

NATIONAL ENDOWMENT FOR THE HUMANITIES

OFFICE OF INSPECTOR GENERAL

**SEMIANNUAL REPORT
TO THE CONGRESS**

NUMBER 18

OCTOBER 1, 1997 TO MARCH 31, 1998

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

NATIONAL ENDOWMENT FOR THE HUMANITIES MISSION STATEMENT

As a leader in the nation's cultural and intellectual life, the National Endowment for the Humanities promotes knowledge of human history, thought, and culture and enhances the role of the humanities throughout the nation.

The Endowment, an independent federal agency,

- **supports significant and innovative scholarship in all humanities disciplines;**
- **fosters effective teaching and life-long learning in the humanities;**
- **encourages thoughtful public participation in and enjoyment of the humanities;**
- **preserves cultural and intellectual resources essential to the people of the United States.**

OIG MISSION STATEMENT

The Office of Inspector General provides professional audit, review, investigative, inspection, and advisory services to the National Endowment for the Humanities, its community of grant recipients, other federal agencies, and the Congress.

These services engage the agency in a continual process of enhancing the quality and effectiveness of its grant programs and operations.

OIG VISION STATEMENT

The Office of Inspector General aspires to maintain a reputation for professional competence, leadership, and integrity.

We strive to achieve our goal through self-examination and a teamwork environment that fosters professional development, open communication, and creativity.

OIG VALUE STATEMENT

We have a commitment to independence and excellence in the quality of our services. This commitment is characterized by integrity, fairness, cooperation, creativity, and respect both within and outside the OIG.

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April 30, 1998

Honorable William R. Ferris
Chairman
National Endowment for the Humanities
Washington, DC 20506

Dear Chairman Ferris:

Enclosed is the Semiannual Report for the Office of Inspector General (OIG) for the period October 1, 1997 - March 31, 1998. The report, which is required by the Inspector General Act as amended, provides an overview of the activities of the OIG during this six-month period. The Act requires that you transmit this report, with your Report of Final Action, to the appropriate Congressional committees within 30 days of its receipt.

I look forward to continuing to work with senior management and all NEH employees to insure that the American taxpayer receives the most economical and efficient work from the Endowment.

Sincerely,

Sheldon L. Bernstein
Inspector General

Enclosure

EXECUTIVE SUMMARY

This is the second straight reporting period where we expended significant effort on matters brought to our attention through the HOTLINE. The IG has been handling the HOTLINE and following up on activity generated by these calls since our auditor/investigator retired in early 1996. However, all of the staff was involved in one or more of these ongoing matters during this period.

INTERNAL AUDITS/INSPECTIONS

Issued the Audit of Schoch Estate Gift Funds that is generally used for reception and representation. As required by the Federal Manager's Financial Integrity Act, we reviewed all the office and division heads assurance statements to the NEH chairman, and the chairman's statement to the President and the Congress.

We are presently working on two internal matters. We are reviewing all travel that had as the destination a place outside of the continental United States. The period of the review is October 1992 through February 1998. The objectives of this review are to 1) determine the adequacy of internal/management controls over this travel, 2) review the reporting procedures for program results and benefits to NEH, and 3) review the planning process used in proposing the travel. In addition, we are reviewing the NEH Panel Process. Our objective in this review will be to 1) determine the sufficiency of the instructions that are provided to the panelists, materials sent to panelists as well as instructions that staff provide at the beginning of the panel meeting, and 2) the adequacy of the panel review discussions.

EXTERNAL/GRANTEE AUDITS/SURVEYS

We performed a review at a grantee to determine if the grantees books and records are adequate for an audit. We determined that they were inadequate.

SINGLE AUDIT ACT REVIEWS

During this period we expended effort in getting several grantees to submit OMB Circular A-133 reports. We received and processed 155 reports; eight reports contained findings that were reported to NEH management.

INDIRECT COST RATE REVIEWS

We issued six reviews this period.

QUALITY REVIEWS

We completed one review and worked on another during this period. The latter will be issued in April 1998.

INVESTIGATION ACTIVITY

During this period, we received four contacts concerning employee matters. Three were referred to the Equal Opportunity Office and/or the Office of Human Resources. One matter concerned an allegation of abuse of authority. We investigated this matter and issued a report.

