



Office of Inspector General

**SEMIANNUAL
REPORT TO
CONGRESS**

For the Period April 1, 2007 through September 30, 2007

Report No. 37

**"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

(202) 606-8423

Mailing Address

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



NATIONAL
ENDOWMENT
FOR THE
HUMANITIES

OFFICE OF INSPECTOR GENERAL
1100 PENNSYLVANIA AVE., NW
WASHINGTON, D.C. 20506
ROOM 419
TELEPHONE (202) 606-8350
FACSIMILE (202) 606-8329
E-mail oig@neh.gov

October 31, 2007

Honorable Bruce Cole
Chairman
National Endowment for the Humanities
Washington, DC 20506

Dear Chairman Cole:

I am pleased to provide you with the Office of Inspector General's Semiannual Report to Congress for the second half of fiscal year 2007. 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 September 30, 2007.

During the current period, auditors completed and issued final reports concerning NEH and grantee operations. Internal work involved three reviews of the NEH information security program and one review of the agency's effort related to the Federal Managers' Financial Integrity Act. We issued one advisory memorandum concerning the travel policies and procedures for the program divisions and offices. External effort consisted of three desk reviews of grantee compliance with Office of Management and Budget Circular A-122 pertaining to time and effort reporting; one inspection of the eligibility of gifts certified for matching on a NEH challenge grant; four reviews of grantee overhead rates; and review of 82 OMB Circular A-133 audit reports. In addition, we issued a revised strategic plan for the period 2007-2012 and a memorandum on NEH's Management Challenges; performed a peer review of the audit operations of another Office of Inspector General; and our audit operations had a peer review performed by a different OIG.

In our investigations program, we received eight "Hotline" contacts. As of September 30, 2007, two matters remain open. The OIG also provided investigative assistance to the Institute of Museum and Library Services.

Significant progress has been made concerning the segregation of duties material weakness noted during prior audits of the agency's financial statements. I appreciate your support and look forward to working with you and all agency staff to further our common purpose of assuring the effectiveness, efficiency and integrity of NEH's vital contributions to the humanities.

Sincerely,

Sheldon L. Bernstein
Inspector General

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MESSAGE FROM THE INSPECTOR GENERAL

Over the past several years, our workload has constantly increased in volume and complexity and, as a consequence, oversight of the Endowment's grantees by the OIG is diminishing.

The OIG is responsible for contracting with and reviewing the work of an independent public accountant that conducts the annual financial statements audit. The audit is required by the Accountability of Tax Dollars Act of 2002, and applies to many small agencies as well as the Endowment. The Federal Information Security Management Act (FISMA) review has been performed for several years as required. Each year the Office of Management and Budget (OMB) issues guidance for the review. The National Institute for Standards and Technology (NIST) Computer Security Division issues publications that the agency is responsible for implementing. The OIG is responsible for reviewing the agency's implementation. The General Accountability Office and the President's Council on Integrity and Efficiency periodically update their various guidance on auditing, inspections and reviews, and investigations. This increases the burden on the OIG.

OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, issued pursuant to the Single Audit Act of 1984, (as amended), sets forth audit guidance applicable to the expenditure of Federal awards by non-Federal entities. The threshold for an audit is the expenditure of \$500,000 or more in a fiscal year. Consequently, the threshold level eliminates audits for a significant number of non-profit organizations that receive grants from the Endowment, including approximately 17 of the 56 state humanities councils.

Another impact on our oversight of grantees is internal and grantee investigations. Opening an investigation has a significant impact on our audit plan because we do not have staff dedicated to investigation work. Therefore, it becomes necessary to reassign audit staff trained in investigation work to perform the investigation. With significant fluctuations on a yearly basis, it is difficult to be proactive in investigations or realistically budget staff time for this effort. Also, during the past several years the NEH Office of General Counsel has operated with fewer staff than previously. The deputy general counsel is also the General Counsel to the IG. Therefore, we have been operating without counsel for some time.

Our suggested solution concerning these issues is to enter into contracts for a part-time attorney and a part-time auditor. Both positions would require the individuals to have prior Federal government service in a department or agency that engages in grant making.

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 divisions and offices also administer the *We the People: NEH's American History* initiative.

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 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, Deputy Inspector General, two auditors, and a secretary. The OIG and the Office of the 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 Deputy General Counsel.

AUDIT AND REVIEW ACTIVITIES

LIST OF REPORTS ISSUED

This office is responsible for external and internal audits. External auditing includes grants, pre-award accounting system surveys, review of OMB Circular A-133 audit reports, overhead desk reviews, limited scope desk reviews, and on-site quality control reviews of CPA workpapers. Internal efforts consist of audits, inspections, and reviews/evaluations of NEH administrative, programmatic, and financial operations.

Following is a list of reports issued by the OIG during this reporting period. The Inspector General Act of 1978, as amended, 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"), [see Table II].

