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National Endowment for the Humanities



SEMIANNUAL REPORT TO CONGRESS

October 1, 2001 to March 31, 2002

REPORT NO. 26

"Democracy demands wisdom and vision in its citizens"
National Foundation on the Arts and Humanities Act of 1965

THE OFFICE OF INSPECTOR GENERAL

**serves American taxpayers
by investigating reports of waste, fraud,
mismanagement, abuse, integrity violations or
unethical conduct involving federal funds.**

**To report any suspected activity
involving NEH programs, operations, or employees**

Call the OIG Hotline

The Number is: (202) 606-8423

The Mailing Address is:

**Office of Inspector General-Hotline
National Endowment for the Humanities
1100 Pennsylvania Ave. N.W., Room 419
Washington, DC 20506**

FAX: (202) 606-8329

**ELECTRONIC MAIL HOTLINE
OIG@neh.gov**

Government employees are protected from reprisal

Caller can remain anonymous

Information is confidential

This report is also available on the NEH/OIG Website, at <http://www.neh.gov/whoweare/oig.html>

NATIONAL ENDOWMENT FOR THE HUMANITIES

WASHINGTON, D.C. 20506



April 30, 2002

Honorable Bruce Cole
Chairman
National Endowment for the Humanities
Washington, D.C. 20506

Dear Chairman Cole:

I am pleased to welcome you to the National Endowment for the Humanities and respectfully submit the Semiannual Report to Congress for the first half of fiscal year 2002. The report is submitted in accordance with the Inspector General Act of 1978, as amended. Section 5 of the Act requires that you submit this report, with your Report of Final Action, to the appropriate committee or subcommittee of the Congress within 30 days of its receipt. The report provides a summary of the activities of the OIG during the six-month period ended March 31, 2002.

During this period, we continued our work on the second phase of the Government Information Security Reform Act review. This review is taking a significant effort from the OIG and we believe the agency will greatly benefit by implementing our recommendations. We also continued our work with independent public accountants who are performing Office of Management and Budget Circular A-133 audits of NEH grantees.

I appreciate your support and look forward to working with you and agency staff to help ensure that NEH delivers grant awards in an economical, effective and efficient manner.

Sincerely,

Sheldon L. Bernstein
Inspector General

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INTRODUCTION

THE NATIONAL ENDOWMENT FOR THE HUMANITIES

In order to promote progress and scholarship in the humanities and the arts in the United States, Congress enacted the National Foundation on the Arts and the Humanities Act of 1965. This Act established the National Endowment for the Humanities as an independent grant-making agency of the federal government to support research, education, and public programs in the humanities. Grants are made through four divisions - Research Programs, Education Programs, Preservation and Access, and Public Programs -- and two offices -- Challenge Grants and Federal-State Partnership.

The Act that established the National Endowment for the Humanities says "The term 'humanities' includes, but is not limited to, the study of the following: language, both modern and classical; linguistics; literature; history; jurisprudence; philosophy; archaeology; comparative religion; ethics; the history, criticism, and theory of the arts; those aspects of social sciences which have humanistic content and employ humanistic methods; and the study and application of the humanities to the human environment with particular attention to reflecting our diverse heritage, traditions, and history and to the relevance of the humanities to the current conditions of national life."

THE OFFICE OF INSPECTOR GENERAL

The NEH Office of Inspector General was established on April 9, 1989, in accordance with the Inspector General Act Amendment of 1988, (Public Law 100-504). In this legislation, Congress established Offices of Inspector General in several departments and in thirty-three agencies, including the NEH. The NEH Inspector General (IG) is appointed by the Chairman. The independence of the IG is an important aspect of the Act. For example, the IG:

- cannot be prevented from initiating, carrying out, or completing an audit or investigation, or from issuing any subpoena;
- has access to all records of the agency;
- reports directly to the Chairman, and can only be removed by the Chairman, who must promptly advise Congress of the reasons for the removal; and

- reports directly to Congress.

The Act states that the Office of Inspector General is responsible for (1) conducting audits and investigations; (2) reviewing legislation; (3) recommending policies to promote efficiency and effectiveness; and (4) preventing and detecting fraud, waste, and abuse in the operations of the agency. The Inspector General is also responsible for keeping the Chairman and Congress fully and currently informed of problems and deficiencies in the programs and operations.