We received two contacts from one complainant concerning possible violations of law by a former Endowment chairman. We are still looking into one matter.

Three contacts received involved grantees. In one matter we learned that a state humanities council over-obligated funds from its fiscal year 1997 appropriation and also a significant amount from the 1998 appropriation in advance of receiving the funds. Another allegation that we received is twofold: 1) a grantee submitted false information on an application, and 2) there was impropriety in the Endowment's awarding the grant. The third allegation was referred to the program division/general counsel.

Five matters are still pending as of March 31, 1998.

AUDITS AND SURVEYS

SIGNIFICANT PROBLEMS, ABUSES, AND DEFICIENCIES

No reports that disclosed significant problems were issued this period.

SUMMARY OF AUDIT REPORTS

INTERNAL ACTIVITY

Audit of the Schoch Estate Gift Fund - OIG-98-01 (Internal Audit)

The OIG performed an audit of the Schoch Estate Gift Fund. The primary objectives of the audit were to ascertain the adequacy of internal management controls as they pertain to the fund, and to ensure that payments made were in accordance with applicable laws, regulations, and internal Endowment policies. The audit focused on expenditures for the period October 1, 1995 to May 31, 1997. We made several recommendations to improve the operation of the fund.

Federal Manager's Financial Integrity

We reviewed the assurance statements submitted to the Endowment's Chairman and the Chairman's assurance statement to the President and the Congress. We determined that the reviews leading up to the assurance statements were performed in accordance with OMB Circular 1-123, Management Accountability and Control, dated June 2, 1995.

EXTERNAL ACTIVITY

Review of Grantee to Determine if Accounting Records are Auditable (Informal Report Issued)

One nonprofit organization located in New York City closed its office and ceased operation. This grantee had two current NEH grants that were not completed at the time the organization closed its doors. The executive director of the organization moved the books and records to a location in Connecticut. We visited the Connecticut location to determine if the organization's records could be audited. We found incomplete records. We informed the grantee and officials from the Endowment what was necessary to bring the books and records into proper condition for an audit. We are following up and expect to perform a complete audit in May 1998.

SINGLE AUDIT ACT 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. These single audits report on financial activities, compliance with laws and regulations, and the grantee's management (internal) controls over federal expenditures. In most instances, the cognizant agency is the Department of Health and Human Services, the federal agency with the predominant financial interest. Because the revised OMB Circular A-133 became effective for the grantees fiscal year being July 1, 1996, we changed our methodology for reviewing the audit and issuing reports. Rather than issue a report on each report we review, we are only issuing a memorandum report if the grantee had compliance findings or questioned costs.

During this period we received and processed 155 audit reports. Eight reports contained findings. We are continuing our follow-up work on these. In addition, we expended considerable effort in determining which grantees have not submitted OMB Circular A-133 audit reports. At least two organizations do not have sufficient funds for audits by independent public accountants. The OIG will, therefore, conduct the audits.

QUALITY REVIEWS

The review that was performed revealed that some problems continue to exist concerning the quality of the CPA's work. While accounting firms receive "clean opinions" on Quality Reviews performed by other CPAs, federal auditors are still finding problems in the CPA's reports and work papers. Although not perfect, the single audit is useful for providing assurance that government funds are spent as intended. With the increased dollar threshold imposed by OMB Circular A-133, a significant amount of NEH's nonprofit grantees will not be receiving adequate oversight.

In the review, we learned that the CPA did not test for compliance with special terms and conditions set forth in the grant award document.

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, 1997, we had two files open pertaining to grantees; one concerns a grantee that "temporarily" ceased operations with two NEH grants projects not completed. In addition, program income and financial reports are long outstanding. (See page 2, External Activity). The other matter was opened after the OIG received a letter stating the grantee filed false reports. (See page 6, Matters Referred to Prosecution Authorities). Both matters remain open as of March 31, 1998.

During the six month period October 1, 1997 to March 31, 1998, we received nine "Hotline" contacts. Three were from NEH staff complaining that their supervisors used abusive behavior or had taken unwarranted adverse personnel action. All three were referred to the Office of Human Resources or the Equal Opportunity Office. We informed the employees to revisit the OIG if they believe that NEH Administrative Directives are not being followed.