<u>INTERNAL AUDITS/REVIEWS</u>	Report Number	Date Issued
Federal Information Security Management Act Review – Review of Security Awareness Program	OIG-07-01 (IR)	09/24/07
Fiscal Year Ended September 30, 2007 Consolidated Review of the Federal Managers' Financial Integrity Act (FMFIA)	OIG-07-02 (IR)	09/24/07
Federal Information Security Management Act Review – Compliance with OMB Memorandum M-07-06, <i>Validating and Monitoring Agency Issuance of Personal ID Credentials</i> and the NEH Homeland Security Presidential Directive (HSPD) -12 Implementation Plan	OIG-07-03 (IR)	09/24/07
Federal Information Security Management Act Review – Federal Information Security Act (FISMA) Reporting Document to the OMB	OIG-07-04 (IR)	09/27/07
Review of Travel Policies and Procedures for the Program Divisions and Offices	Advisory Memorandum	09/27/07
 <u>EXTERNAL AUDITS/REVIEWS</u>		
GWETA	OIG-07-04 (DR) ¹	04/30/07
Educational Broadcasting Corporation	OIG-07-05 (DR) ¹	06/06/07
Save Ellis Island!	OIG-07-06 (DR) ¹	06/13/07
City Lore	OIG-07-01 (I) ²	08/29/07
 OVERHEAD DESK REVIEWS		
American Library Association	NEH-07-06 (ODR)	03/14/07
Bill of Rights Institute	NEH-07-07 (ODR)	06/28/07
Library of America	NEH-07-08 (ODR)	07/18/07
Elmira College	NEH-07-09 (ODR)	09/28/07

SINGLE AUDIT ACT REVIEWS

- see Page 11

82 OMB Circular A-133 Reports

¹ Desk review of compliance with OMB Circular A-122 concerning support for salaries and wages

² Inspection

AUDIT AND REVIEW ACTIVITIES

SUMMARY OF REPORTS ISSUED

INTERNAL AUDITS/REVIEWS

Federal Information Security Management Act Review Review of Security Awareness Program (SAP) September 24, 2007; OIG-07-01 (IR)

The purpose of our review was to determine compliance with OMB Circular A-130 Appendix III, (the Circular) and NEH policy concerning (1) the frequency of the SAP presentation, (2) the contents of the SAP, (3) what happens to new users who do not complete the SAP, and 4) whether new users, contractors, volunteers, etc. are required to complete the SAP before getting access. We reviewed the documentation on the prior and current SAP presentation, the content of the current SAP presentation, and the current procedures used for granting access to new system users. Where applicable, we compared them to the Circular and NEH policy. We also spoke with the Deputy Director of the Office of Human Resources (OHR) and the Information Security Officer concerning the SAP.

We found:

- the procedures for granting computer access to new users are not in compliance with the Circular. The Circular states that this training should ensure that all individuals are appropriately trained in how to fulfill their security responsibilities before allowing them access to the system. The current procedures are that the OHR provides a copy of the Rules of Behavior to all new employees, contractors, volunteers, etc. when they are issued an identification badge. These individuals are required to sign a certification that they are responsible for reading the Rules of Behavior but there is no way to ensure that it has been read. The issuance of the Rules of Behavior and the signed certification are the only security awareness information that new users receive as they are not required to complete the SAP prior to being granted access to the computer system. While these procedures are not in compliance with the Circular, we believe they should be retained and supplemented with new users having to complete the SAP before gaining access to the computer system.
- that NEH policy, as publicized in the Rules of Behavior, should be amended to change the mandatory security training to annual instead of periodic. The current policy is in compliance with the Circular, however, this change would be effective in strengthening computer security awareness within the agency.

NEH agreed with our findings.

Fiscal Year Ended September 30, 2007 Consolidated Review of the Federal Managers' Financial Integrity Act (FMFIA) September 24, 2007; OIG-07-02 (IR)

The objective of this review was to determine whether information submitted by each division director and office head provides reasonable assurance to the Chairman that they complied with the Act. The review covers fiscal year 2007.

We informed the Chairman that the reviews complied with the Act.

AUDIT AND REVIEW ACTIVITIES

INTERNAL AUDITS/REVIEWS (Continued)

Federal Information Security Management Act Review – Compliance with OMB Memorandum M-07-06 *Validating and Monitoring Agency Issuance of Personal ID Credentials* and the NEH Homeland Security Presidential Directive (HSPD) -12 Implementation Plan September 24, 2007; OIG-07-03 (IR)

The purpose of our review was to determine NEH's compliance with M-07-06 and the Implementation Plan. We reviewed the Implementation Plan, inquired if NEH issued any Personal Identity Verification (PIV) credentials, and inquired as to the status of the contract with the General Service Administration (GSA) Federal Acquisition Service who is NEH's service provider for PIV credentials. We also reviewed NEH's public website to determine if any quarterly status reports were posted as required by M-07-06. The OIG also communicated with OMB regarding timelines in M-07-06 and for clarification of what was to have occurred by the October 27, 2006 deadline.

We found NEH did not begin issuing HSPD-12 credentials in accordance with the Implementation Plan provided to OMB. Our inquiry to OMB indicated that, in order to be compliant with the October 27, 2006 deadline in M-07-06, agencies were to follow the schedule in their implementation plans. This plan called for NEH to start issuing compliant cards in June 2006 and to be in full compliance with HSPD-12 by October 2006. As of August 2007, NEH had not issued any credentials. Our review showed that NEH's Implementation Plan was heavily dependent on the service provider meeting the required timelines. When the service provider encountered problems, this caused delays in NEH meeting the timelines set in the Implementation Plan. The agency also has not begun posting quarterly update reports to NEH's public website on the number of PIV credentials issued. Since no credentials have been issued, NEH has not posted information to the public website. It was the understanding the Director of the Office of Human Resources (HSPD-12 Point of Contact) that PIV credentials had to be issued before information could be posted.

NEH agreed with our finding.

