



NATIONAL ENDOWMENT FOR THE

**Humanities**

**Office of Inspector General**

**SEMIANNUAL  
REPORT TO  
CONGRESS**

**For the Period April 1, 2017 through September 30, 2017**

**Report No. 57**

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**“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  
concerning NEH programs, operations, or employees

## **Contact the OIG Hotline**

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## **Mailing Address**

Office of Inspector General — Hotline  
National Endowment for the Humanities  
Constitution Center  
400 7th Street, SW  
Washington, DC 20506

## **Fax**

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## **Electronic Mail — Hotline**

[oig@neh.gov](mailto:oig@neh.gov)

## **OIG Hotline Complaint Form**

[www.neh.gov/about/oig](http://www.neh.gov/about/oig)

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**Information is treated as Confidential**

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## EXECUTIVE SUMMARY

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This Semiannual Report to Congress highlights the activities of the National Endowment for the Humanities (NEH) — Office of Inspector General (OIG) for the period April 1, 2017 through September 30, 2017, and has been designed to respond to enhanced reporting requirements established by the Inspector General Empowerment Act of 2016. OIG activities completed during this reporting period assessed (1) NEH's compliance with government-wide mandates; (2) grant recipient compliance with applicable award terms and conditions; and (3) the quality of Single Audit reports issued by non-Federal auditors concerning NEH grantees. We also monitored the activities of independent auditors engaged to conduct the audit of the NEH financial statements for fiscal year ending September 30, 2017.

During the six-month period ended September 30, 2017, we reported on NEH's compliance with the *Federal Managers' Financial Integrity Act* concerning fiscal year 2016 and the *Improper Payments Elimination and Recovery Act of 2010* concerning fiscal year 2016. We also issued a limited audit report concerning a grant recipient's compliance with the administrative requirements applicable to the respective grant award, and completed desk reviews of Single Audit reports issued by non-Federal auditors for five NEH grantees. As of September 30, 2017, we have several reviews in process, the results of which we anticipate including in our semiannual report for the period ending March 31, 2018.

We engaged the services of Leon Snead & Company, P.C. to conduct the audit of the NEH financial statements for fiscal year ending September 30, 2017, as required by the *Accountability of Tax Dollars Act of 2002*. During this semiannual reporting period, we monitored the planning and interim testing activities of the independent auditors to ensure compliance with applicable Federal requirements.

No investigations were initiated by the NEH-OIG during this semiannual reporting period. We received Hotline complaints concerning two matters, neither of which remain open as of September 30, 2017.

We continue to receive a steady volume of communications from individuals who have been targeted (and in some instances victimized) by an internet scam purporting to represent an NEH financial assistance program.

OIG staff participated in several activities within the Federal accountability community to include a Single Audit Roundtable, a quarterly meeting of the Grant Fraud Working Group of the Financial Fraud Enforcement Task Force, and the 2017 Federal Audit Executive Council Annual Conference. We also engaged in various outreach activities to promote awareness of the mission and responsibilities of the NEH-OIG and to promote compliance with administrative requirements applicable to NEH grant awards.

The NEH-OIG endeavors to strengthen our capability to perform effective independent oversight and to foster mutually beneficial working relationships with NEH leadership and management, the Congress, other stakeholders (both public and private), and our colleagues within the Inspector General community.

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## 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 (NEH) as an independent, grant-making agency of the Federal government to support research, education, and public programs in the humanities. According to the Act, “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 NEH is directed by a Chairman, who is appointed by the President and confirmed by the U.S. Senate, for a term of four years. Advising the Chairman is the National Council on the Humanities, a board of 26 distinguished private citizens who are also appointed by the President and confirmed by the Senate. National Council members serve staggered six-year terms.

Grants are awarded through four divisions - Research Programs, Education Programs, Preservation and Access, and Public Programs -- and three offices - Challenge Grants, Digital Humanities, and Federal/State Partnership.

The humanities can play a vital role in advancing an understanding of the human experience. In recognition of the importance of the humanities both in helping Americans to understand the experiences of service members and in assisting veterans as they return to civilian life, the NEH recently launched a special initiative entitled, *Standing Together: The Humanities and the Experience of War*. Through this Endowment-wide initiative, grant projects explore war and its aftermath, promote discussion of the experience of military service, and support returning veterans and their families.