We received a letter from an individual stating that "serious errors.... were made during an NEH review" of an application. This matter was referred to the appropriate division and the agency's general counsel for a response. We asked the individual to contact us again if they were not satisfied with the agency response. We have not heard from the person.

An employee of the Endowment informed us that the former acting chairman changed an SES employee's annual performance rating based on nothing more than their being friends. We learned that the change was made for a period during which the former acting chairman was not associated with NEH. We investigated this allegation as a misuse of position (the use of official position for personal benefit or benefit of others). We found that no criminal activity was involved; however, we did refer it to the agency's ethics officer.

We received two allegations from an employee stating that the former chairman may have committed acts that were in violation of criminal or ethical laws or regulations. One concerned an alleged unauthorized agreement with a membership organization of NEH grantees. Action taken by the current Chairman was sufficient and therefore we closed this matter. The other concerned a nonprofit corporation that was established to support and extend programs of the National Endowment for the Humanities. The allegation concerned a possible violation of the Corporation Control Act. We are looking into the merits of this and have asked for Counsel's advice.

Two other matters concern grantees. One situation involves the grantee overspending its fiscal year 1997 appropriation and most of its fiscal year 1998 appropriation before the latter year began. Subsequently, we learned that embezzlement was committed. We have asked for and are receiving assistance from the Department of Interior's Office of the Inspector General and the Federal Bureau of Investigation, and they are working with the U.S. Attorney's Office. This matter is open as of March 31, 1998.

In the other matter we received a phone call from an individual stating that NEH erroneously awarded a grant to an applicant. The complainant claimed that the application review process was compromised because the applicant supplied false information. We used the services of six NEH program officers to determine if the NEH application review process was followed. All determined that the allegation would not have changed the outcome of the awarding of the grant and that the information provided by the informant is incorrect. In addition, we contracted with a scholar to visit the grantee and investigate the specific charges concerning falsification of the application. We issued an interim report regarding the review process. The consultant will provide a report in April 1998.

As of March 31, 1998, four cases involving grantees remain open and the one concerning the former Chairman.

MATTERS REFERRED TO PROSECUTION AUTHORITIES

We are working with the Assistant United States Attorney of New York City on one case involving filing of fraudulent financial reports. In another matter we are being assisted by the Department of Interior's Office of the Inspector General and the Federal Bureau of Investigation. This concerns an embezzlement of federal funds.

HOTLINE AND PREVENTION ACTIVITIES

We maintain a 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 the same agencywide E-mail message to NEH staff twice. We informed staff of what violations should be reported to the OIG. We plan on using E-mail messages to inform NEH staff about the OIG operations three times a year. Posters informing staff to contact the OIG are posted throughout the agency building.

We suggested this to NEH management, and they agreed to a "Warning Banner" on the Endowment's computer system.

Summary of Investigations

Investigative Workload

Open at beginning of period	2
Matters brought to the OIG	9
	—
Total Investigative contacts	11
Closed or referred during reporting period	6
	—
Open at end of period	5
	=

Presently, the IG is working on all investigation matters since the auditor/investigator retired in February 1996. During this six-month period, all of the OIG staff were involved in investigative activities. 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 six grantees.

INTRA-AGENCY COOPERATION

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 meetings. In addition, the IG attended the Chairman's weekly meetings and a monthly travel-policy meeting. The Deputy Inspector General is a member of the NEH Internal Technology Committee. Two OIG staff attended monthly NEH Employee Association Meetings; one is on the executive committee.

The Office of Inspector General contributes to the discussions; however, the office does not participate in the policy making.

STRATEGIC PLANNING FOR THE OIG

The OIG will focus our resources on programs and operations considered the most vulnerable to waste, fraud, and abuse. In addition, we will take into consideration the fact that the Single Audit Act as amended, and the revised OMB Circular A-133 raised the audit threshold from \$25,000 to \$300,000. The improvements to the Single Audit Act and the OMB Circular will mainly benefit large federal agencies with large dollar amounts above the new dollar threshold. A significant amount of the grantees that NEH is the cognizant agency for will fall below this dollar limit. Therefore, a significant monitoring activity of NEH grantees, the single audit, has ceased. New grantees will be contacted and we will perform a desk review of their accounting systems and provide accounting management guidance concerning federal funds.