Federal Information Security Management Act Review – Federal Information Security Act (FISMA) Reporting Document to the OMB September 27, 2007; OIG-07-04 (IR)

The purpose of this template/document is to report the results of our annual FISMA review to OMB. This template/document along with our other reviews is part of our total FISMA submission to OMB and is to be included with the agency's FISMA submission. NEH agreed with what the OIG reported in its FISMA document and while progress has been made, we believe that further steps need to be taken to improve security.

Review of Travel Policies and Procedures for the Program Divisions and Offices September 27, 2007; Advisory Memorandum

We studied the travel policies and procedures used by NEH's program divisions and offices. The purpose was to learn the best practices used by each division or office and to develop a document that programs can use. We considered providing guidance to all programs in developing a policy that provides for transparency and accountability.

Due to limited travel funds, each office sets their own priority on the use of travel funds. We found that some program divisions/offices provide for professional development related to a staff's educational discipline, while others do not. We will convene a meeting with the assistant chairman for programs and program office heads to determine if a single agency-wide policy is practicable. A written agency-wide policy would help managers in directing their staff and promote consistency throughout the agency concerning the use of travel funds.

AUDIT AND REVIEW ACTIVITIES

EXTERNAL AUDITS/REVIEWS

GWETA, Inc April 30, 2007; OIG-07-04 (DR)

The objective of our review was to assess the adequacy of the time and effort accounting policies and procedures implemented by GWETA to ensure compliance with OMB Circular A-122. Our review included employee timesheets, payroll-related reports, and general ledger documentation for the period December 16, 2005 thru February 24, 2006.

We concluded that procedures implemented by GWETA are adequate to ensure compliance with the requirements set forth in OMB Circular A-122 concerning support of salaries and wages. However, we found instances where the:

- timesheets submitted did not comply with the GWETA timesheet procedures. These areas of non-compliance dealt with the supervisor not signing and dating timesheets.
- hours reported on the different sections of the non-exempt employee timesheets did not agree.
- accounting codes used on employee timesheets did not agree with the accounting codes used on the Staff Allocation reports and the general ledger.

Educational Broadcasting Corporation June 6, 2006; OIG-07-05 (DR)

The objective of this desk review was to assess the adequacy of the time and effort accounting policies and procedures implemented by Educational Broadcasting Corporation (EBC) to ensure compliance with OMB Circular A-122. This review included employee timesheets and Payroll Authority documents, payroll registers, and general ledger posting reports as they related to projects supported by NEH grants during the period November 1, 2005 thru January 31, 2006.

We found that the organization's time and effort accounting policies and procedures are adequate to ensure compliance with OMB Circular A-122 concerning support of salaries and wages. However, during the course of our review, we learned that charges related to personal services rendered by individuals associated with NEH-supported projects may also originate from the organization's accounts payable system or be based on journal entries. Compensation to individuals that are not on EBC's payroll is reflected in the organization's accounting records as accounts payable transactions. On the contrast, these "labor" charges are related to positions listed in the NEH-approved project budgets under the caption, *Salaries and Wages (Thirteen/WNET staff liquidated rate including salary, benefits, office, phone)*, which implies that the individuals expected to perform in the positions are payroll employees of EBC.

We suggested, in the interest of complete disclosure, that future project budgets submitted by the organization to NEH be annotated in a manner to distinguish those positions listed under the caption, *Salaries and Wages*, which will be filled by EBC employees versus non-employees of the organization, (to the extent that is known at the time of the budget submission).

Save Ellis Island! June 13, 2007; OIG-07-06 (DR)

The objective of this desk review was to assess the adequacy of the time and effort accounting policies and procedures implemented by Save Ellis Island! (SEI) to ensure compliance with OMB Circular A-122. This review included employee timesheets, the payroll report, general ledger postings, and adjusting journal entries related to the period April 1, 2006 thru June 30, 2006.

AUDIT AND REVIEW ACTIVITIES

EXTERNAL AUDITS/REVIEWS (Continued)

We concluded that procedures are in place at SEI that would ensure compliance with the requirements set forth in OMB Circular A-122 concerning support of salaries and wages. However, the timesheets, as prepared by employees, are not used as the basis for charges to NEH grants, which effects a condition of noncompliance with the requirements of the circular. At the end of the grant period, an official of the organization determines how much effort was spent on the respective NEH project. The accounting department then makes a journal entry to allocate salaries and wages to the NEH grant.

We advised the organization that salary charges to NEH grants that are not based on timesheets, as prepared by the respective employee(s), is subject to disallowance by NEH auditors. Furthermore, the timing of charges to NEH grants should be in reasonable proximity to the period in which the effort was actually expended. The organization has responded that, effective with the week ending June 15, 2007, a new procedure was implemented to satisfy the requirements.

City Lore Inspection of Challenge Grant August 29, 2007; OIG-07-01 (I)

The purpose of the inspection was to determine whether donations certified by City Lore were eligible to release Federal matching funds, and if City Lore, in keeping with the stated purpose of the challenge grant, established a \$200,000 endowment to support its Study Center.

Our inspection disclosed that the funds certified by City Lore were not given by the donors for the purpose of supporting an endowment and therefore not eligible to release \$100,000 of Federal matching funds. The inspection revealed that City Lore expended all of the nonfederal certified funds on operations, an ineligible purpose of the NEH challenge grant. Of the \$100,000 of Federal matching funds released by NEH, City Lore invested only 80 percent and expended 20 percent towards long-term expenses without first requesting NEH approval.