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## THE OFFICE OF INSPECTOR GENERAL

The NEH Office of Inspector General (OIG) was established 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 of the National Council on the Humanities. The independence of the IG is a critical aspect of the Inspector General Act, (the IG 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 to the National Council on the Humanities, and can only be removed by the National Council on the Humanities, which must give Congress 30 days notice of the reasons for the removal; and reports directly to Congress.

The IG Act states that the OIG 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 responsible for keeping the Head of the Agency and the Congress fully and currently informed of problems and deficiencies concerning NEH programs and operations.

NEH-OIG staff currently consists of the Inspector General and two auditors. The Deputy Inspector General position is vacant. The OIG has a Memorandum of Understanding with the United States Treasury Inspector General for Tax Administration detailing the procedures for the NEH-OIG to be provided legal services. Investigations are handled by the Inspector General.

# AUDIT AND REVIEW ACTIVITIES

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## LIST OF REPORTS ISSUED

The NEH-OIG is responsible for external and internal audits, inspections, and reviews. External activities include on-site grant audits, limited-scope desk audits, accounting system surveys, desk reviews of Single Audit reports, and on-site quality control reviews of Single Audit workpapers, as prepared by non-Federal auditors. Internal activities include audits, inspections/evaluations, and reviews of NEH administrative and program-related activities, inclusive of the NEH information security program. The NEH-OIG is also responsible for monitoring the work of the independent public accountant (the "IPA") engaged to conduct the annual audit of the NEH financial statements, as required by the *Accountability of Tax Dollars Act of 2002*, and examining the IPA's audit workpapers and draft reporting deliverables to ensure compliance with applicable requirements.

Below is a list of reports issued by the NEH-OIG during the six-month period ended September 30, 2017. The Inspector General Act of 1978, as amended, requires the Inspector General to report on the "Total Dollar Value of Questioned Costs" (including a separate category for the "Dollar Value of Unsupported Costs") and the "Dollar Value of Recommendations that Funds Be Put to Better Use", [see Tables II and III on page 13].

	<u>Report Number</u>	<u>Date Issued</u>
<b><u>INTERNAL REVIEWS</u></b>		
NEH FY 2016 Review of Internal Controls in accordance with the <i>Federal Managers' Financial Integrity Act</i> (FMFIA)	OIG-17-01 (IR)	04/05/2017
National Endowment for the Humanities' Compliance with the <i>Improper Payments Elimination and Recovery Act of 2010</i> — Fiscal Year 2016	OIG-17-02 (IR)	05/31/2017
<b><u>EXTERNAL AUDIT</u></b>		
Limited Audit — Pacific Symphony	OIG-17-01 (EA)	06/21/2017
<b><u>DESK REVIEWS</u></b>		
Desk Review of the Single Audit Report for Year Ended June 30, 2015 — Virginia Foundation for the Humanities and Public Policy	OIG-17-02 (DR)	04/18/2017
Desk Review of the Single Audit Report for Year Ended October 31, 2015 — Minnesota Humanities Center	OIG-17-03 (DR)	05/02/2017
Desk Review of the Single Audit Report for Year Ended October 31, 2015 — South Carolina Humanities Council	OIG-17-04 (DR)	05/30/2017
Desk Review of the Single Audit Report for Year Ended October 31, 2016 — Georgia Humanities Council	OIG-17-05 (DR)	07/12/2017
Desk Review of the Single Audit Report for Year Ended October 31, 2016 — Illinois Humanities Council	OIG-17-06 (DR)	09/05/2017
<b><u>SINGLE AUDIT ACT REVIEWS</u></b>		
OMB Circular A-133 Reports	— See Page 6 —	

# AUDIT AND REVIEW ACTIVITIES

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## SUMMARY OF REPORTS ISSUED

### INTERNAL REVIEWS

#### **NEH FY 2016 Review of Internal Controls in accordance with the *Federal Managers' Financial Integrity Act (FMFIA)* April 5, 2017; OIG-17-01 (IR)**

The *Federal Managers' Financial Integrity Act (FMFIA)*, P.L. 97-255, as well as Office of Management and Budget (OMB) Circular A-123 ~ *Management's Responsibility for Enterprise Risk Management and Internal Control* establish specific requirements for management controls. FMFIA further requires each executive agency head, on the basis of an evaluation conducted in accordance with applicable guidelines, to prepare and submit a signed statement to the President assuring that the agency's systems of internal accounting and administrative control fully comply with the requirements established in FMFIA. To ensure compliance with FMFIA, internal NEH directives require each Division/Office director to annually report on the status of controls against waste, fraud, and abuse within their area of responsibility. Managers of NEH financial systems and mission-support functions (budget formulation and execution, accounting, information management, procurement, property control, grant administration, audit, and personnel) are also responsible for (i) ensuring that systems of internal control are established, maintained, improved, and reviewed; and (ii) reporting any exceptions to the NEH Chairman.

