

NATIONAL ENDOWMENT FOR THE HUMANITIES

OFFICE OF INSPECTOR GENERAL

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

**OCTOBER 1, 1995 TO MARCH 31, 1996**

**REPORT NUMBER 14**

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

April 30, 1996

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

Dear Chairman Hackney:

I am submitting herewith the fourteenth Semiannual Report on the activities of the Endowment's Office of Inspector General (OIG) for the by period ending March 31, 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.

This six-month period has been very challenging for both the NEH and the OIG. The agency provided Reduction-in-Force papers to staff in October 1995 and those staff separated on December 4, 1995. This was followed by the furlough brought about by the disagreement over the budget by the President and the Congress. Next the Blizzard of 1996 caused staff to miss several days from work. Finally, the Endowment reduced its office space and all offices were effected. In total, we lost more than twenty five days of work during this reporting period. Further, our auditor-investigator retired in the beginning of February 1996. Since March 1995, our staff has been reduced by an auditor, an auditor-investigator and a clerk typist. We will continue to carry out our mission by working with you and your staff to build a better agency.

For the fiscal year 1996, the Congress has made deep cuts in the Endowment and was considering eliminating the agency entirely. You leave no doubt about the importance of the National Endowment for the Humanities and its mission to the American taxpayer. You have taken significant steps to downsize the agency; however, more needs to be done to reinvent and reorganize the agency. The Enterprise Office is a positive a step in that direction. Creating a leaner more efficient, more cost-effective organization should be a top priority. Best practices for process improvement by each office and division should be looked into.

Please consider the OIG as an objective outsider regarding management operating concerns. We welcome every opportunity to assist you in improving NEH operations.

I appreciate the cooperation of all NEH employees in the conduct of the OIG activities.

Sincerely,

Sheldon L. Bernstein  
Inspector General

Enclosure

## TABLE OF CONTENTS

### LETTER TO THE CHAIRMAN

EXECUTIVE SUMMARY .....	1
REPORTING REQUIREMENTS OF THE SEMIANNUAL REPORT .....	2
AUDITS AND SURVEYS .....	3
Significant Problems, Abuses, and Deficiencies .....	
Summary of Audit Reports .....	3
Cognizant Audit Agency Reviews .....	3
INVESTIGATIONS .....	4
Hotline and Prevention Activities .....	4
Staffing .....	5
OTHER ACTIVITIES .....	6
Indirect Cost Rate Negotiations/Reviews .....	6
Attending Meetings, Panels, Etc. .....	6
Peer Review .....	6
Strategic Planning for the OIG .....	6
Participation on the Executive Council on Integrity and Efficiency .....	7
Regulatory and Legislative Reviews .....	7
Federal Managers' Financial Integrity Act Reviews .....	7
Training .....	7
Audit Resolution and Follow-Up .....	7
REPORTS WITH OUTSTANDING MANAGEMENT DECISIONS ..	8
SUMMARY OF AUDIT REPORTS ISSUED BEFORE THE COMMENCEMENT OF THE REPORTING PERIOD FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE ..	9
AGENCY REFUSAL TO PROVIDE INFORMATION OR ASSISTANCE .....	10
SIGNIFICANT REVISED MANAGEMENT DECISIONS MADE DURING THE REPORTING PERIOD .....	10
SIGNIFICANT MANAGEMENT DECISIONS WHICH THE INSPECTOR GENERAL IS IN DISAGREEMENT .....	10
LIST OF AUDIT REPORTS .....	11
External Audit/Survey Reports Issued .....	11
Indirect Cost Rate Desk Review Reports Issued ..	11
Cognizant Audit Agency Review Reports Issued ..	12
TABLE I - INSPECTOR GENERAL-ISSUED REPORTS WITH QUESTIONED COSTS.....	13
TABLE II - INSPECTOR GENERAL-ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE .....	13
GLOSSARY OF AUDIT TERMINOLOGY .....	14
APPENDIX 1 - OVERVIEW OF THE NATIONAL ENDOWMENT FOR THE HUMANITIES .....	15
APPENDIX 2 - ESTABLISHMENT OF THE OFFICE OF INSPECTOR GENERAL.....	15

## EXECUTIVE SUMMARY

This is the fourteenth 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 October 1, 1995 to March 31, 1996.

### **DOWNSIZING/REDUCTION-IN-FORCE/FURLOUGHS**

A major phase of activity for the agency during the current reporting period was the implementation of a reduction-in-force of employees due to a reduced appropriation level for fiscal year 1996. The results of this activity is a smaller agency with reduced funding, but one that will be responsive to the American taxpayer and the humanities community. Questions were brought to our attention regarding NEH staff size for each office and we were not provided information to audit. The OIG was unable to review the documentation relative to the reduction-in-force plans made by management since the Senior Humanities advisor informed us he does not have written documentation available for review.