During the inspection, we requested input from the Office of Challenge Grants on the eligibility of City Lore's request for funding from a certain foundation. The program staff agreed with the OIG that, because an endowment had not been established, the request and the resulting \$100,000 donation certified to NEH was not eligible for matching. The OIG advised City Lore that they were required to refund to NEH the \$100,000 of Federal matching funds questioned in the inspection.

Overhead Desk Reviews

The OIG performs overhead desk reviews (ODRs) for grantees requiring indirect cost rates. The reviews are done in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Inspections*. The OIG sends the results of the ODRs to the Assistant Chairman for Planning and Operations, who negotiates the indirect cost rates with the grantees. We completed four reviews during this period. (See page 2).

AUDIT AND REVIEW ACTIVITIES

EXTERNAL AUDITS/REVIEWS (Continued)

Single Audit Act Reviews

During fiscal year 2007, more than 80 percent of NEH's expenditures were payments made to grantees. The Single Audit Act Amendment of 1996 covers many NEH grantees. Grantees expending \$500,000 or more in Federal dollars per annum are required to obtain an OMB Circular A-133 audit. The objective of the audit is to determine whether the recipients expend Federal funds according to applicable laws and regulations. The OIG receives OMB Circular A-133 reports from other Federal agencies (primarily the Department of Health and Human Services), state and local government auditors, independent public accountants, and grantees.

During the six-month period ended September 30, 2007, we reviewed 82 OMB Circular A-133 audit reports. None of the reports contained findings that required reporting by the OIG to NEH management.

WORK IN PROGRESS

Desk Reviews of Documentation Related To Salaries and Wages Charged to NEH Grants

Fine Arts Museum of San Francisco
Connecticut Historical Society
Mid-Atlantic Arts Alliance
The Library of America

Overhead Desk Reviews

American Philosophical Society
The New York Public Library
The Oregon Historical Society
The Foundation of the American Institute for Conservation of Historic and Artistic Works
The Huntington Library

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. The result could be an audit, an investigation, a referral to another NEH office or division, a referral to another Federal agency, or no action.

OPEN AT APRIL 1, 2007

Two matters were open at April 1, 2007. One concerns a Misconduct in Research situation involving an organization that received an NEH grant in 1990. The other matter involved an NEH grantee; however, the grantee took action to correct the situation and we closed our file.

CONTACTS DURING THE PERIOD

Eight "Hotline" contacts were received during this six-month period. Two were referred immediately to other OIGs, three related to internal matters, and three affected grantees. Two internal contacts concerned the same allegation. After our investigation, we found no evidence supporting the charge. We subsequently received the same allegation which was submitted to the General Accountability Office (GAO). We informed GAO that the matter was investigated and the file was closed. The other internal contact alleged that an employee's proposed travel was more of a personal trip than a NEH business trip. The trip was cancelled. We recommended that the office head and the staff person involved take training regarding Federal travel. In addition, the OIG followed up by reviewing the policies and procedures of all NEH program offices and divisions. We issued an advisory memorandum to the NEH chairman.

The first grantee-related issue concerned an incident at a particular institution, not an NEH grant. We brought the matter to the attention of the organization's president and after receiving his response we closed the file. The second grantee matter concerned a challenge grant. After speaking with the head of the organization and writing several letters, the grantee refunded \$50,000, the amount NEH provided them. The third matter also concerned a challenge grant, and additional information must be obtained before a final decision can be made.

OPEN AT SEPTEMBER 30, 2007

Two contacts have not been closed as of the end of the reporting period. The first concerns the Misconduct in Research issue, and the other concerns the challenge grant.

MATTERS REFERRED TO PROSECUTIVE AUTHORITIES

We did not refer any issues during the period.

HOTLINE AND PREVENTION ACTIVITIES

We maintain a local Hotline phone number, an agency e-mail address, and an internet address to provide additional confidentiality for those persons bringing matters to the attention of the OIG. We continue to issue agency-wide e-mail messages informing NEH staff of violations that are reportable to the OIG. We also send e-mail messages several times during the year to inform NEH staff about the OIG operations. Posters advising staff to contact the OIG are displayed throughout the agency's facilities.

ANONYMOUS E-MAIL

We 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.

INVESTIGATIVE ACTIVITIES

SUMMARY OF INVESTIGATION ACTIVITY

Open at beginning of period	2
Matters brought to the OIG during the reporting period	8
Total investigative contacts	10
Closed, referred, or no action needed during the reporting period	8
Open at end of period	2

OTHER ACTIVITIES

PARTICIPATION ON THE EXECUTIVE COUNCIL ON INTEGRITY AND EFFICIENCY

In 1992, the President established the Executive Council on Integrity and Efficiency (ECIE) 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 input to the ECIE. The Inspector General is a member of the Audit Committee of the President's Council on Integrity and Efficiency, and participates in the Misconduct in Research meetings. In addition, he is a member of Grant Fraud Committee, a subcommittee of the National Procurement Fraud Task Force. The Deputy IG participates in the Single Audit Round Table and the Federal Audit Executive Council (FAEC). One senior auditor attends the monthly meetings of the Financial Statement Audit Network, a subcommittee of the FAEC.

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 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. During this period, no reviews were required.

WORKING WITH THE AGENCY

OIG staff attend various NEH meetings - panel meetings (where grant applications are reviewed by outside consultants), pre-council meetings (where program staff discuss panel review results with the Chairman and his immediate staff), and the National Council meeting. Also, the IG or Deputy IG attended the Chairman's monthly policy group meetings.