During the six-month period ended September 30, 2017, we completed a limited review of the evaluations conducted by NEH Division/Office directors and managers of NEH financial systems and mission-support functions. Based on our independent observation of the process, the OIG concluded that the fiscal year 2016 management control evaluation was conducted in accordance with OMB and FMFIA requirements. Further, based on the results of audits and inspections conducted by the OIG during fiscal year 2016, the IG concurred with the assertion that the NEH had no material weaknesses during the reporting cycle. However, we issued a separate memorandum to NEH management wherein we highlighted opportunities for the effectiveness of existing management controls to be strengthened. We shared comments with NEH management concerning panelist/staff compliance with Conflict of Interest regulations, a deviation from standard webTA procedures, the segregation of key duties and responsibilities, and the assignment of responsibility for ensuring Agency-wide awareness of emergency procedures.

#### **National Endowment for the Humanities' Compliance with the *Improper Payments Elimination and Recovery Act of 2010* — Fiscal Year 2016 May 31, 2017; OIG-17-02 (IR)**

The *Improper Payments Elimination and Recovery Act of 2010 (IPERA)* requires the head of each agency to periodically review and identify all programs and activities it administers that may be susceptible to significant improper payments, based on guidance provided by the Director of OMB. For each program and activity identified, the agency is required to produce a statistically valid estimate of improper payments and include such estimates in the accompanying materials to the annual financial statements of the agency. The agency is further required under IPERA to prepare a report on actions taken to reduce improper payments for programs or activities with significant improper payments. With respect to improper payments identified in recovery audits required by IPERA, the agency must report on all actions taken to recover such improper payments.

Additional guidance issued by OMB specifies that each agency's Inspector General should review improper payment reporting in the agency's annual Performance and Accountability Report (PAR) or Annual Financial Report (AFR), and accompanying materials, to determine whether the agency complied with IPERA.

# AUDIT AND REVIEW ACTIVITIES

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## SUMMARY OF REPORTS ISSUED

### INTERNAL REVIEWS (con't.)

#### **National Endowment for the Humanities' Compliance with the *Improper Payments Elimination and Recovery Act of 2010* — Fiscal Year 2016 (con't.)**

I determined that the NEH was compliant with IPERA concerning fiscal year 2016. Specifically:

- ◆ The Agency published a PAR for fiscal year 2016 and posted the PAR and accompanying materials required by OMB on the NEH website.
- ◆ NEH management conducted a risk assessment for improper payments in accordance with the steps outlined in the revised OMB Circular A-123, Appendix C, Part I. The FY 2016 risk assessment covered the NEH definite grant program and payroll payments. Agency management also reviewed non-payroll administrative activities, (i.e., employee payments, travel, panel activities, and credit card purchases) and the NEH Treasury Fund grant program during FY 2016 and determined that the related transactions did not meet the criteria specified in OMB Circular A-123, Appendix C for susceptibility to significant improper payments. Accordingly, a quantitative review of these activities was not performed.
- ◆ NEH management randomly selected a sample of individual grant payments related to the agency's definite grant program during fiscal year 2016, the review of which resulted in an error rate of zero percent. This information was properly reported in the PAR.

Furthermore, nothing came to the attention of the OIG during fiscal year 2016 that would indicate the programs administered by the NEH and the activities in which the agency engages in support of its programs are susceptible to significant improper payments.

### EXTERNAL AUDIT

#### **Limited Audit — Pacific Symphony June 21, 2017; OIG-17-01 (EA)**

We completed a limited audit of Pacific Symphony records as they relate to NEH grant GI-50294-11. The grant was awarded to support the creation of humanities-infused thematic programming for orchestras, focusing on two topics: *Dvorak and America* and *Copland and Mexico*. The grant project involved a consortium of five orchestras — Pacific Symphony, the Buffalo Philharmonic Orchestra, the North Carolina Symphony, the Louisville Orchestra, and the Austin Symphony. Ancillary events, educational outreach, and collaborations with museums were also anticipated as part of the project. Pacific Symphony certified total Federal expenditures related to the project in the amount of \$300,000.