We will not be able to provide the same level of services to the NEH as in prior periods; therefore, we are planning more inspections/evaluations, reviews, and questionnaire surveys to help us overcome the shortage of staff. We are constantly reviewing the risks of NEH and OIG priorities.

### **INTERNAL AUDITS/INSPECTIONS**

We began work on several projects this period that in a normal period would have been completed. These are: (1) a review of the effectiveness of the management of telephone costs; (2) a limited audit of compensation charges to media grantees; and, (3) a user survey for *Humanities Magazine*.

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

We issued a report on our desk audits of sixteen state humanities councils' gift certificate letters. This is the third and last desk audit that now has covered all of the state humanities councils within a two year period. Our review revealed that initially only four state humanities councils provided us with adequate documentation. The councils had to obtain documentation or substitute gifts from other donors.

### **PEER REVIEW**

The OIG is currently undergoing a peer review being conducted by the National Archives Records Administration's OIG. All government audit organizations must under go at least one external quality control review every three years.

### **INVESTIGATION ACTIVITY**

During this period, we received over twenty *Hotline* contacts. We completed one internal investigation and provided a report to management.

Most matters concerned personnel issues stemming from the agency's downsizing. One matter that was open at the beginning of the period remains open. This involves a grantee. Two investigative matters remain open as of March 31, 1996; both pertain to grantees.

## 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).

	page
Section 4(a)(2) -- Review of Legislation and Regulations.....	*
Section 5(a)(1) -- Significant Problems, Abuses, and Deficiencies .....	3
Section 5(a)(2) -- Recommendations with Respect to Significant Problems, Abuses, and Deficiencies ..	3
Section 5(a)(3) -- Significant Un-implemented Recommendations Described in Previous Semiannual Reports .....	6
Section 5(a)(4) -- Matters Referred to Prosecutive Authorities .....	*
Section 5(a)(5) and 6(b)(2) -- Summary of Instances Where Information Was Refused .....	4
Section 5(a)(6) -- Listing of Audit Reports Showing Number of Reports and Dollar Value of Questioned Costs. ....	8
Section 5(a)(7) -- Summary of Significant Reports .....	3
Section 5(a)(8) -- Statistical Table Showing Number of Reports and Dollar Value of Questioned Costs .....	14
Section 5(a)(9) -- Statistical Table Showing Number of Reports and Dollar Value of Recommendations that Funds Be Put to Better Use.....	14
Section 5(a)(10) -- Summary of Audit Reports Issued Before the Commencement of the Reporting Period for Which No Management Decision Has Been Made By the End of the Reporting Period .....	7
Section 5(a)(11) -- Significant Revised Management Decisions Made During the Reporting Period.....	
Section 5(a)(12) -- Significant Management Decisions with which the Inspector General Is in Disagreement..	

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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 [96-01 (EA)]***

We completed the third and final round of desk audits in a series of follow-up audits of sixteen 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 two audits OIG-94-03, and OIG 95-03, issued September 29, 1994, and May 19, 1995, 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.

From a universe of \$1,073,327 of gifts certified, we questioned \$228,004. Of this amount \$ 112,384 has been resolved, and \$ 115,620 remains unresolved. Thirteen councils where eligibility problems were disclosed have provided the OIG with adequate documentation supporting eligibility for donations certified or have substituted other gifts. Three councils submitted \$ 115,620 of gifts received from regrantees that were received after the regrant periods ended. We have referred this matter to the NEH Grants office who will determine the eligibility of the gifts.

### ***SUMMARY OF AUDIT REPORTS***

#### **EXTERNAL ACTIVITY**

#### ***Audit of the Gift Certification Letters From State Humanities Councils [96-01(EA)]***

See Significant Problems, Abuses, and Deficiencies (above)

### ***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 seventy 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 October 1, 1995, we had two files open, one continues to be open as of March 31, 1996, pending information from a grantee.

During the six-month period October 1, 1995 to March 31, 1996, we received more than twenty "Hotline" contacts. Most are not included in our summary (below) because they were dismissed or referred immediately. We looked into two personnel issues concerning NEH employees and two issues involving grantee matters.

Concerning a personnel issue that was open on October 1, 1995, we have conducted an investigation and closed the matter. 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. The OIG found that the allegation was unfounded.

One of the current personnel issues was an allegation that the Endowment did not have a competition for an office director position. Our investigation disclosed that NEH followed federal rules and regulations in the selection process. Therefore, we closed the case.

One allegation concerned a grantee plagiarizing another grantee's application. Working with program staff, it was determined that while the form was the same as a prior grantee, the intellectual content was not plagiarized. This matter is closed. In the other situation involving a grantee, an anonymous caller said the executive director of a grant organization was misusing federal funds. We are looking into this matter.

