



NATIONAL ENDOWMENT FOR THE

Humanities

OFFICE OF INSPECTOR GENERAL

January 17, 2012

RETURN RECEIPT REQUESTED

[REDACTED]
Executive Director
Southern Ute Cultural Center and Museum
77 County Road 517
PO Box 737
Ignacio, CO 81137

RE: NEH Challenge Grant (CH-50858-11)
[OIG-12-05 (DR)]

Dear [REDACTED]:

Earlier in the year, our office issued general guidance to new challenge grant award recipients¹. The communication addressed six areas in which the Office of Inspector General has historically encountered problems. The intent of this letter is to expand upon item #5 – “Compliance with Federal audit requirements” since the Southern Ute Cultural Center and Museum (the “Museum”) received an endowment-based challenge grant award from the National Endowment for the Humanities (NEH).

Please note that OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* requires non-profit entities that annually expend \$500,000 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 Museum has not been subject to an A-133 audit during the past five years; and 2) a unique rule used to determine annual expenditures applies to the Museum’s current NEH challenge grant entitled “*Innovative Programs of the Southern Ute Cultural Center and Museum*” (CH-50858-11), which was awarded to endow humanities programming.

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* publication states that Federal funds deposited into income-earning accounts are to be treated as Federal expenditures. Accordingly, cumulative Federal funds received from the NEH that are specifically restricted to build an endowment must be reported as Federal expenditures on the Schedule of Expenditures of Federal Awards (SEFA) annually.

We determined that certification report(s) reflecting non-Federal matching funds have been submitted resulting in the release of \$ [REDACTED] in cumulative Federal dollars by the NEH as of December 31, 2011. Assuming the NEH represents the Museum’s only Federal funding source,

¹ Back in May 2011, the NEH Office of Inspector General emailed a memorandum entitled “*Important Challenge Grant Information*” to both the project director and the grant administrator of record.

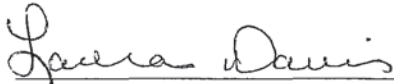
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the single audit requirement will be triggered once the Museum receives the full \$ [REDACTED] in Federal challenge grant support which, very well, could take place in the next year or two based upon the initial success of your fundraising efforts.

Please ensure the Museum'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. 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/whowere/oig-challenge-audit.html>).

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

Sincerely,



Laura Davis
Acting Inspector General