The principle objectives of the limited audit were to determine whether (1) grant expenditures were made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards* and the specific terms of the grant award; and (2) the grantee implemented proper controls over the administration of the NEH award in accordance with minimum standards prescribed in OMB Circulars A-110, *Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations* (2 CFR Part 215) and A-122, *Cost Principles for Non-Profit Organizations* (2 CFR Part 230).

As a result of our limited audit, we recommended that Pacific Symphony return \$6,122 to the NEH, which represents unsupported and unallowable charges to the NEH grant. We also identified deficiencies related to the grantee's administration of the NEH grant award. Pacific Symphony has returned \$6,122 to the NEH.



# AUDIT AND REVIEW ACTIVITIES

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## SINGLE AUDIT DESK REVIEWS

Subpart F of OMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes audit requirements for state and local governments, colleges and universities, and non-profit organizations receiving Federal awards. All non-Federal entities that expend \$750,000 or more a year in Federal awards must undergo an annual organization-wide audit that includes the entity's financial statements and compliance with Federal award requirements. The audits are conducted by non-Federal auditors, such as public accounting firms and state auditors.

During the six-month period ended September 30, 2017, we issued a letter to governance officials for five (5) state humanities councils, communicating the results of our desk review of their single audit reporting packages. The objectives of the desk reviews were to: (1) determine whether the audit report is acceptable based on the reporting requirements of OMB Circular A-133/OMB Uniform Guidance; (2) identify any quality issues that warrant follow-up work and/or revisions to the audit report; (3) identify audits for potential quality control review (QCR) of the independent auditors' workpapers; and (4) identify issues that require the attention of NEH management. We used the *Guide for Desk Reviews of OMB Circular A-133 Audit Reports* (2015 Edition), issued by the Council of Inspectors General on Integrity and Efficiency (CIGIE), to determine whether the fiscal year (FY) 2015 audit reports are in conformance with core reporting requirements stipulated by OMB Circular A-133. We used the *Guide for Desk Reviews of Single Audit Reports* (2016 Edition), issued by the CIGIE to determine whether the FY 2016 audit reports meet the core reporting requirements stipulated by OMB Uniform Guidance. Audit reports receiving a "Fail" rating require corrective action.

We assigned a "Pass" rating to one reporting package; a "Pass with Deficiencies" rating to one reporting package; and a "Fail" rating to three reporting packages.

## REVIEW OF SINGLE AUDIT FINDINGS

We receive communications from other Federal agencies regarding Single Audit findings and desk review results (primarily the National Science Foundation OIG), and we routinely perform queries of the Federal Audit Clearinghouse to determine the reporting of single audit findings applicable to NEH programs.

During the six-month period ended September 30, 2017, we reviewed Single Audit report communications concerning five (5) NEH grantees. One single audit report identified five (5) instances of noncompliance with Federal requirements which the National Science Foundation OIG noted the NEH as being solely responsible or jointly responsible for resolution. We issued a memorandum to NEH management wherein we summarized the independent auditor (IPA) findings and encouraged NEH management to follow-up with the grantee as appropriate [OIG-17-01 (CAA); dated April 19, 2017].

# AUDIT AND REVIEW ACTIVITIES

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## WORK IN PROGRESS/REPORTS TO BE ISSUED (as of September 30, 2017)

### Inspection ~ Federal Information Security Management Act (FISMA) — Fiscal Year 2017

The Federal Information Security Management Act of 2002 (FISMA) requires each agency to develop, document, and implement an agency-wide information security program. Each year, the OIG conducts an independent evaluation of the NEH information security program, pursuant to the requirements of FISMA.

### Audit ~ NEH's Compliance with the DATA Act

The DATA Act, in part, requires Federal agencies to report financial and award data in accordance with established Government-wide financial data standards. In May 2015, the Office of Management and Budget (OMB) and Treasury published 57 data definition standards and required Federal agencies to report financial data in accordance with these standards beginning January 2017. Once submitted, the data will be displayed on USASpending.gov for taxpayers and policy makers.