As of March 31, 1996, two cases remain open; both involve grantees.

### **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 memorandums through the agency E-mail system. One informed staff of viruses on computer disks and the second provided cautionary advice concerning the use of government credit cards.

Summary of Investigations

Investigative Workload

Pending at beginning of period....	2
Matters brought to the OIG.....	4
..... Total Investigative contacts .....	6
Closed or referred during reporting period .....	4
Pending at end of period .....	2

**STAFFING**

Our one auditor who had taken investigatory training retired during February 1996. We are looking into obtaining investigating training for one auditor. In addition, we are reviewing the possibility of receiving investigative assistance from another OIG on an as-needed basis; this may require a budget line item for investigative expenses.



## 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 seven grantees.

### ***ATTENDING MEETINGS, PANELS, ETC.***

During this reporting period OIG staff attended 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 meetings and a travel policy monthly meeting.

### **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.

### ***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.

***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 government wide activities to combat fraud and waste in federal programs and operations. OIG staff regularly attend monthly meetings of the ECIE.

***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 the NEH Grants Administration Manual.

***FEDERAL MANAGERS' FINANCIAL  
INTEGRITY ACT REVIEWS***

The Federal Manager's Financial Integrity Act requires the Chairman to provide assurance to the President that Endowment resources are protected from fraud, waste, mismanagement, and misappropriation.

This period, we reviewed all of the responses/assurance statements from each office and division director covering the Fiscal Year 1995. No material weaknesses were disclosed.

***TRAINING***

The OIG is complying with the continuing education requirements of the General Accounting Office's Government Auditing Standards. For the year ending December 31, 1995, all auditors received at least forty hours of training 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 staff.

## 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 on 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 State Humanities Councils	OIG-95-03 (EA) <sup>1</sup>
09-28-95	Hawai'i Committee for the Humanities	OIG-95-04 (EA) <sup>2</sup>
09-28-95	Guam Humanities Council	OIG-95-05 (EA) <sup>2</sup>
09-28-95	CNMI Council for the Humanities	OIG-95-06 (EA) <sup>2</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/ This requires action from the Endowments' Grants Office.

2/ The open items pertain to system enhancements and changes.

## **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 Council**

We received eighteen state humanities councils' records and documentation supporting gift certification letters. We originally questioned \$539,000 of gifts certified to release federal matching funds. Of this amount \$198,479, remains unresolved.

#### Limited Audits of State Humanities Councils

Period First Report: April 1, 1995 - September 30, 1995

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.

#### Hawaii Committee for the Humanities

#### Guam Humanities Council

#### CNMI Councils for the Humanities

We found accounting and managerial weaknesses at all three councils. In addition, we questioned minor amounts of costs at the Guam and CNMI councils. The questioned costs and most of the weaknesses have been corrected and we expect to have them resolved by the end of the next report period.

## **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.

However, we have repeatedly requested information from the Senior Humanities Advisor concerning the staffing pattern of the agency after the RIF. During the next reporting period we will make a formal request to the Chairman.

## **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.

### EXTERNAL AUDIT/SURVEY REPORTS ISSUED

	<u>Report Number</u>	<u>Date Issued</u>	<u>Questioned Cost</u>	<u>Unsupported Cost</u>
Audit of Gift Certification Letters From State Humanities Councils	96-01	11-06-95	\$ 228,004	\$ 228,004

### 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>
Concord Museum	96-01(IDC)	10-12-95		
Film Odyssey, Inc.	96-02	12-15-95		
Pierpont Morgan Library	96-03	01-29-96		
Southeastern Library Network, Inc.	96-04	02-13-96		
National Alliance of Black School Educators	96-05	02-15-96		
Film Arts Foundation	96-06	03-06-96		
IMAGE Film & Video Center	96-07	03-29-96		