The OIG staff consists of the Inspector General, a Deputy Inspector General for Audits, two auditors, and a secretary. The OIG and the Office of General Counsel (OGC) have a Memorandum of Understanding detailing the procedures for the OIG to be provided with OGC legal services. Investigations are handled by the Inspector General, an auditor and as required by the agency's Assistant General Counsel.

AUDIT AND REVIEW ACTIVITIES

This office is responsible for external and internal audits. External auditing includes grants, pre-award accounting system surveys, review of OMB Circular A-133 reports, and on-site quality control reviews of CPA work papers. Internal efforts consist of audits, inspections, and reviews/evaluations of the NEH administrative,

programmatic, and financial operations. During this reporting period, the OIG received and processed 93 OMB Circular A-133 audit reports and issued seven memorandum reports containing findings (see Single Audit Act Reviews).

LIST OF AUDIT REPORTS ISSUED

The following is a list of audit/survey reports issued by the OIG during this reporting period. The Act requires us to report on the "Dollar Value of Recommendations that Funds Be Put to Better Use" and the "Total Dollar Value of Questioned Costs" (including a separate category for the "Dollar Value of Unsupported Costs"). None are reported during this period.

INTERNAL AUDITS/REVIEWS	Report Number	Date Issued
Fiscal Year Ended September 30, 2001 Consolidated Review of the Federal Managers' Integrity Act (FMFIA)	OIG-02-01 (IR)	01/28/02
Limited Review of the Government Travel Card Program	OIG-02-02 (IR)	03/28/02
Review of Information Technology Contingency Planning and the Planning Process	OIG-02-03 (IR)	03/29/02
Review of National Endowment for the Humanities Equal Employment Opportunity Program	OIG-02-04 (IR)	03/19/02
EXTERNAL AUDITS/REVIEWS		
Review of Independent Public Accountant (IPA) Workpapers for Financial Statement and Compliance Audit of the Florida Humanities Council Fiscal Year Ended October 31, 2000	OIG-02-101 (QCR)	11/07/01
Quality Control Review of V.H. Stanley and Associates Audit of the Amerika Samoa Humanities Council for the Fiscal Year Ended October 31, 1998	OIG-02-102 (QCR)	03/14/02
Quality Control Review of J. Scott Magliari & Company, CPAs Audit of the Northern Mariana Islands Humanities Council for Fiscal Year Ended October 31, 1999	OIG-02-103 (QCR)	03/14/02
Quality Control Review of Justin J. Scanlan, CPA, Audit of the Louisiana Endowment for the Humanities for the Year Ended October 31, 2000	OIG-02-104 (QCR)	03/27/02

EXTERNAL AUDITS/REVIEWS (Continued)

Quality Control Review of Ernst and Young, LLP Audit of the
New York Public Library, Astor, Lenox and Tilden Foundation
for the Year Ended June 30, 2000

Report Number

OIG-02-105 (QCR)

Date Issued

03/28/02

SINGLE AUDIT ACT REVIEWS

Heard Museum

OIG-02-01 (CAA)

03/29/02

Virgin Islands Humanities Council

OIG-02-02 (CAA)

03/29/02

Humanities Tennessee

OIG-02-03 (CAA)

03/29/02

Rhode Island Committee for the Humanities

OIG-02-04 (CAA)

03/29/02

Rhode Island Committee for the Humanities

OIG-02-05 (CAA)

03/29/02

Alabama Humanities Foundation

OIG-02-06 (CAA)

03/29/02

Vermont Council on the Humanities

OIG-02-07 (CAA)

03/29/02

PRE-AWARD ACCOUNTING SYSTEM TELEPHONE SURVEYS

James Agee Film Project

OIG-2002-101 (TS)

11/20/01

Newport Historical Society

OIG-2002-102 (TS)

03/22/02

SUMMARY OF REPORTS ISSUED

INTERNAL REVIEWS

Fiscal Year Ended September 30, 2001 Consolidated Review of the Federal Managers' Integrity Act (FMFIA) January 28, 2002 OIG-02-01 (Internal Review)

We performed a limited review of the information submitted by each office head/division director and the chairman's letter sent to President Bush. Our review covered fiscal year ended September 30, 2001. We found that the agency generally complied with the Act. To the deputy chairman, we made several suggestions for follow-up concerning the office heads' and division directors' reports.

Limited Review of the Government Travel Card Program March 28, 2002 OIG-02-02 (Internal Review)

The NEH OIG received a letter from Senator Charles F. Grassley, Ranking Member, Committee on Finance, concerning the misuse of government charge cards by federal employees. The senator noted that he was troubled by "...reports of the government paying for employees' personal expenses because of the unauthorized use of government charge cards." Therefore, we began a review of the NEH government travel card program.