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

OIG INTERNET AND INTRANET

The OIG has posted several semiannual reports on the internet and on the NEH Intranet. The reports are accessible through the NEH homepage and the OIG homepage (<http://www.neh.gov/whowere/OIG.html>).

To advance 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 Accountability Office, the Office of Government Ethics, and the IGMET.

TECHNICAL ASSISTANCE

Throughout the reporting period, OIG staff provided telephone technical help to NEH grantees and independent public accountants about various matters. Generally, these involve the preparation of indirect cost proposals and implementation of the audit requirements of OMB Circular A-133.

ASSISTANCE TO THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES (IMLS)

The National Endowment for the Humanities OIG has an interagency agreement to provide investigation assistance to the IMLS. The agreement allows the NEH OIG to recover all direct and other costs that meet the legal requirements of the Economy Act. During this period, the OIG provided assistance on several matters.

OTHER ACTIVITIES (Continued)

EXTERNAL PEER REVIEWS/QUALITY CONTROL REVIEWS

The Inspector General Act of 1978, as amended, requires each OIG to have its audit operation evaluated every three years by another Federal OIG. The reviews are conducted in accordance with the guidelines established by the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency. The objective is to determine whether the internal quality control system was adequate as designed and complied with to provide reasonable assurance that applicable auditing standards, policies, and procedures were met for the period reviewed.

Quality Control Review of the U.S. Commodity Futures Trading Commission (CFTC) Office of Inspector General Audit Operations September 20, 2007

We conducted a peer review of audit operations at the CFTC OIG during this semiannual period---evaluating reports that the office published for the year ended September 30, 2006, which included the FY 2005 CFTC financial statements audit, and assessing its internal quality control program and relevant policies and procedures.

We determined that the CFTC OIG's audit function complied with professional auditing and quality control standards for the Federal government. The CFTC received an unqualified opinion, although we made several suggestions for improving their audit operation.

CFTC stated they would further study our recommendations before taking any action.

Quality Control Review of the NEH OIG Audit Operations

The U.S. Consumer Product Safety Commission (CPSC) performed a peer review of the NEH OIG audit organization for the year ended March 31, 2007. The review evaluated reports that our office published, including the FY 2006 NEH financial statements audit, and assessed our internal quality control program and relevant policies and procedures.

CPSC determined that the NEH OIG's audit function complied with professional auditing and quality control standards for the Federal government. The CPSC gave us an unqualified opinion while making a few suggestions for improving our audit operation. We agreed with the suggestions and are putting them into effect.

FYE 2007 MANAGEMENT CHALLENGES

SEPTEMBER 28, 2007

Continue Progress on the Agency Financial Management System

NEH has made significant progress with the web-based accounting system developed by the Oracle Corporation and the related internal controls.

The most significant area of progress was the elimination of the separation of incompatible duties problem involving the procurement/contracting function and the accounting office. However, a weakness remains due to the extent of the Administrative Services Officer's handling of procurement transactions and the individual's oversight of such transactions.

Several serious problems with the new accounting system continue. The development of an interface was a major improvement whereby obligations for grants are posted directly to the Oracle accounting system from the Grants Management System. The interface resulted in a reduction in the number of errors. However, problems continue. Expenditure of funds have been charged and paid against accounting codes with zero obligation balances. Payments of funds against accounts without balances are serious errors.

Although a great deal of progress has occurred concerning program fund reports and travel reports provided to the divisions, most still prefer to receive the reports monthly.

In addition, progress made by the NEH accounting officer and the new system accountant gives the agency the ability to utilize more functions of the accounting system correctly in a more timely and efficient manner.

Strengthen Information Security

NEH has taken much needed action to improve the security of the system. The agency is following OMB and NIST regulations more seriously.

NEH is providing computer hardware and software to the National Archives and Records Administration (NARA) for NARA's use in managing their grant administration program. NEH has determined that security features, such as firewalls, minimize the security risks of these additional responsibilities.

Continue to Improve Planning and Performance Measurement in Accordance with the Results Act

Over the past several years, NEH has made progress. However, more energy is required to make the case for NEH stronger. The OIG recognizes that measuring the benefits of many NEH programs is difficult. In many areas, NEH places more emphasis on outputs than outcomes. NEH should gradually have the divisions collect outcome-type data from grantees. As an example, while we have learned that a high school teacher uses knowledge gained at a summer seminar during instruction to approximately 250 students a year; we do not know how the students are affected. Do they read more books on the topic, are they thinking about taking more courses on the same topic in college? What is the actual effect of a summer seminar on the students of the teacher attending the seminar? Further, what does the school principal and the department chair see as the outcome of the teacher taking the seminar?

Information Resources Management

NEH has made and continues to make significant progress on e-gov and is moving towards the eventual goal of having grantees submit complete proposals electronically, reviewing the proposals on-line, and processing proposals electronically. This long-term e-government project of the President's Management Agenda has several agencies working together. We will be listing this as management challenge until NEH processes a significant amount of complete applications through e-gov in an economical and efficient manner.

FYE 2007 MANAGEMENT CHALLENGES

SEPTEMBER 28, 2007 (Continued)

Human Capital

The Comptroller General of the United States has cited human capital as a high-risk area. Similar to many Federal agencies, NEH will be facing the retirement of a large amount of staff within the next several years. One office, the Office of Grant Management, has the possibility of having a complete turnover of staff within the next two to six years. NEH management recognizes this problem and has begun taking action. Nevertheless, a much more proactive plan for staffing the office has to take place. Several staff that has worked in the office for 30 years or more will be retiring soon.

