



NATIONAL ENDOWMENT FOR THE

Humanities

OFFICE OF INSPECTOR GENERAL

1100 PENNSYLVANIA AVE., NW
ROOM 419
WASHINGTON, D.C. 20506
(202) 606-8350 (PHONE)
(202) 606-8329 (FAX)
WWW.NEH.GOV
HOTLINE 877-786-7598

November 22, 2010

RETURN RECEIPT REQUESTED

Board of Directors
Nebraska Humanities Council
215 Centennial Mall South, Suite 330
Lincoln, NE 68508

Audit Report: OIG-11-05 (DR)

Dear Board Members:

We have completed our desk review of the single audit report prepared by Dana F. Cole & Company, LLP, which includes the Federal assistance programs administered by the Nebraska Humanities Council (the "Council"), for the year ended October 31, 2009. 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 is unacceptable. As the Council's cognizant agency, NEH will not accept this single audit report until the following deficiencies are addressed and corrective action taken.

We identified a material departure from generally accepted accounting principles (GAAP). Specifically, the Council is not depreciating \$ [REDACTED] in fixed assets as required by FASB ASC 958-360-35. GAAP exempts land and certain works of art or historical treasures with extraordinary long lives (i.e. "collections") from the depreciation requirement; however, it is our understanding that the aforementioned fixed assets do not qualify for either of these exemptions. Due to the age of these items, it appears that the entire \$ [REDACTED] should have been depreciated in previous years or written off completely (if no longer in use). Based upon this review, the audit report needs to be reissued to either 1) restate the beginning net asset balance to correct for an error; or 2) modify the audit opinion from unqualified to adverse. The IPA should consult professional guidance to include AU 390, *Consideration of Omitted Procedures After the Report Date*, AU 508, *Reports on Audited Financial Statements*, and AU 801, *Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance*, with respect to reissuance of the audit report.

Letter to the Board of Directors
November 22, 2010
Page 2


Please note that either a material restatement of the beginning net assets or an adverse opinion will disqualify the Council from “low-risk” auditee status for next year’s single audit testing as defined in OMB Circular A-133.

Additionally, we identified an error with the Schedule of Expenditures of Federal Awards (SEFA). Specifically, 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 statement of activities reported Federal regrant expense totaling \$ [REDACTED] for the fiscal year ended October 31, 2009. We noted that the SEFA did not include any disclosure concerning these subrecipient awards. Rather, Note 2 of the SEFA states that the “Council provided no Federal awards to subrecipients.”

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,


Sheldon L. Bernstein
Inspector General

Distribution List:

Dana F. Cole & Company, LLP
1248 O Street, Suite 500
Lincoln, NE 68508
Attn: David Ellingson, CPA