The objectives of the review were to determine if (1) NEH employees were using their NEH government credit cards for personal and inappropriate purposes; (2) NEH employees were paying their bills in a timely manner; and (3) the credit card bank company had to write-off fraudulent debts for the cards.

Our review revealed that generally NEH staff (1) used their NEH travel cards appropriately, however, some exceptions were noted, (2) paid their bills in a timely manner (except for an occasional disputed charge), and (3) did not require the bank to incur any charge-offs. A preponderance of the exceptions were charges clearly made because the employee used the wrong card (in the D.C. area), or the employee was unaware of the restrictions (paying for spouse or colleague while on official travel

status). None of the inappropriate charges were reimbursed by NEH because they were not claimed by staff.

We made two recommendations for the NEH Accounting Office to (1) periodically remind NEH staff via email on the appropriate use of the card, and (2) periodically review the bank reports for inappropriate charges.

Review of Information Technology Contingency Planning and the Planning Process March 29, 2002 OIG-02-03 (Internal Review)

This is the third in a series of reviews that the OIG is working on as part of our review of the agency's information security program in accordance with the Government Information Security Reform Act (GISRA). We will report the results of this review and subsequent reviews to the Office of Management and Budget in September 2002.

The objective of the review was to assess the current Office of Information Resources Management (OIRM) plans to address any possibility of disruptions of IT services, the strategies necessary to recover from those disruptions, and the process by which the plans were developed. For guidance concerning plan development we used the *National Institute of Standards and Technology (NIST) Special Publication 800-34: Contingency Planning Guide for Information Technology Systems*.

Our review disclosed that OIRM needs a written contingency planning policy to provide the authority and guidance necessary to develop an effective OIRM contingency plan. We also found that OIRM (1) lacked a written internal policy regarding plan testing, testing of backup media and a backup policy; (2) had not conducted a risk analysis to identify systems risks and had made no attempts to determine the likelihood of a risk actually occurring; and (3) did not adequately document the recovery strategies that would be used to recover the IT systems.

We made ten recommendations to improve the deficiencies identified. We are pleased that the CIO is receptive to the recommendations.

**Review of National Endowment for the
Humanities Equal Employment Opportunity
Program**
March 19, 2002 OIG-02-04 (Internal Review)

The overall objective of the review was to assess the NEH's compliance with federal laws and regulations and to evaluate the effectiveness of the NEH's EEO program. A major subobjective of the review was to determine the extent of the agency's efforts to maintain a continuing affirmative program to promote equal opportunity and to identify and eliminate discriminatory practices and policies. To accomplish our objectives we

randomly selected and interviewed thirty employees.

Our review disclosed that the agency has issued administrative directives that establish the agency's policy on non-discrimination and implement the agency's EEO program. However, the agency has not consistently implemented procedures to review, evaluate and control managerial and supervisory performance in a manner as to insure a continuing affirmative application and vigorous enforcement of the policy of equal opportunity as outlined in 29 C.F.R. Part 1614.

We recommended that the agency take a more proactive position to fully comply with 29 C.F.R. Part 1614.

EXTERNAL AUDITS/REVIEWS

See Pages 2 and 3 for the list of the five IPAs reviewed. The objectives of the QCRs were to (1) ensure that the A-133 audits were conducted in accordance with “Government Auditing Standards (GAS)” and meet the single audit requirements; (2) identify any follow-up work needed; and (3) identify issues that may require the attention of NEH management.

We found that the audits were generally conducted in accordance with applicable standards. However, the audits did not, in all respects, meet the single audit requirements. Several exceptions were noted:

- There was no evidence in the working papers that the IPAs tested amounts reported by councils as cost sharing in order to determine compliance with the specific requirements pertaining to matching.
- There was no evidence in the working papers that the IPAs tested or reviewed the eligibility of gifts certified by councils to release Federal matching funds.
- There was no evidence in the working papers to substantiate that testing had been performed on

disbursements and other information reported on the Federal Cash Transactions Reports or the Financial Status Reports.

- There were errors in the Schedule of Expenditures of Federal Awards and the Data Collection Forms.
- There was inadequate testing of council policies concerning subrecipient monitoring.

We made recommendations to IPAs on how to perform the audits according to the single audit requirements. We plan on issuing a reminder to the IPAs for the 56 state humanities councils that more care has to be made on these audits.