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 attends 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, nothing came to our attention that required a review.

A-133 WAIVER ISSUED BY NEH

NEH has waived the A-133 audit requirement for grants awarded in the Centers program and the International Programs. The reasons for dropping the A-133 requirement for Centers grants "... was the fact that our support of these projects was limited to publicity, selection costs, and the actual fellowship stipends, with the majority of funding going to stipends. Since we know who are selected as fellows, what their projects are, and how much they receive in the way of NEH support, we saw no reason to insist on an audit of these grants. We are now recommending the same approach for the International Program because, except for a small amount of funding for administrative costs, the use of NEH funds is limited to publicity, selection costs and stipends." 1/

OMB Circular A-133 is guidance on how to implement The Single Audit Act Amendments of 1996. It is the OIG's position that NEH does not have any provision in its reauthorizing legislation or its annual appropriation that gives it authority to waive A-133. We have requested that the NEH Office of General Counsel provide the OIG with an opinion on the propriety of the waiver of A-133.

1/ Memorandum of Director of Grants Office to Deputy Chairman.

AUDIT RESOLUTION AND FOLLOW-UP

One matter containing an audit recommendation from reports issued in prior period is open (see page 9 of this report). Audit resolution occurs when the OIG and NEH management reach agreement on what actions need to be taken.

SEMIANNUAL REPORTS ON THE WORLD WIDE WEB (WWW)

The OIG now has this semiannual report on the www. In addition, the complete reports for March 31, 1997, and September 30, 1996 are also on the www. The reports have been accessible through the Inspectors General homepage (<http://www.ignet.gov/ignet/internal/neh/html>). The reports link up with the NEH homepage (<http://www.neh.gov/html/oig/>). To access the semiannual reports, enter the URL <http://www.ignet.gov>.

During this period, the OIG developed an Intranet site for NEH employees. To enhance NEH staffs' recognition of our mission and responsibilities we provide links to several other federal agencies such as the Office of Management and Budget, the General Accounting Office, the Office of Government Ethics, and the IGHET.

SPECIFIC REPORTING REQUIREMENTS OF THE INSPECTOR GENERAL ACT

PRIOR SIGNIFICANT RECOMMENDATIONS NOT YET IMPLEMENTED

Section 5(a)(3) of the Inspector General Act, as amended, requires an identification of audit recommendations disclosed in previous semiannual reports for 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 Number</u>
05-09-95	Audit of Gift Certification Letters from State Humanities Councils	OIG-95-03 (EA) ^{1/}

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.

^{1/} One council is required to provide documentation for \$20,000. See below.

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 \$20,000 remains open. The Endowment's grants office is allowing the grantee until the end of the grant period (10/31/98) to find substitute gifts or refund the money the NEH. A final decision therefore cannot be made until the end of the grant period.

**SUMMARY OF INSTANCES WHERE INFORMATION
WAS REFUSED OR NOT PROVIDED**

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

No significant management decisions were revised during this reporting period.

**SIGNIFICANT MANAGEMENT DECISIONS WHICH
THE INSPECTOR GENERAL DISAGREED**

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

LISTING 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."

INTERNAL AUDIT/SURVEY/INSPECTION REPORTS ISSUED

	Report Number	Date Issued	Questioned Cost	Unsupported Cost	Funds Put to Better Use
Audit of the Schoch Estate Gift Funds	98-01 (A)	12/04/97	-	-	-
Federal Managers Financial Integrity Review	-	12/31/97	-	-	-

EXTERNAL AUDIT/SURVEY/REPORTS ISSUED

	Report Number	Date Issued	Questioned Cost	Unsupported Cost	Funds Put to Better Use
Review of Grantee - New York City	Memo	11/14/98	-	-	-

INDIRECT COST RATE DESK REVIEW REPORTS ISSUED

Grantee	Report Number	Date Issued	Questioned Cost	Unsupported Cost	Funds Put to Better Use
The Newberry Library	98-01	11-24-98	\$	\$	\$
The Newberry Library	98-02	11-24-98			
The Civil Rights Project	98-03	01-21-98			
American Antiquarian Society	98-04	02-05-98			
The Rhode Island Historical Society	98-05	03-31-98			
American Library Association	98-06	04-02-98			

