for the Arts, Inc.                  | 96-71(CAA)           | 04/18/96           |                        |                         |
| American Museum of Natural History                      | 96-72(CAA)           | 04/18/96           |                        |                         |
| University of Arkansas                                  | 96-73(CAA)           | 04/18/96           |                        |                         |
| Loyola University, Chicago                              | 96-74(CAA)           | 04/18/96           |                        |                         |
| Connecticut Humanities Council                          | 96-75(CAA)           | 04/18/96           |                        |                         |
| American Antiquarian Society                            | 96-76(CAA)           | 04/18/96           |                        |                         |
| State of Alaska   | 96-77(CAA)           | 04/18/96           |                        |                         |
| University of Pennsylvania                              | 96-78(CAA)           | 04/18/96           |                        |                         |
| Texas A & M Research Foundation                         | 96-79(CAA)           | 04/18/96           |                        |                         |
| Duke University   | 96-80(CAA)           | 04/18/96           |                        |                         |
| Kentucky State University                               | 96-81(CAA)           | 04/18/96           |                        |                         |
| Mark Twain Memorial<br>(Also Known as Mark Twain House) | 96-82(CAA)           | 04/18/96           |                        |                         |
| Old Sturbridge Village                                  | 96-83(CAA)           | 04/18/96           |                        |                         |
| Yale University   | 96-84(CAA)           | 04/18/96           |                        |                         |
| State University of New Jersey, Rutgers                 | 96-85(CAA)           | 04/18/96           |                        |                         |
| Wellesley College                                       | 96-86(CAA)           | 04/18/96           |                        |                         |
| Commonwealth of Pennsylvania                            | 96-87(CAA)           | 04/18/96           |                        |                         |
| State of North Carolina                                 | 96-88(CAA)           | 04/18/96           |                        |                         |
| University of Chicago                                   | 96-89(CAA)           | 04/18/96           |                        |                         |
| University of New Hampshire System                      | 96-90(CAA)           | 04/18/96           |                        |                         |
| Trinity University                                      | 96-91(CAA)           | 04/22/96           |                        |                         |
| University of Dayton                                    | 96-92(CAA)           | 04/22/96           |                        |                         |
| Emory University  | 96-93(CAA)           | 04/22/96           |                        |                         |
| Gallaudet University                                    | 96-94(CAA)           | 04/22/96           |                        |                         |
| University of Mississippi                               | 96-95(CAA)           | 04/22/96           |                        |                         |
| University of Puerto Rico-System, San Juan              | 96-96(CAA)           | 04/22/96           |                        |                         |
| Research Foundation of SUNY                             | 96-97(CAA)           | 04/22/96           |                        |                         |
| University of Massachusetts                             |                      |                    |                        |                         |
| - Amherst Campus, Boston Campus                         |                      |                    |                        |                         |
| - Dartmouth Campus, Lowell Campus                       |                      |                    |                        |                         |
| - Worcester Medical School Campus                       | 96-98(CAA)           | 04/22/96           |                        |                         |
| Galef Institute   | 96-99(CAA)           | 04/22/96           |                        |                         |
| Lenox Library Association                               | 96-100(CAA)          | 04/22/96           |                        |                         |
| University of Maryland System                           | 96-101(CAA)          | 05/01/96           |                        |                         |
| Northeast Document Conservation Center, Inc.            | 96-102(CAA)          | 05/01/96           |                        |                         |
| GWETA   | 96-103(CAA)          | 05/01/96           |                        |                         |
| Pennsylvania Humanities Council                         | 96-104(CAA)          | 05/01/96           |                        |                         |
| Hawai'i Committee for the Humanities                    | 96-105(CAA)          | 05/01/96           |                        |                         |
| Renaissance Society of America, Inc.                    | 96-106(CAA)          | 05/01/96           |                        |                         |
| Southern Connecticut Library Council                    | 96-107(CAA)          | 05/01/96           |                        |                         |
| Oregon Graduate Institute of Science & Tech.            | 96-108(CAA)          | 05/01/96           |                        |                         |
| Allegheny College                                       | 96-109(CAA)          | 05/01/96           |                        |                         |
| Johnstown Area Heritage Association                     | 96-110(CAA)          | 05/01/96           |                        |                         |
| California Council for the Humanities                   | 96-111(CAA)          | 05/01/96           |                        |                         |
| Asia Society  | 96-112(CAA)          | 09/16/96           |                        |                         |
| American Indian College Fund                            | 96-113(CAA)          | 09/16/96           |                        |                         |
| South Carolina Humanities Council                       | 96-114(CAA)          | 09/16/96           |                        |                         |
| Boston University                                       | 96-115(CAA)          | 09/16/96           |                        |                         |
| Delaware Humanities Council                             | 96-116(CAA)          | 09/16/96           |                        |                         |
| Shakespeare and Co., Inc.                               | 96-117(CAA)          | 09/16/96           |                        |                         |
| State of Mississippi                                    | 96-118(CAA)          | 09/16/96           |                        |                         |
| - Mississippi Dept. of Archives and History             |                      |                    |                        |                         |
| State of Indiana  | 96-119(CAA)          | 09/16/96           |                        |                         |
| State of Iowa   |                      |                    |                        |                         |
| - University of Iowa                                    |                      |                    |                        |                         |
| - University of Northern Iowa                           |                      |                    |                        |                         |
| - Iowa Dept. of Cultural Affairs                        |                      |                    |                        |                         |
| - Iowa State University                                 | 96-120(CAA)          | 09/16/96           |                        |                         |
| State of Tennessee                                      |                      |                    |                        |                         |
| - University of Tennessee                               |                      |                    |                        |                         |
| - University of Memphis                                 |                      |                    |                        |                         |
| - Tennessee State University                            | 96-121(CAA)          | 09/16/96           |                        |                         |
| State of Oregon   | 96-122(CAA)          | 09/16/96           |                        |                         |
| State of Alaska   | 96-123(CAA)          | 09/16/96           |                        |                         |
| State of Washington                                     |                      |                    |                        |                         |
| - University of Washington                              |                      |                    |                        |                         |
| - Western Washington University                         |                      |                    |                        |                         |