The objectives of this audit are to assess the (1) completeness, timeliness, quality, and accuracy of second quarter FY 2017 financial and award data submitted by the NEH for publication on USASpending.gov; and (2) the Agency's implementation and use of the Government-wide financial data standards established by OMB and Treasury.

### Limited Audit ~ OUR L.A.

The principal objectives of this limited audit are to determine whether (1) expenditures related to NEH grant TR-50453-13 were made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards* and the specific terms of the grant award; and (2) the grantee implemented proper controls over the administration of the NEH award in accordance with minimum standards prescribed in OMB Circulars A-110 (2 CFR Part 215) and A-122 (2 CFR Part 230).

# INVESTIGATIVE ACTIVITIES

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## BACKGROUND

The Inspector General Act of 1978, as amended, provides the authority for the Office of Inspector General to investigate possible violations of criminal or civil laws, administrative regulations, and agency policies that impact the programs and operations of the NEH. In the past, in order to fulfill this mandate, we have obtained assistance from other OIGs, the Federal Bureau of Investigation (FBI), the Postal Inspection Service, or other investigative entities.

Over the years, the NEH-OIG has received allegations through the OIG Hotline and did not have sufficient resources to initiate an investigation. To address this challenge, we continue to inquire of other OIGs concerning their willingness and ability to assist us on an “as needed” basis under a reimbursable agreement. A few OIGs have responded that they would consider performing work for us on a case-by-case basis, depending on the availability of their staff. However, this assistance would only be for criminal cases, with no guarantee that investigative staff would be available when needed.

## INVESTIGATIVE ACTIVITIES

No investigations were initiated by the NEH-OIG during the six-month period ended September 30, 2017.

## MATTERS REFERRED TO PROSECUTIVE AUTHORITIES

No matters were referred to the U.S. Department of Justice during the six-month period ended September 30, 2017.

## STATISTICAL SUMMARY OF INVESTIGATIVE ACTIVITY

Number of Investigative Reports Issued	0
Number of Persons Referred to the Department of Justice for Criminal Prosecution	0
Number of Persons Referred to State and Local Prosecuting Authorities for Criminal Prosecution	0
Number of Indictments and Criminal Informations that Resulted from Prior Referral to Prosecuting Authorities	0

## **HOTLINE ACTIVITIES**

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We maintain a toll-free Hotline number and a dedicated Agency e-mail address to provide additional confidentiality for individuals bringing matters to the attention of the NEH-OIG. We also have an interactive, web-based template to facilitate the submission of complaints to the NEH-OIG. The complaint template is accessible via the OIG homepage, ([www.neh.gov/about/oig](http://www.neh.gov/about/oig)). The toll-free Hotline number, facsimile, web-based complaint form, e-mail address, and ground mail services are efficient and effective means for NEH employees, NEH grantees and contractors, and the general public to communicate complaints and allegations of fraud, waste, abuse, mismanagement, and misconduct concerning NEH programs/operations to the OIG.

When the NEH-OIG receives a complaint or allegation of a criminal or administrative violation, preliminary research is conducted to inform the decision as to the appropriate action to take. This decision could result in the initiation of an investigation or an audit; referral to an NEH office/division or another Federal agency; or no further action. Upon determining that a matter represents a criminal violation, we seek assistance from the Federal Bureau of Investigation (FBI), another Federal Inspector General, or the United States Department of Justice.

There were no Hotline matters open as of April 1, 2017. We received Hotline complaints concerning two matters during the six-month period ended September 30, 2017.

- ◆ Several participants contacted the Inspector General to complain about the lack of organization, unprofessionalism, and poor pedagogy demonstrated during a summer institute supported by an NEH grant award. This matter was referred to the NEH Division of Education.
- ◆ One complaint alleged diversion of grant funds for purposes other than approved for the respective grant award. This matter has been referred for an audit.

We also received over 253 communications from individuals targeted by a scam purporting to represent an NEH financial assistance program. This scam is generally initiated through the internet via Facebook Messenger; however, individuals have reported being contacted through text messaging or telephone calls.

