

OFFICE OF INSPECTOR GENERAL

January 25, 2012

RETURN RECEIPT REQUESTED

Board of Directors
Kansas Humanities Council
112 SW 6th Ave. Suite 210
Topeka, KS 66603-3895

RE: Audit Report: OIG-12-09 (DR)

Dear Board Members:

We have completed our desk review of the single audit report prepared by Berberich Trahan & Company, which includes the Federal assistance programs administered by the Kansas 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 audit opinion related to Federal award compliance 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 exception:

- 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 on the Schedule of Expenditures of Federal Awards (SEFA). NEH's "Federal/State Partnership" and "We The People" grants (CFDA #s 45.129 and 45.168) include specific funding for regrants, which are awarded by the Council to subrecipients on an annual basis. In fact, according to the Statement of Revenues, Expenses and Changes in Net Assets, the Council incurred approximately \$[REDACTED] in direct regrant program expenses during the fiscal year ended October 31, 2010. However, we noted that the SEFA did not include any disclosure concerning the federally-funded subrecipient awards.

We will accept this single audit report on the condition that the above deficiency is addressed and corrected in the Council's next audit (i.e. October 31, 2011). Future audit reports that include improperly prepared single audit schedules may be deemed unacceptable submissions by the NEH Office of Inspector General.


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On a separate note, we determined that the IPA continues to issue an adverse financial statement audit opinion due to the revenue recognition methodology used by the Council to record NEH grant awards. Although this matter is outside the scope of this single audit desk review, we intend to contact both the IPA and Council management in an effort to resolve the dispute and potentially eliminate the negative audit opinion in future years.

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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