



NATIONAL ENDOWMENT FOR THE

Humanities

OFFICE OF INSPECTOR GENERAL

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November 30, 2010

RETURN RECEIPT REQUESTED

Board of Directors
National Constitution Center
525 Arch Street
Philadelphia, PA 19105

Audit Report: OIG-11-03 (DR)

Dear Board Members:

We have completed our desk review of the single audit report prepared by McGladrey & Pullen, which includes the Federal assistance programs administered by the National Constitution Center (the "Center"), for the year ended September 30, 2009. The independent auditors (IPA) previously furnished a copy of their audit report to the Center and submitted the related reporting package to the Federal Audit Clearinghouse. The IPA issued an unqualified opinion (both GAAP and single audit) with one reportable finding.

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) requires the Schedule of Expenditures of Federal Awards (SEFA) to be factually correct and free of mistakes. Additionally, 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 funds deposited into income-earning accounts are to be treated as Federal expenditures.

NEH challenge grant [REDACTED] was specifically awarded to fund a restricted endowment at the Center therefore the preceding rule applies. Rather than reporting the cumulative challenge grant funding received from NEH as of September 30, 2009 (\$ [REDACTED]), the Federal expenditures reported in the SEFA were erroneously limited to the current year funding (\$ [REDACTED]). Fortunately, the IPA selected the NEH challenge grant as the A-133 major program therefore this oversight did not impact the current year single audit testing. However, please note that the cumulative funding provided by NEH totaled \$ [REDACTED] as of September 30, 2010. Accordingly, an A-133 single audit must be performed for this reporting period.

The fact that this error was missed by both the Center's management and the IPA is troubling. Nevertheless, the above error was not material enough to impact the core single audit testing (to include major program selection) performed by the IPA. Accordingly, we will accept this single audit report on the condition that both the Center and the IPA strengthen internal controls associated with the preparation of the SEFA. Future A-133 audit reports that include improperly prepared SEFAs will be deemed an unacceptable submission by the NEH Office of Inspector General.

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

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