### **STATISTICAL SUMMARY OF HOTLINE ACTIVITY**

Open as of April 1, 2017	0
Matters Brought to the OIG during the Six-Month Period Ended September 30, 2017	2
Total Number of Matters Communicated via OIG Hotline	2
Matters Closed, Referred, or No Action Deemed Necessary	2
Open as of September 30, 2017	0

# OTHER ACTIVITIES

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## REGULATORY AND LEGISLATIVE REVIEWS

The Inspector General Act of 1978, as amended, requires the Inspector General to review proposed legislation and regulations. The reviews are to assess whether proposed legislation and/or regulations (1) affect the economy and efficiency of agency programs and operations; and (2) contain adequate internal controls to prevent and detect fraud and abuse.

No legislative reviews were required for the NEH during the six-month period ended September 30, 2017.

## WORKING WITH THE AGENCY

OIG staff attended various NEH meetings – panel meetings (where grant applications are reviewed by outside consultants), meetings of the National Council on the Humanities, and monthly senior staff meetings. OIG staff occasionally contribute to the discussions, but the OIG does not participate in policymaking.

The Inspector General presented information about the mission, responsibilities, and activities of the NEH-OIG during a Project Directors’ meeting convened by the NEH Division of Education (*Dialogues on the Experience of War*). The meeting was held in June 2017.

## PARTICIPATION ON THE COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY

The Inspector General Reform Act of 2008 (Public Law 110-409), amended the Inspector General Act of 1978 and established the Council of the Inspectors General on Integrity and Efficiency (CIGIE). CIGIE is comprised of all Inspectors General whose offices are established by the Inspector General Act of 1978 (and subsequent amendments) — those that are Presidentially-appointed/Senate-confirmed and those that are appointed by agency heads (Designated Federal Entities).

During the six-month period ended September 30, 2017, the Inspector General regularly attended monthly CIGIE meetings, provided responses to various CIGIE inquiries, participated in the 2017 CIGIE Annual Conference (May 2017), and attended a meeting of the CIGIE subgroup representing the “Smaller OIGs” (September 2017).

## PARTICIPATION IN OTHER ACTIVITIES WITHIN THE FEDERAL ACCOUNTABILITY COMMUNITY

The Inspector General participated in the Single Audit Roundtable held in May 2017. The Single Audit Roundtable involves audit and accountability representatives from the non-Federal audit community, and Federal and State government communities.

The Inspector General participated in the quarterly meeting of the Grant Fraud Working Group of the Financial Fraud Enforcement Task Force held in September 2017. The Grant Fraud Working Group represents a diverse coalition from across the OIG community and certain Justice Department components (e.g., the Civil Division), working to improve investigation and prosecution of grant-fraud matters.

The Inspector General participated in the 2017 Federal Audit Executive Council (FAEC) Annual Conference held in September 2017. The FAEC is a subgroup established by CIGIE to discuss and coordinate issues affecting the Federal audit community with special emphasis on audit policy and operations of common interest to FAEC members.

## OTHER ACTIVITIES

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### OIG INTERNET

OIG audit reports and Semiannual Reports to Congress are posted on the internet. The reports are accessible through the OIG homepage on the NEH website ([www.neh.gov/about/oig](http://www.neh.gov/about/oig)).

To promote NEH staff awareness and understanding of the OIG mission and responsibilities, we provide hyperlinks to several other Federal agency websites such as the Council of the Inspectors General on Integrity and Efficiency (IGNET) and the Government Accountability Office (FraudNet).

### TECHNICAL ASSISTANCE

Throughout this reporting period, OIG staff provided technical help to NEH staff, grantees, and independent public accountants about various non-profit accounting and compliance-related matters. We are generally consulted about matters related to implementation of Federal audit requirements.

### “AUDIT READINESS” AWARENESS CAMPAIGN

The OIG executes an email-based “Audit Readiness” awareness campaign, that corresponds with NEH grant award cycles. The objective of the campaign is to proactively promote accountability and to disseminate guidance that would assist NEH award recipients in their efforts to preclude unfavorable outcomes should the organizations’ NEH awards be selected for audit. The email communication emphasizes the value of each recipient’s understanding of the NEH terms and conditions specific to their grant award and the administrative requirements applicable to all Federal awards. We remind recipients that they are stewards of Federal funds and therefore must comply with the appropriate OMB guidance and the terms and conditions of NEH grant awards. We highlight in the communications, specific areas wherein problems are commonly identified during audits of NEH grant recipients and include hyperlinks to appropriate guidance materials and resources. We also discuss the importance of effective internal control. The email communications are sent directly to project directors and grant administrators identified for all organization-based awardees.