As we previously reported, we found that most of the IPAs were performing preliminary year-end accounting work in order to make the councils’ books and records auditable. Therefore, they were expending most of their agreed upon time fixing the records rather than auditing. The work on the financial statements was adequate, however, the IPAs did not expend sufficient time on the compliance component of the audits.

SINGLE AUDIT ACT REVIEWS

We receive audit reports on NEH grantee organizations from other federal agencies (mainly the Department of Health and Human Services), state and local government auditors, and independent public accountants. These reports are the result of OMB Circular A-133 audits and they cover financial activity, compliance with laws and regulations, and grantee management (internal) controls over federal expenditures.

During the six-month period ended March 31, 2002, we reviewed 93 OMB Circular A-133 audit reports. Seven of the reports contained audit findings. Five of the reports with findings were associated with state humanities councils.

In addition, we expended considerable effort determining which grantees were not current with their OMB Circular A-133 audit report submissions. We have discovered that several grantees do not have sufficient funds for audits by independent public accountants. The OIG is working with these organizations and their independent public accountants to develop an appropriate cost-effective audit approach.

To ensure that we receive OMB Circular A-133 audit reports from the state humanities councils in a timely manner, we sent an e-mail message to all of the executive directors and Board chairpersons. We will continue to send reminders to the state councils.

Following are some of the IPA recommendations pertaining to the councils. The councils should:

- Develop a formal, written procurement policy that adheres to the requirements set forth in OMB Circular A-110.

- Develop a policy to be used when preparing bank reconciliations to handle old outstanding checks.
- Review current policies and procedures for monitoring subrecipients and consider making any necessary revisions to ensure compliance with federal laws and regulations.
- Consistently obtain audit reports from subrecipients.
- Include the CFDA number in all subrecipient contracts.
- Ensure that council headquarters is handicapped accessible.
- Consistently follow its own regrant selection process and maintain the necessary documentation to support the process.
- Remit interest earned annually over \$250 on Federal deposits to the Department of Health and Human Services.
- Provide additional training for personnel to understand the federal reporting requirements, the relationships between council records and systems and the extent of documentation required for federal reporting.
- Ensure timely submission of financial reports. In addition, if such reports are to be filed after the due date, ensure that management request the appropriate extensions.
- Put control procedures in place to ensure that all reports are reviewed by someone in management before submission to the appropriate Federal agency.

PRE-AWARD ACCOUNTING SYSTEM TELEPHONE SURVEYS

During this period we conducted two telephone surveys. During the telephone surveys, we obtain information from a grantee or applicant that has been awarded a grant concerning their accounting and management system capabilities to administer an NEH grant. If we find weaknesses in their systems, we advise them what

corrective action needs to be taken. We then obtain written assurance from the executive director, book-keeper/accountant and a person on the board of directors, affirming that they will make the necessary corrective action.

INVESTIGATIVE ACTIVITIES

BACKGROUND

The Inspector General Act provides the authority for the Office of Inspector General to investigate possible violations of criminal or civil laws, administrative regulations, and agency policies, which relate to the programs and operations of the NEH. The OIG Hotline, e-mail address, and regular mail are efficient and effective means of receiving allegations or complaints from employees, grantees, contractors, and the general public. The OIG has obtained assistance from other OIGs, the Federal Bureau of Investigation, the Postal Inspection Service, and other investigative entities as necessary.

When the OIG receives a complaint or allegation of a criminal or administrative violation, we make a determination of the appropriate action to take. This can be an audit, an investigation, a referral to another NEH office or division, or a referral to another federal agency.

As of October 1, 2001, one case was open. During the six months ended March 31, 2002, we received 10 "Hotline" contacts. We are holding one matter open at March 31, 2002.

OPEN AT OCTOBER 1, 2001

- The allegation concerned a SES staff member's travel. The allegation stated that the purpose of the trip was fabricated and the SES staff person actually used government funds to go on a job interview. Our investigation revealed that the allegation had no merit.

CONTACTS DURING THIS PERIOD

We received seven internal contacts during this period.