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>
Tennessee Humanities Council	96-01(CAA)	11-20-95		
Salt River Pima-Maricopa Indian Community	96-02(CAA)	11-20-95		
Commonwealth of Kentucky	96-03(CAA)	11-20-95		
Huntington Theatre Company	96-04(CAA)	11-20-95		
City and County of Denver Colorado	96-05(CAA)	11-20-95		
University of Rochester	96-06(CAA)	11-20-95		
Cleveland Medical Library Association	96-07(CAA)	11-20-95		
Espritruith Films, Inc.	96-08(CAA)	11-20-95		
Vermont Folklife Center	96-09(CAA)	11-20-95		
Dartmouth College	96-10(CAA)	11-20-95		
State of Oregon	96-11(CAA)	11-30-95		
Garrett-Evangelical Theological Seminary	96-12(CAA)	11-30-95		
Trenton State College	96-13(CAA)	11-30-95		
Research Foundation of SUNY	96-14(CAA)	11-30-95		
Massachusetts Historical Society, Inc.	96-15(CAA)	11-30-95		
University of Pittsburgh	96-16(CAA)	11-30-95		
Dartmouth College	96-17(CAA)	11-30-95		
Pomona College	96-18(CAA)	11-30-95		
American Political Science Association	96-19(CAA)	11-30-95		
Emory University	96-20(CAA)	11-30-95		
Museum of Photographic Arts	96-21(CAA)	01-18-96		
Brown University	96-22(CAA)	01-18-96		
Franklin Pierce College	96-23(CAA)	01-18-96		
Yale University	96-24(CAA)	01-18-96		
University of Dayton	96-25(CAA)	01-18-96		
Filmmakers Collaborative	96-26(CAA)	01-18-96		
George Washington University, DC	96-27(CAA)	01-18-96		
City of New York, NY	96-28(CAA)	01-18-96		
South Dakota Humanities Council	96-29(CAA)	01-18-96		
University of Illinois, Chicago	96-30(CAA)	01-18-96		
University of Maine System	96-31(CAA)	02-01-96		
State of Oklahoma	96-32(CAA)	02-01-96		
Osage Nation	96-33(CAA)	02-01-96		
University of Michigan	96-34(CAA)	02-01-96		
University of Georgia Research Foundation, Inc.	96-35(CAA)	02-01-96		
Texas A & M Research Foundation	96-36(CAA)	02-01-96		
Texas A & M Research Foundation	96-37(CAA)	02-01-96		
Makah Cultural and Research Center	96-38(CAA)	02-01-96		
Pueblo of Pojoaque	96-39(CAA)	02-01-96		
University of Rochester	96-40(CAA)	02-01-96		
University of Guam	96-41(CAA)	03-05-96		
State of Colorado	96-42(CAA)	03-05-96		
Indiana University, Bloomington	96-43(CAA)	03-05-96		
Harvard University	96-44(CAA)	03-05-96		
University of Minnesota	96-45(CAA)	03-05-96		
Washington University, MO	96-46(CAA)	03-05-96		
George Washington University, DC	96-47(CAA)	03-05-96		
Auburn University	96-48(CAA)	03-05-96		
University & Community College	96-49(CAA)	03-05-96		
State of Delaware	96-50(CAA)	03-05-96		
University of Oklahoma, Norman	96-51(CAA)	03-05-96		
Ohio State University	96-52(CAA)	03-05-96		
Georgia Humanities Council	96-53(CAA)	03-05-96		
Chicago Historical Society	96-54(CAA)	03-05-96		
University of the State of New York	96-55(CAA)	03-05-96		
American Dance Festival	96-56(CAA)	03-05-96		
Maine Technical College System	96-57(CAA)	03-05-96		
Franklin and Marshall College	96-58(CAA)	03-05-96		
American Forum	96-59(CAA)	03-05-96		
Oberlin College	96-60(CAA)	03-05-96		
American Council on Education	96-61(CAA)	03-26-96		
Saint Joseph's College	96-62(CAA)	03-26-96		
Nevada Humanities Committee	96-63(CAA)	03-26-96		
National Trust for Historic Preservation in the United States	96-64(CAA)	03-26-96		
The Frick Collection	96-65(CAA)	03-26-96		
Association of Science Technology Center	96-66(CAA)	03-26-96		
Ohio Humanities Council	96-67(CAA)	03-26-96		
Wheelock College	96-68(CAA)	03-26-96		
Kenyon College	96-69(CAA)	03-26-96		
Case Western Reserve University	96-70(CAA)	03-26-96		

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

	<u>Number of Reports</u>	<u>Questioned Cost</u>	<u>Unsupported Costs</u>
A. For which no management decision has been made by the commencement of the reporting period	2	\$ 228,817	\$ 228,817
B. Which were issued during the reporting period	1	\$ 228,004	\$ 228,004
<b>Subtotals (A+B)</b>	<b><u>3</u></b>	<b><u>\$ 456,821</u></b>	<b><u>\$ 456,821</u></b>
C. For which a management decision was made during the reporting period	0	\$ 143,722	\$ 143,722
(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	\$ 313,099	\$ 313,099
Reports for which no management decision was made within six months of issuance	1	\$ 197,479	\$ 197,479

Note: The questioned costs \$313,099 is comprised of:

outstanding from OIG-95-03 (EA) (Prior Semi Annual Report)	\$ 122,979
· Six councils certified gifts from regrants after the regrant period ended	<u>\$ 74,500</u>
· Two councils that substituted ineligible gifts	\$ 197,479
outstanding from OIG-96-01 (EA) (current Semi Annual Report)	
· Three councils certified gifts from regrants after the regrant period ended	<u>\$ 115,620</u>
TOTAL	<u>\$ 313,099</u>

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).

## 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.**