NEH's policy is to staff the OGM with employees from other NEH offices. While this is commendable, it may not be the best long-term solution. Generally, hiring younger employees with no background in grant management will take years to get the office's production to a viable working level. This occurs because the retiring staff are very familiar with the work and produce at a very high level. This may have a negative effect on our grantees if we cannot take care of business in a timely manner.

NEH's challenge is to evaluate how retirements will transform the agency due to a loss of institutional memory. The time has come for the agency to learn if workload and mission realignments would benefit the agency. This can be accomplished by workflow reviews for the entire agency.

Continuity of Operations

After September 11, 2001, the agency began Continuity of Operations Planning (COOP); however, a formal plan has not been completed and distributed to NEH staff. Last year we faced a flood problem at the Internal Revenue Service building (our building's supplier of air conditioning). Excellent work by NEH staff saved the agency from encountering many problems. The Administrative Service Officer worked diligently with the building's owner (General Services Administration) to secure temporary air conditioning and heating units to service the building. The system in place to notify employees of the building's status performed extremely well. Most of the staff did not come to work for several days. However, payments to grantees and staff were on time.

A COOP is a valuable tool for NEH readiness for a sudden event where the staff may not be in a position to work at the Old Post Office Building. NEH needs a plan that will have the staff working within an acceptable timeframe if a manufactured or natural disaster prevented employees' admission to the building.

PRIOR AUDIT REPORTS UNRESOLVED

- Several recommendations from prior FISMA and Information Technology Security reviews remain to be addressed. The staff of the NEH Office of Information Resources Management is currently working on implementing some of the recommendations.
- A finding disclosed in the Independent Auditor's Report on the financial statements for September 30, 2006 is still open. NEH management has indicated that they are taking action to resolve the issue.
- An opinion from the Office of the General Counsel is required in order to close OIG-06-02 (IA), *Audit of the Selection, Purchase and Implementation of the Oracle Accounting System*, issued July 19, 2006.

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.....	*
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.....	9
Section 5(a)(5)	Instances Where Information Was Refused or Not Provided.....	*
Section 5(a)(6)	List of Reports Issued.....	3
Section 5(a)(7)	Summary of Reports Issued.....	4-8
Section 5(a)(8)	Audit Reports - Questioned Costs.....	17
Section 5(a)(9)	Audit Report - Funds To Be Put to Better Use.....	17
Section 5(a)(10)	Prior Audit Reports Unresolved.....	15
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.	- 1 -	\$100,000	\$ - 0 -
Subtotals (A+B)	- 1 -	\$100,000	\$ - 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 -
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.	- 1 -	\$100,000	\$ - 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 -
ii. Dollar value of recommendations that were not agreed to by management.		\$ - 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).

National Endowment for the Humanities

Office of Inspector General

Strategic Plan

2007 - 2012

Introduction

To enhance the effectiveness of the Office of Inspector General (OIG) at the National Endowment for the Humanities (NEH) and to ensure effective audit coverage of NEH programs and operations, we have developed the following strategic plan. Our primary goal is to improve the programs, operations, policies and procedures of the NEH. As part of our planning process, we have continual contact with senior managers and program officials to identify those areas where we can best serve their needs. Our strategic planning efforts will be on-going and we will review the strategic plan biannually.

Authority and Responsibility

On October 18, 1988, former President Reagan signed into law the Inspector General Act Amendments 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 is appointed by the Chairman of the NEH. 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 OIG has the responsibility and authority to:

- conduct audits and investigations;
- provide leadership and coordination, and recommend policies to promote efficiency and effectiveness and to prevent fraud;
- keep the Chairman and Congress fully and currently informed of problems and deficiencies; and
- comply with governmental auditing standards.

The Act requires the IG to report semiannually to the Chairman and Congress. The report is provided to the Chairman, who may comment on the report. The report must be forwarded to Congress within thirty days. Serious or flagrant problems can be reported anytime to the Chairman, who may comment but must transmit the report intact to Congress within seven days of receipt.

Mission/Vision/Value Statement

Mission

The mission of the Office of Inspector General is to provide professional audit, review, investigative, inspection, and advisory services to promote economy, efficiency, and effectiveness and to detect and prevent fraud, waste, and mismanagement in NEH programs and operations.

Vision

The Office of Inspector General aspires to maintain a reputation for professional competence, leadership, and integrity. We strive to achieve our goals through self-examination and a teamwork environment that fosters professional development, open communication, and creativity.

Value Statement

We have a commitment to independence and excellence in the quality of our services. This commitment is characterized by integrity, fairness, cooperation, creativity and respect both within and outside the OIG.

National Endowment for the Humanities **Mission Statement and Goals**

The mission statement of the National Endowment for the Humanities (NEH) is as follows:

Because democracy demands wisdom, the National Endowment for the Humanities serves and strengthens our Republic by promoting excellence in the humanities and conveying the lessons of history to all Americans.

The NEH has identified three (3) major goals and objectives. They are as follows:

Goal 1: **To advance knowledge and understanding in the humanities in the United States.**

Objective 1: Facilitate basic research and original scholarship in the humanities.

Objective 2: Strengthen teaching and learning in the humanities in elementary and secondary schools and higher educational institutions across the nation.

Objective 3: Preserve and increase the availability of cultural and intellectual resources essential to the American people.

Objective 4: Provide opportunities for Americans to engage in lifelong learning in the humanities.

Objective 5: Strengthen the institutional base of the humanities.