During the six-month period ended September 30, 2017, we sent email communications as noted below. We have reasonable assurance that all of the awardees received a copy of the “Audit Readiness” communication.

<b>NEH Division/Office</b>	<b>Number of Awardees</b>	<b>Total Value of Awards</b>
Division of Education Programs	93	\$11,639,230
Division of Public Programs	48	\$10,027,753
Division of Preservation and Access	60	\$9,481,558
Division of Research Programs	34	\$6,932,241
Office of Digital Humanities	37	\$4,438,068

# 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.....	10
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies.....	*
Section 5(a)(2)	Recommendations for Corrective Action .....	*
Section 5(a)(3)	Prior Significant Recommendations Unimplemented.....	*
Section 5(a)(4)	Matters Referred to Prosecutive Authorities.....	8
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Section 5(a)(12)	Significant Management Decisions with which OIG Disagreed.....	*
Section 5(a)(14-16)	Peer Review Results.....	Appendix A
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Section 5(a)(19)	Investigations Involving Senior Government Employees.....	*
Section 5(a)(20)	Instances of Whistleblower Retaliation.....	*
Section 5(a)(21)	Instances of Agency Interference with OIG Independence.....	*
Section 5(a)(22)	Description of Reports Not Disclosed to the Public.....	*

\* None this reporting 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.	- 1 -	\$ 6,122	\$ - 0 -
<b>Subtotals (A+B)</b>	- 1 -	\$ 6,122	\$ - 0 -
C. For which a management decision was made during the reporting period.			
i. Dollar value of disallowed costs.	- 1 -	\$ 6,122	\$ - 0 -
ii. Dollar value of costs not disallowed	- 0 -	\$ - 0 -	\$ - 0 -
iii. Dollar value of costs not disallowed based on the "Value of Services Received."	- 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 -



## PRIOR AUDIT REPORTS — UNRESOLVED

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Reports with Unimplemented Recommendations	Number of Unimplemented Recommendations	Dollar Value of Aggregate Potential Cost Savings
Report Number: OIG-15-03 (I)  Federal Information Security Management Act (FISMA) Reporting Document: Inspector General Section — Fiscal Year 2014  Date of Report: August 15, 2015	4	The recommendations concern FISMA-related matters and we are unable to quantify the total potential cost savings to the NEH.

### SUMMARY OF UNIMPLEMENTED RECOMMENDATIONS

#### 1. Information Security Continuous Monitoring

**Finding:** The NEH issued new policy guidance concerning information security continuous monitoring during FY 2012. However, written continuous monitoring plans (CMPs) for each of the Agency’s major IT systems have not been drafted, as required under this policy.

**Recommendation:** The NEH must draft continuous monitoring plans for each of the Agency’s major IT systems.

**Implementation Status: Open/Unimplemented.** The NEH plans to create CMPs during the next accreditation for each system, as required by the *NEH Security Program and Risk Management Policy*. The accreditations have been put on hold due to budget constraints.

#### 2. Homeland Security Presidential Initiative – 12 (HSPD-12)

**Finding:** HSPD-12 applies to Federal employees and contractors and requires (1) completion of background investigations; (2) issuance of standardized identity credentials; (3) use of the credentials for access to Federal facilities; and (4) use of the credentials for access to Federal information systems. The NEH has successfully completed requirements (1) through (3). Concerning logical access, the Agency continues to utilize eTokens (an alternative commercial product) for multi-factor authentication purposes. Before the Agency replaces eTokens with PIV credentials, various technical issues must first be resolved.

**Recommendation:** The NEH must implement a personal identification verification (PIV) system for logical access, as required by HSPD-12.

**Implementation Status: Closed/Unimplemented.** In FY 2015, the NEH performed a detailed assessment on the impact of implementing HSPD-12 for logical access. While technically feasible, many usability and management issues were identified. Due to these issues, NEH management decided not to move forward with implementation. NEH continues to require two-factor authentication for full remote access through the Barracuda. The Agency is cognizant of the need for two-factor authentication for access to important data and is continuing to work toward full implementation where needed.

# PRIOR AUDIT REPORTS — UNRESOLVED

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## SUMMARY OF UNIMPLEMENTED RECOMMENDATIONS (con't.)

