



NATIONAL
ENDOWMENT
FOR THE
HUMANITIES (NEH)

OFFICE OF INSPECTOR GENERAL

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HOTLINE 877-786-7598

June 23, 2010

RETURN RECEIPT REQUESTED

[REDACTED]
[REDACTED]
Fayetteville Public Library
401 W. Mountain Street
Fayetteville, AR 72701

RE: NEH Challenge Grant [REDACTED]
[OIG-10-02 (DR)]

Dear Ms. [REDACTED]

Please note that OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* requires non-profit entities that annually expend \$ [REDACTED] or more in federal awards to undergo either a single or program-specific audit. We wanted to alert you to this fact since 1) it appears that the Fayetteville Public Library Foundation (the "Foundation") has not been subject to an A-133 audit in the past and 2) a unique rule used to determine annual expenditures applies to the Foundation's current NEH challenge grant award entitled "A Richer World" ([REDACTED]), which was funded to establish a humanities based endowment.

OMB Circular A-133, Section 205(e) states that the cumulative balance of federal awards for endowment funds, which are federally restricted, are considered awards expended in each year in which the funds are still restricted. Moreover, the *Administration of NEH Challenge Grants* manual states that federal funds deposited into income-earning accounts are to be treated as federal expenditures. Consequently, the full amount of federal funds received from NEH must be reported as federal expenditures on the Schedule of Expenditures of Federal Awards (SEFA) since these funds are specifically restricted to build an endowment.

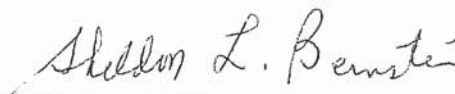
We completed a cursory review of the related grant file and determined that three certification reports reflecting \$ [REDACTED] in non-federal matching funds have been submitted to NEH. This resulted in the release of \$ [REDACTED] in cumulative federal dollars by NEH as of today's date. Assuming NEH represents the Foundation's only federal funding source, the single audit requirement will be triggered once the Foundation receives \$ [REDACTED] in challenge grant support which, very well, could take place before the end of the current fiscal year (December 31, 2010).

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Please ensure the Foundation's controller and the independent auditors are promptly informed of this matter since the improper preparation of the SEFA and faulty A-133 audit procedures can lead to additional scrutiny by federal auditors, to include our office, and the temporary suspension of federal funding. Please note that additional audit guidance concerning the challenge grant program can be found on the NEH Office of the Inspector General website (<http://www.neh.gov/whoware/oig-challenge-audit.html>).

If you have any questions concerning this matter, please call Mr. Steve Elsberg at (202) 606-8353.

Sincerely,


Sheldon L. Bernstein
Inspector General

cc:

[REDACTED]
[REDACTED]
Fayetteville Public Library
401 West Mountain Street
Fayetteville, AR 72701
[REDACTED]