Objective 6: Maintain and strengthen partnerships with the state humanities councils.

Objective 7: Enhance the teaching, study, and understanding of the nation's history, culture, and principles.

Objective 8: Develop collaborative partnerships with individuals and institutions in support of the humanities.

Objective 9: Stimulate third-party support for humanities projects and programs.

Goal 2: **To broaden public awareness of, access to, and support for the humanities.**

Objective 1: Increase awareness of the importance of the humanities in American life.

Objective 2: Extend the reach of the humanities.

Goal 3: *To enhance quality of service and efficiency of operations.*

Objective 1: Provide effective and results-oriented service to the American people.

Objective 2: Recruit and retain a diverse and results-oriented work force.

Office of Inspector General - Goals

To accomplish the OIG mission, we have adopted three (3) major goals. Possible strategies have been included for each goal. We obtained ideas and suggestions from a variety of sources including OIG staff and other OIGs.

Goal 1: Help the NEH achieve its desired goals by providing audit and investigative services of significant benefit to NEH programs and operations, while ensuring the integrity and reliability of OIG work. In addition to providing the traditional audit and investigative services, we are committed to providing advisory and assistance services in response to requests from NEH management, NEH staff, the community of NEH grant recipients, and independent public accountants.

Strategy:

- ◆ Solicit NEH and Congressional input in planning OIG activities.
- ◆ Develop internal planning mechanisms to support NEH goals and priorities.
- ◆ Identify specific targets for OIG review that are the most cost-effective.

Goal 2: Increase the OIG's positive impact on the NEH's accomplishments by emphasizing program integrity and performance, safeguarding and leveraging available resources, and reporting fairly the results and conclusions resulting from OIG efforts.

Strategy:

- ◆ Focus OIG attention in the following areas:
 - ⇒ managing change;
 - ⇒ resource allocation in relation to policy objectives;
 - ⇒ delivery of client service;
 - ⇒ causes of fraud and inefficiency; and,
 - ⇒ automation and communication.
 - ⇒ Identify factors that influence organizational change and develop short and long term plans to address them.

Goal 3: Improve the timeliness and quality of OIG performance by adopting more efficient, effective, and innovative processes within the OIG.

Strategy:

- ◆ Conduct quality assurance programs.
- ◆ Comply with applicable statutory guidelines and standards.
- ◆ Set realistic and appropriate milestones.
- ◆ Evaluate results of OIG products and services and identify, as appropriate, lessons learned to improve timeliness and quality.
- ◆ Conduct follow-up reviews to determine if intended results have been achieved.

Audit, Inspections and Reviews

External Efforts

Our work will include general audits to evaluate the overall effectiveness of the grant programs, specific audits to measure compliance with applicable laws and grant terms, and review of IPA audits to identify specific problems and general trends. We will also react to specific requests from NEH officials and other interested parties.

Internal Efforts

A central emphasis for all of our work will be to determine if the agency's policies and procedures are consistent and fair across all of the various programs. All of our audits will contain this general objective and will provide data for us to develop systemic recommendations.

We will perform internal reviews of the NEH's operations. This approach will provide a knowledge base for our understanding of program policies and procedures, and provide us with an understanding of the goals, operational procedures, and accomplishments of each program. We will also perform tests of grantees to evaluate performance and measure success.

We will also review the agency's various management systems and provide an opinion on their efficiency and effectiveness. In addition, we will evaluate whether the controls are adequate to safeguard resources and get maximum value for the resources expended. In this context, each year we will systematically examine, in collaboration with NEH management, selected portions of NEH internal operations. We will select the areas to be reviewed based on their relative risk. Internal systems to be considered are systems such as information resources management, and contract and grant management.

Required Audits

On an annual basis, we are subject to perform audits, inspections, reviews, complete forms, and analyze laws as requested by OMB, Congress, GAO, and the PCIE/ECIE.

Federal Information Security Management Act (FISMA)

FISMA requires that the OIG annually perform an independent evaluation of the information security program and practices of the agency to determine the effectiveness of such program and practices and report the results of the evaluation to the Office of Management and Budget (OMB) with the agency's budget submission. The OIG also reviews segments of the NEH information systems. Guidance is issued annually by OMB on how agencies and OIG should report on FISMA.

Hotline Allegations and Investigations

Financial Statements

The Accountability of Tax Dollars Act of 2002, Public Law 107-289, requires NEH to prepare and submit to Congress and the Director of the U.S. Office of Management and Budget (OMB) audited financial statements annually. OMB issues annual updates on guidance for the audit of the financial statements. An independent public accountant (IPA) has been engaged to perform the audit, as selected by the OIG. The OIG monitors the IPA's performance and reviews the IPA's workpapers.

The IG Act of 1978, as amended, provides that the IG may receive and investigate complaints or information from NEH employees, grantees, and contractors.

At NEH, due to our limited resources, we have a reactive investigation program. In 2006, the OIG provided the state humanities councils information on reporting waste, fraud, abuse and mismanagement. However, due to limited travel funds, we have no idea if the information was displayed in the intended offices. The primary sources of complaints are employees and grantee staff. We have a small workload from these complaints; however, they have had an impact on our audit workload. We have a policy of investigating all valid complaints, and our investigations are conducted in a thorough, timely, careful, and efficient manner.

The OIG has a hotline with a local telephone number. Each instance reported to the OIG must be evaluated to assess the potential impact and merits of the complaint. In some cases, the complaint may be referred to other NEH officials. In others, an audit or a formal investigation may be necessary. OIG staff will perform the preliminary review and any audit work required. Currently, the IG works on the investigation if a complaint has merit.