|   |                            |                      |
|---|----------------------------|----------------------|
| - Washington State University<br>State of Wisconsin   | 96-124(CAA)                | 09/16/96             |
| - State Historical Society of Wisconsin<br>State of South Dakota  | 96-125(CAA)                | 09/16/96             |
| - Northern State University<br>Johnson County, Kansas   | 96-126(CAA)<br>96-127(CAA) | 09/16/96<br>09/16/96 |
| State of Montana<br>Commonwealth of Virginia  | 96-128(CAA)                | 09/16/96             |
| - University of Virginia<br>- Virginia Commonwealth University<br>- College of William and Mary<br>- Old Dominion University<br>- Virginia Polytechnic and State University |                            |                      |
| - James Madison University<br>State of South Carolina   | 96-129(CAA)                | 09/16/96             |
| - Clemson University<br>- University of South Carolina  | 96-130(CAA)                | 09/16/96             |

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

|   | <u>Number of<br/>Reports</u> | <u>Questioned<br/>Cost</u> | <u>Unsupported<br/>Costs</u> |
|---|------------------------------|----------------------------|------------------------------|
| A. For which no management decision has been made by the commencement of the reporting period | 2                            | \$ 313,099                 | \$ 313,099                   |
| B. Which were issued during the reporting period  | <u>0</u>                     | <u>\$ -</u>                | <u>\$ -</u>                  |
| <b>Subtotals (A+B)</b>  | <u>2</u>                     | <u>\$ 313,099</u>          | <u>\$ 313,099</u>            |
| 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 (grantee subsequently supported all costs)          | 1                            | \$ 238,599                 | \$ 238,599                   |
| D. For which no management decision has been made by the end of the reporting period          | 1                            | \$ 74,500                  | \$ 74,500                    |
| Reports for which no management decision was made within six months of issuance               | 1                            | \$ 74,500                  | \$ 74,500                    |

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

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|   | <u>Number of<br/>Reports</u> | <u>Dollar<br/>Value</u> |
|---|------------------------------|-------------------------|
| A. For which no management decision<br>has been made by the commence-<br>ment of the reporting period | 0                            | \$ 0                    |
| B. Which were issued during the<br>reporting period   | 1                            | \$ 16,000               |
| C. For which a management decision<br>was made during the reporting<br>period                         | 0                            | \$ 0                    |
| (i) dollar value of recommendations<br>that were agreed to by management                              | 1                            | \$ 0                    |
| (ii) dollar value of recommendations<br>that were not agreed to by<br>management                      | 0                            | \$ 0                    |
| D. For which no management decision was<br>made by the end of the<br>reporting period                 |                              | \$ 16,000 <sup>1/</sup> |

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<sup>1/</sup> Report was issued on September 20, 1996.

## 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).

APPENDIX 1

**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 three divisions--Education and Research Programs, Preservation and Access, and Public Programs -- and three offices -- Challenge Grants, Enterprise, and Federal State Partnership.

**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."

APPENDIX 2

**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 419  
Washington, DC 20506**

**FAX: (202) 606-8329**

**ELECTRONIC MAIL HOTLINE  
sbernstein@neh.fed.us**

**Be assured that government employees are protected  
from reprisal and that anyone may have  
his or her identity held in confidence,  
unless the Inspector General determines  
that such disclosure is unavoidable.**