ON-SITE QUALITY REVIEW

Grantee	Report Number	Date Issued	Questioned Cost	Unsupported Cost	Funds Put to Better Use
The Research Library Group	98-101	3/16/98	-	-	-

SINGLE AUDIT ACT REVIEWS

Grantees	Report Number	Date Issued	Questioned Cost	Unsupported Cost	Funds Put to Better Use
New Jersey Council for the Humanities	98-01 (CAA)	03/31/98	\$	\$	\$
Utah Humanities Council	98-02 (CAA)	03/31/98			
West Virginia Humanities Council	98-03 (CAA)	03/31/98			
Unicorn Projects	98-04 (CAA)	03/31/98			
Maryland Humanities Council	98-05 (CAA)	03/31/98			
CNMI Council for the Humanities	98-06 (CAA)	03/31/98			
CNMI Council for the Humanities	98-07 (CAA)	03/31/98			
The Isis Fund	98-08 (CAA)	03/31/98			

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

	Number of Reports	Questioned Cost	Unsupported Cost
A. For which no management decision has been made by the commencement of the reporting period.	1	\$ 20,000	\$ 20,000
B. Which were issued during the reporting period	\$ - 0 -	\$ - 0 -	\$ - 0 -
Subtotals (A+B)	1	\$ 20,000	\$ 20,000
C. For which a management decision was made during the reporting period.			
<i>i.</i> Dollar value of disallowed costs.	1	\$ -	\$ -
<i>ii.</i> Dollar value of costs not disallowed (grantee subsequently supported all costs).		\$ -	\$ -
D. For which no management decision has been made by the end of the reporting period	1	\$ 20,000	\$ 20,000
E. Reports for which no management decision was made within six months of issuance.	1	\$ 20,000 ^{1/}	\$ 20,000

^{1/} See page 9 of this report.

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

	Number of Reports	Dollar Value
A. For which no management decision has been made by the commencement of the reporting period.	0	\$ 0
B. Which were issued during the reporting period.	0	\$ 0
C. For which a management decision was made during the reporting period.		
<i>i.</i> Dollar value of recommendations that were agreed to by management.		\$ 0
<i>ii.</i> Dollar value of recommendations that were not agreed to by management.	0	\$ 0
D. For which no management decision was made by the end of the reporting period.	0	\$ 0

REPORTING REQUIREMENTS

The Inspector General Act of 1978, as amended (Public Law 100-504), specifies reporting requirements for semiannual reports. The requirements are listed and cross-referenced to the applicable pages in this report.

<u>Citation</u>	<u>Reporting Requirements</u>	Page
Section 4(a)(2)	Review of Legislation and Regulations	8
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies.....	3
Section 5(a)(2)	Recommendations for Corrective Action with Respect to Significant Problems, Abuses, and Deficiencies.....	3
Section 5(a)(3)	Prior Significant Recommendations Not Yet Implemented.....	9
Section 5(a)(4)	Matters Referred to Prosecutive Authorities.....	6
Section 5(a)(5) And 6(b)(2)	Summary of Instances Where Information Was Refused or Not Provided.....	10
Section 5(a)(6)	Listing of Audit Reports.....	11-12
Section 5(a)(7)	Summary of Significant Reports.....	3-4
Section 5(a)(8)	Audit Reports - Questioned Costs.....	13
Section 5(a)(9)	Audit Report - Funds Bet 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.....	9
Section 5(a)(11)	Significant Revised Management Decisions.....	10
Section 5(a)(12)	Significant Management Decisions with which the Inspector General Disagreed..	10

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 three divisions-Research and Education 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 OIG consists of the Inspector General, three professional staff, and a secretary. The OIG and the Office of General Counsel have a Memorandum of Understanding detailing the procedures for the OIG to be provided with OGC legal services.

THE OFFICE OF INSPECTOR GENERAL

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

**To report any suspected activity
Involving NEH programs, operations, or employees**

Please Call

(202) 606-8423

or,

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
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- **Government employees are protected from reprisal**
- **Caller can remain anonymous**
- **Information is confidential**