Advisory and Assistance Services

In the past, we have received special requests to audit a specific entity, perform a review to answer a question or resolve a problem. These requests cannot be planned, but to provide maximum service to NEH, we will respond to any and all requests as timely as resources permit. These services are provided to NEH management, NEH staff, the community of NEH grant recipients, and independent public accountants.

Other Work

Review of Compliance with the Federal Managers' Financial Integrity Act (FMFIA)

The revised OMB Circular A-123, *Management's Responsibility for Internal Control* dated December 21, 2004, requires NEH management to develop and maintain effective internal controls and to assess those controls annually. NEH is not subject to Appendix A of the revised circular. Beginning with Fiscal Year 2007, the OIG will review the agency's annual assessment of its internal controls.

Under the original Circular A-123, Federal Managers' Integrity Act of 1982, Paragraph 6c and d, the Inspector General evaluated and provided technical assistance, and advice to the agency head as to whether the agency's review and evaluation process was conducted in accordance with the circular's requirements. The OIG's evaluation was performed on an annual basis.

Strategic Issue Areas

Issue Area 1: Program Management/Grant Delivery

This issue centers around whether NEH is delivering the best grants to the American public while being efficient, economical and effective. This includes the guideline booklets produced; information and guidance given to potential applicants; application receipt and recording; panel selection and review; council committee book write-ups; pre-council, council, and post-council meetings; issuance of award and rejection letters; post-award monitoring; and grant close-out.

Issue Area 1.1: Are applications processed and evaluated in accordance with agency policies?

Strategy: The OIG will survey and document existing practices and procedures. Subsequent efforts will focus on areas in which compliance may be improved.

Issue Area 1.2: Application processing and grant monitoring (workload management).

Strategy: Conduct surveys within each division to ascertain:

Are workloads too heavy?
Time expended between receipt of a final narrative report, review of the report, and grant close-out? Level of satisfaction that the grant objective was met?
Workload management suggestions?
Responsibility for routine administrative tasks?

Issue Area 1.3: Does the Agency ensure that grantees comply with the terms and conditions applicable to their respective awards? (Post-award monitoring)

Strategy: The OIG will conduct surveys to ascertain if each division/office has written policies and procedures to ensure grantee financial and administrative compliance. Some grantees are at greater risk ~ what does NEH do?

The OIG will continue to review grantee implementation of corrective actions in response to cited instances of noncompliance and advise NEH management as to the status and effectiveness of grantee actions.

Issue Area 1.4: How often and when does each division perform program evaluations? What are the results of these reviews? How are the results of these reviews incorporated into the agency's strategic planning process.

Strategy: Conduct surveys within each division.

Issue Area 2: NEH Grant Recipients

Issue Area 2.1: **Are grantees complying with applicable reporting requirements and the terms and conditions governing their awards?**

Strategy: The OIG will perform desk reviews of OMB Circular A-133 audit reports; on-site quality control reviews of audits performed in accordance with OMB Circular A-133; and limited-audits of grantees not subject to the audit requirements of OMB Circular A-133.

The OIG will perform audits of known high-risk grantees (state humanities councils and media organizations).

The OIG will report systemic problem areas to NEH and grantee management.

Issue Area 2.2: **Are grantees, whose awards provide for indirect costs, complying with the applicable OMB directives in preparing their indirect cost rate proposals?**

Strategy: The OIG will provide technical assistance by performing overhead desk reviews of indirect cost rate proposals submitted by grantees in accordance with the President's Council in Integrity and Efficiency (PCIE) Inspection Standards. The OIG forwards the reviews to the Assistant Chairman for Planning and Operations for negotiation of the rate.

Issue Area 3: General Administration

General administrative functions are established to support the delivering of services ~ the award of federal funds. Audits, surveys, reviews and inspections are needed to answer the basic question: Are NEH's general administrative functions enhancing the agency's ability to accomplish its mission? Factors to be considered are economy, efficiency and effectiveness.

General Administrative Functions:

- Administrative Services (Procurement/Facility Management)
- Human Resources
- Information Resources Management
- Accounting
- Grant Management
- Strategic Planning
- Equal Employment Opportunity Program
- Office of the Chairman
- Office of Communications
- Office of Publications
- Office of the General Counsel

Issue Area 3.1: Do procurement actions comply with federal and agency requirements?

Strategy: The OIG will review the agency's procurement function considering changes in the federal procurement law.

Issue Area 3.2: Is information maintained by the agency's timekeeping/payroll system accurate?

Strategy: The OIG will audit timekeeping/payroll system data input. The OIG will also review timekeeping internal controls.

Issue Area 3.3: There are constant improvements in technology and changes in information requirements and resources.

Strategy: The OIG will continue to assist management by participating in task groups and periodically reviewing and commenting on system implementation issues. The OIG will continue to perform reviews to assess the agency's efforts to secure electronic information and systems in accordance with the Federal Information Security Management Act (FISMA).

Issue Area 3.4: Does the agency's financial management system provide the information needed to monitor costs and expenditures in accordance with the requirements and initiatives of Congress, OMB, and the Department of Treasury? Is the information generated by the agency's financial management system auditable?

Strategy: The OIG will conduct audits to verify the propriety of transactions, the validity of account balances, and the accuracy of financial reports. This will be done to augment the IPA's limited testing of transactions done during the audit of the financial statements.