

OFFICE OF INSPECTOR GENERAL

March 18, 2011

**RETURN RECEIPT REQUESTED**

Board of Trustees  
Newberry Library  
60 W. Walton Street  
Chicago, IL 60610

RE: Audit Report: OIG-11-09 (DR)

Dear Board Members:

We have completed our desk review of the single audit report prepared by McGladrey & Pullen, which includes the Federal assistance programs administered by the Newberry Library (the "Library"), for the year ended June 30, 2010. The independent auditors (IPA) previously furnished a copy of their audit report to the Library and submitted the related reporting package to the Federal Audit Clearinghouse. The IPA issued an unqualified opinion (both GAAP and single audit) with no written findings reported.

Our review was limited to an examination of the IPA's audit report. We did not examine the underlying audit documentation to evaluate the adequacy of the audit work performed; rather, the single audit desk review guide, issued by the Council of Inspectors General on Integrity and Efficiency (CIGIE), was used to determine whether the audit report meets the core reporting requirements stipulated by OMB Circular A-133. Audit reports determined to be *technically deficient* or *unacceptable* require corrective action.

Our work determined that the audit report meets Federal reporting requirements as evidenced by the lack of any definitive exceptions. However, please review the following comment for future consideration.

- A typical single audit requires the IPA to test at least fifty percent of the total expenditures reported on the Schedule of Expenditures of Federal Awards (SEFA). However, when certain criteria related to the two prior audit years are met, a recipient of Federal funds may be considered a "low-risk" auditee thereby reducing the required audit coverage threshold from fifty to twenty-five percent.<sup>1</sup> Because Federal agencies rely greatly on the results of these OMB Circular A-133 audits to monitor the accountability of Federal awards, Federal program and grantee risk increases when audits are not filed or are filed late with the Federal Audit Clearinghouse (FAC). In order to meet the criteria for a low-risk auditee, the two prior audit reports must have been completed and submitted in a timely manner (within nine months of the fiscal year-end). In the case of the Library, the June 30, 2008 submission to the FAC was incomplete due to missing documentation. Accordingly, the

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<sup>1</sup> OMB Circular A-133, Section .530 and the related A-133 June 2010 Compliance Supplement (Appendix 7, Part III) define these requirements.

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Library was technically ineligible for "low-risk" status therefore our office would normally require the IPA to re-open the June 30, 2010 audit and perform additional A-133 compliance testing to reach the obligatory fifty percent audit coverage threshold. However in this case, revoking the Library's "low-risk" status would be unduly punitive since the missing documentation represented the independent auditor's report which was actually completed within the required timeframe; rather, due to an administrative error, the report was never formally uploaded to the FAC website.

Please be advised that management needs to implement new procedures and begin monitoring the FAC website (<http://harvester.census.gov/sac/>) to ensure the Library's annual single audit package is properly received and accepted. This will safeguard against the potential loss of "low-risk" auditee status as described above.

Please note that we are sending this letter to the auditors to inform them of the results of our review.

If you have any questions concerning this letter or need accounting assistance, please contact Mr. Steve Elsberg at (202) 606-8353 or via email at [selsberg@neh.gov](mailto:selsberg@neh.gov).

Sincerely,



Laura Davis  
Acting Inspector General

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