

OFFICE OF INSPECTOR GENERAL

April 5, 2011

**RETURN RECEIPT REQUESTED**

Board of Directors  
Humanities Texas  
1410 Rio Grande Street  
Austin, TX 78701

Audit report: OIG-11-11 (DR)

Dear Board Members:

We have completed our desk review of the single audit report prepared by Berrier & Company, P.C., which includes the Federal assistance programs administered by Humanities Texas (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 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. NEH's 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 \$270,000 in "Grants and evaluations" expense during the fiscal year ended October 31, 2009. 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-133.320(a) states that the single audit reporting package must be submitted to the Federal Audit Clearinghouse (FAC) within the earlier of thirty days after receipt of the auditor's report, or nine months after the end of the audit period. Based upon this guidance, the Council's reporting package has been submitted late for the past three years. Please note that delinquent submissions to the FAC, in either of the previous two audit periods, prohibit the IPA from treating the Council as a low-risk auditee for A-133 audit testing purposes. We recommend that the timing of the annual audit be moved forward to address this deficiency.

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- The American Institute of Certified Public Accountants' (AICPA) audit guide entitled "*Government Auditing Standards and Circular A-133 Audits*" defines the specific wording to be used in the IPA's Federal compliance audit reports. We determined that the two internal control and compliance reports related to 1) financial reporting and 2) the major programs omitted required language, as defined in chapters 4 and 13 of the AICPA audit guide. Specifically, the following items were improperly excluded:
  - a. The internal control over financial reporting and compliance sections lacked the required disclaimer stating that the IPA does "not express an opinion on the effectiveness of the Council's internal control ..."
  - b. The internal control over financial reporting and compliance sections omitted the standard paragraph that defines a control deficiency and a significant deficiency.
  - c. The reader was not alerted to the existence of a separate management letter that identified internal control deficiencies not disclosed in the A-133 audit report.

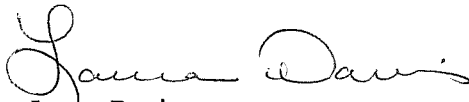
The IPA must revisit these reports and ensure the AICPA audit guide requirements are properly incorporated moving forward. The OIG office will review the finalized 2010 audit report to ensure compliance.

Since the overall reliability of the 2009 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, 2010). Failure to correct these matters will result in the NEH Office of Inspector General treating future submissions as unacceptable and may result in punitive enforcement measures.

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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