### 3. Contingency Planning

**Finding:** Due to competing priorities, neither the Agency-wide continuity of operations (COOP) exercise nor the prescribed divisional exercise, to be led by Emergency Response Team (ERT) members, were conducted in FY 2013. Furthermore, the master COOP document was not updated to incorporate/address issues identified in the prior year after-action report. The OIG also noted that several Emergency Operations Team (EOT) and ERT team members were either unable to access the COOP-related documents on the secured OMB CyberScope site or did not have access to the most current version of the master COOP document.

**Recommendation:** The NEH must reinstate annual continuity of operations training exercises and update COOP-related documents maintained on the secured OMB Cyberscope platform.

**Implementation Status: Open/Partially Implemented.** The master COOP document has been updated to incorporate/address issues identified in the FY 2012 after-action report. However, a continuity of operations training exercise has not been conducted since FY 2012.

### 4. Risk Management

**Finding:** The NEH transitioned to Microsoft 365, a cloud-based version of Outlook (email, calendar, etc.) during the latter part of FY 2013. Although the network architecture was updated to reflect this change, the Agency was unable to provide written documentation demonstrating that new risks posed by this migration to the cloud were formally considered and addressed through the adoption of new policies/procedures, (as necessary). According to the Agency's top-level IT security guidance pertaining to the NEH General Support System (GSS), the "GSS shall go through the process of certification and accreditation when a major change to the system occurs...which includes moving critical services to the cloud."

Due to cost/benefit considerations, the Agency's security officer planned to address this topic and update the security documentation associated with the overall GSS, of which "Outlook" represents a subset, after the Agency's relocation in FY 2014. In a similar fashion, a wholesale risk analysis of the other two core IT systems are planned.

**Recommendation:** The NEH must complete a full security evaluation of the Agency's major IT systems.

**Implementation Status: Open/Unimplemented.** The Accreditation and Authorization process is currently on hold due to budget constraints.

## GLOSSARY OF AUDIT TERMINOLOGY

**Questioned Cost:** A cost that is questioned by the OIG because of (1) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

**Unsupported Cost:** A cost that is questioned by the OIG because, at the time of the audit, such cost is not supported by adequate documentation.

**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:** A recommendation by the OIG that funds could be used more efficiently if management of an establishment took actions to implement and complete the recommendation, including (1) reductions in outlays; (2) deobligation of funds from programs or operations; (3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (4) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee; (5) avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or (6) any other savings which are specifically identified.

**Management Decision:** The evaluation by the management of an establishment of the findings and recommendations included in an audit report and the issuance of a final decision by management concerning its response to such findings and recommendations, including actions concluded to be necessary.

**Final Action:** The completion of all actions that the management of an establishment has concluded, in its management decision, are necessary with respect to the findings and recommendations included in an audit report. In the event that management concludes no action is necessary, final action occurs when a management decision has been made.

Source: Excerpt from Section 5(f) of the Inspector General Act of 1978, as amended (through Pub. L. 113-126, enacted July 7, 2014).

## APPENDIX A

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### PEER REVIEW RESULTS

The following information is provided pursuant to the requirements of Section 989C of Public Law 111-203 (July 21, 2010), the Dodd-Frank Wall Street Reform and Consumer Protection Act, amending the Inspector General Act of 1978 (the IG Act), 5 U.S.C. App. This appendix complies with Section 5(a)(14 - 16) of the IG Act of 1978, as amended.

**(14)(A) Peer Review of the Audit Function.** On December 27, 2016, the Postal Regulatory Commission - Office of Inspector General (PRC-OIG) issued a System Review Report on the audit organization of the NEH - OIG in effect for the year ended March 31, 2016. The PRC-OIG found that the system of quality control for the audit organization of the NEH-OIG had been suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The NEH-OIG received a peer review rating of *pass*.

**(15) Outstanding Recommendations from any Peer Review of the NEH-OIG.** There are no outstanding recommendations from any peer review of the NEH-OIG, as conducted by another Office of Inspector General, that have not been fully implemented.

**(16) Peer Review Conducted by the NEH-OIG.** On March 29, 2017, the NEH-OIG issued a System Review Report on the audit organization of the U.S. Consumer Product Safety Commission - Office of Inspector General (CPSC-OIG) in effect for the year ended September 30, 2016. We found that the system of quality control for the audit organization of the CPSC-OIG had been suitably designed and complied with to provide CPSC-OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The CPSC-OIG received a peer review rating of *pass*.