



NATIONAL ENDOWMENT FOR THE

Humanities

OFFICE OF INSPECTOR GENERAL

April 26, 2011

RETURN RECEIPT REQUESTED

Board of Directors
Utah Humanities Council
202 West 300 North
Salt Lake City, UT 84103
Attn: Jan Bennett, Chair

Audit Report: OIG-11-12 (DR)

Dear Board Members:

We have completed our desk review of the single audit report prepared by Tanner LLC, which includes the Federal assistance programs administered by the Utah Humanities Council (the "Council"), for the year ended October 31, 2010. The independent auditors (IPA) previously furnished a copy of their audit report to the Council and submitted the related reporting package to the Federal Audit Clearinghouse. The IPA issued an unqualified opinion (both GAAP and single audit) with no reportable current year findings.

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.

We determined that the audit report generally meets Federal reporting requirements, with the following exceptions:

- OMB Circular A-133.310(b)(5) states that pass-through entities, to the extent practical, should identify the total amount of funding provided to subrecipients from each Federal program. The National Endowment for the Humanities (NEH) Federal/State Partnership grants (CFDA #45.129) include specific funding for regrants, which are awarded by the Council to subrecipients on an annual basis. Similarly, most "We The People" grant budgets (CFDA #45.168) include regrant funding. In fact, according to the audited statement of activities, the Council incurred over \$83,000 in "Regrants" expense during the fiscal year ended October 31, 2010. However, we noted that the Schedule of Expenditures of Federal Awards (SEFA) did not include any disclosure concerning federally-funded subrecipient awards.
- OMB Circular A-133.310(b) requires the SEFA to be factually correct and free of mistakes. We noted that the NEH "We The People" (CFDA #45.168) grant numbers reported on the October 31, 2010 SEFA were improperly rolled forward from the prior year audit. To further complicate matters, the last two digits of the previously reported grant numbers were modified, resulting in the disclosure of non-existent NEH grant awards in the current year SEFA and the related note to the financial statements (note 7).

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- The notes to the financial statements, which represent an integral component of the audit report, disclose pertinent information necessary to fully understand an organization's operations. Note 6 entitled "Government Grants" documents the core components of the government grant revenue reported in the statement of activities. According to the note, the majority of this revenue stream was derived from NEH. However, this represents a misleading disclosure since it actually summarizes the total government revenue derived from multiple sources to include the NEH, the National Endowment of the Arts, and the Institute of Museum and Library Sciences. These three independent Federal agencies all administer distinct grant programs that fall under the 45.XXX series of the Catalog of Federal Domestic Assistance (CFDA). To avoid confusion, the revenues derived from each of these agencies should be broken out separately.

Since the overall reliability of the 2010 single audit report was not impacted, we will accept the report in its current form thereby issuing an "acceptable with deficiencies" conclusion. However, the above deficiencies must be addressed and corrected prior to the issuance of the Council's next audit report (i.e. October 31, 2011). Failure to correct these matters will result in the NEH Office of Inspector General treating future submissions as unacceptable.

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.

Sincerely,



Laura Davis
Acting Inspector General

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