- Employee claimed supervisor discriminates against minorities on staff. We referred the matter to the NEH EEO process.
- Five contacts concerned unwanted e-mail, i.e., business opportunity scams, the Nigerian unclaimed money scam, etc. All were forwarded to the Federal Trade Commission, and when applicable the Federal Bureau of Investigation.
- Allegation that NEH management distributed council books to unconfirmed council members. We learned that the NEH General Council had approval and that the individuals were confirmed shortly after receiving the council books. The OIG concurred that management made the correct decision.
- Allegation that a grantee organization was having financial problems and NEH would not receive a final product. Our inquiry revealed that the organization was indeed in dire straits; however, there was no indication that NEH funds were not properly spent and accounted for. We will continue to monitor this matter.
- Allegation that a grantee's books and records would not be in an auditable position. We inquired of the new independent accountant and learned the allegation had no merit.
- Allegation that a project director on a grant was indicted for embezzling funds. Our inquiry revealed that the project director had not been a grantee for several years and the embezzlement was not related to NEH grant activity.

We received three allegations concerning grantees and applicants for NEH grants.

MATTERS REFERRED TO PROSECUTIVE AUTHORITIES

No new cases were referred for criminal prosecution.

HOTLINE AND PREVENTION ACTIVITIES

We maintain a local Hotline phone number, agency e-mail address, and an Internet address. We maintain all three to provide additional confidentiality for those persons bringing matters to the attention of the OIG. We continue to issue agency-wide e-mail messages to NEH staff informing them of the violations that should be reported to the OIG. We also use e-mail messages to inform NEH staff about the OIG operations several times during the year. Posters advising staff to contact the OIG are displayed throughout the agency building.

ANONYMOUS E-MAIL

We now have on the NEH Intranet and the Internet a system for staff, grantees, contractors, etc., to report waste, fraud, abuse, and mismanagement in an anonymous manner.

INVESTIGATION ACTIVITY

Open at beginning of period	1
Matters brought to the OIG during the reporting period	10
Total investigative contacts	11
Closed or referred during reporting period	10
Open at end of period	1

OTHER ACTIVITIES

INDIRECT COST RATE NEGOTIATIONS/REVIEWS

Grantees are entitled to recover total project costs, both direct and indirect. Indirect costs are those costs of an organization or institution that are not readily identifiable with a particular project or activity but are nevertheless necessary to the general operation of the organization or institution and the conduct of the activities it performs.

The cost of office supplies, general telephone, postage, accounting, and administrative salaries are types of expenses usually considered as indirect costs. In theory, all such costs might be charged directly; practical difficulties, however, preclude such an approach. Therefore, they

are usually grouped into a common pool(s) and distributed to those organizational or institutional activities that benefit from them through the expedient of an indirect cost rate(s).

Cognizant federal agencies approve the rates after reviewing cost allocation plans submitted by grantees. The approved rate will generally be recognized by other federal agencies.

During this period, we negotiated indirect cost rates with two grantees.

INDIRECT COST RATE DESK REPORTS ISSUED

<u>Grantee</u>	<u>Report Number</u>	<u>Date Issued</u>
New York Foundation for the Arts	OIG-02-01 (IDC)	12/19/01
GWETA, Inc.	OIG-02-04 (IDC)	03/28/02

CONGRESSIONAL REQUESTS

We received and responded to several requests from both Senators and Congressmen.

PARTICIPATION ON THE EXECUTIVE COUNCIL ON INTEGRITY AND EFFICIENCY

The Executive Council on Integrity and Efficiency (ECIE) was established by the President in 1992 to coordinate and implement government-wide activities

to combat fraud and waste in federal programs and operations. OIG staff regularly attend ECIE meetings and provide information to the ECIE.

REGULATORY AND LEGISLATIVE REVIEWS

The Inspector General Act of 1978, as amended, requires the Office of Inspector General to review proposed legislation and regulations. The reviews are made to assess whether the proposed legislation or regulation (1) impacts on the economy and efficiency

of agency programs and operations, and (2) contains adequate internal controls to prevent and detect fraud and abuse. During this period we provided the ECIE with comments on various matters affecting the OIG community.

OIG INTERNET AND INTRANET

The OIG has listed several semiannual reports on the Internet. The reports are accessible through the Inspectors General homepage (<http://www.ignet.gov/ignet/internal/neh/html>). The reports link to the NEH homepage (<http://www.neh.gov/html/oig/>). To access the semiannual reports from outside the NEH, enter the URL <http://www.ignet.gov>.

To enhance the NEH staff's recognition of the OIG mission and responsibilities, we provide links to several other federal agencies such as the Office of Management and Budget, the General Accounting Office, the Office of Government Ethics, and the IGMET.

WORKING WITH THE AGENCY

In this period, OIG staff attended and engaged in various NEH meetings - panel meetings (where grant applications are reviewed by outside consultants), pre-council meetings (where the program divisions discuss the panel review results with the chairman and his immediate staff), and the National Council meeting. In addition, the IG and Deputy IG attended the chairman's monthly policy group meetings. An OIG staffperson attended

monthly NEH Employee Association meetings. The staff were also involved in the review of NEH administrative directives.

The Office of Inspector General contributes to the discussions; however, the office does not participate in policy making.

TABLE I

REPORTING REQUIREMENTS

The Inspector General Act of 1978, as amended (Public Law 100-504), specifies reporting requirements for semiannual reports. The requirements are listed and cross-referenced to the applicable pages in this report.

<u>IG Act Reference</u>	<u>Reporting Requirements</u>	<u>Page</u>
Section 4(a)(2)	Regulatory and Legislative Reviews.....	11
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies.....	2-7
Section 5(a)(2)	Recommendations for Corrective Action	2-7
Section 5(a)(3)	Prior Significant Recommendations Unimplemented.....	*
Section 5(a)(4)	Matters Referred to Prosecutive Authorities.....	9
Section 5(a)(5)	Instances Where Information Was Refused or Not Provided.....	*
Section 5(a)(6)	List of Audit Reports Issued.....	2-3
Section 5(a)(7)	Summary of Significant Reports.....	4-7
Section 5(a)(8)	Audit Reports - Questioned Costs.....	13
Section 5(a)(9)	Audit Report - Funds To Be Put to Better Use.....	13
Section 5(a)(10)	Prior Audit Reports Unresolved.....	*
Section 5(a)(11)	Significant Revised Management Decisions.....	*
Section 5(a)(12)	Significant Management Decisions with which OIG Disagreed.....	*

* None this period

**TABLE II
INSPECTOR GENERAL-ISSUED REPORTS
WITH QUESTIONED COSTS**

	Number Of Reports	Questioned Cost	Unsupported Cost
A. For which no management decision has been made by the commencement of the reporting period.	- 0 -	\$ - 0 -	\$ - 0 -
B. Which were issued during the reporting period.	- 0 -	\$ - 0 -	\$ - 0 -
Subtotals (A+B)	- 0 -	\$ - 0 -	\$ - 0 -
C. For which a management decision was made during the reporting period.			
i. Dollar value of disallowed costs.	- 0 -	\$ - 0 -	\$ - 0 -
ii. Dollar value of costs not disallowed (grantee subsequently supported all costs).	- 0 -	\$ - 0 -	\$ - 0 -
D. For which no management decision has been made by the end of the reporting period.	- 0 -	\$ - 0 -	\$ - 0 -
E. Reports for which no management decision was made within six months of issuance.	- 0 -	\$ - 0 -	\$ - 0 -

**TABLE III
INSPECTOR GENERAL-ISSUED REPORTS
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE**

	Number Of Reports	Dollar Value
A. For which no management decision has been made by the commencement of the reporting period.	- 0 -	\$ - 0 -
B. Which were issued during the reporting period.	- 0 -	\$ - 0 -
C. For which a management decision was made during the reporting period.	- 0 -	\$ - 0 -
i. Dollar value of recommendations that were agreed to by management.	- 0 -	\$ - 0 -
ii. Dollar value of recommendations that were not agreed to by management.	- 0 -	\$ - 0 -
D. For which no management decision was made by the end of the reporting period.	- 0 -	\$ - 0 -

GLOSSARY OF AUDIT TERMINOLOGY

Questioned Cost - A cost that is questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; because such cost is not supported by adequate documentation; or because the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Unsupported Cost - A cost that is questioned because of the lack of adequate documentation at the time of the audit.

Disallowed Cost - A questioned cost that management, in a management decision, has sustained or agreed should not be charged to the government.

Funds Be Put To Better Use - Funds, which the OIG has disclosed in an audit report, that could be used more efficiently by reducing outlays, de-obligating program or operational funds, avoiding unnecessary expenditures, or taking other efficiency measures.

Management Decision - The evaluation by management of the audit findings and recommendations and the issuance of a final decision by management concerning its response to such findings and recommendations.

Final Action - The completion of all management actions, as described in a management decision, with respect to audit findings and recommendations. When management concludes no action is necessary, final action occurs when a management decision is made.

Source: Excerpt from Section 106(d) of the Inspector General Act Amendments of 1988 (P.L. 100-504).