



NATIONAL  
ENDOWMENT  
FOR THE  
HUMANITIES (NEH)

OFFICE OF INSPECTOR GENERAL

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September 30, 2010

**RETURN RECEIPT REQUESTED**

[REDACTED]  
[REDACTED]  
The Gilder Lehrman Institute of American History  
19 West 44<sup>th</sup> Street, Suite 500  
New York, NY 10036

RE: NEH Challenge Grant ([REDACTED]) - "Gilder Lehrman Institute History Schools  
Program Transformation"  
[OIG-10-07 (DR)]

Dear [REDACTED]:

Please note that OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* requires non-profit entities that annually expend \$500,000 or more in federal awards to undergo either a single or program-specific audit. We wanted to alert you to this fact since it appears that the Gilder Lehrman Institute of American History (the "Institute") has not been subject to an A-133 audit in the past and NEH recently awarded the Institute several federal grants to include one material challenge grant that individually exceeds the single audit threshold.

Additionally, the Circular provides specific guidance concerning the reporting of federally supported endowments on the Schedule of Expenditures of Federal Awards (SEFA). In particular, OMB Circular A-133, Section 205(e) states that the cumulative balance of federal awards for endowment funds, which are federally restricted, are considered awards expended in each year in which the funds are still restricted. Moreover, the *Administration of NEH Challenge Grants* manual states that federal funds deposited into income-earning accounts are to be treated as federal expenditures. Accordingly, the cumulative federal funds received from NEH that are specifically restricted to build an endowment must be reported as federal expenditures on the SEFA annually.

Furthermore, this challenge grant represents a hybrid award in which seventy five percent of the funds raised (federal and non-federal) will be used to create an endowment with the remaining twenty five percent supporting period expenses to include both bridge and direct funding. Hence, a two-pronged methodology must be used to calculate the SEFA expenditures associated with this challenge grant: \*

- 1) Endowment fund - SEFA expenditures represent cumulative federal funds received as discussed in the preceding paragraph,
- 2) Bridge/Direct funds - SEFA expenditures represent direct federal expenditures during the fiscal year.

\* Please note that non-federal matching funds are excluded from SEFA reporting.

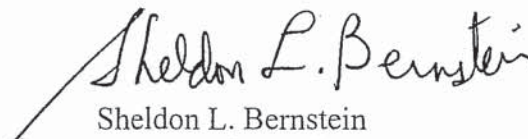
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RE: NEH Challenge Grant [REDACTED]  
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We completed a cursory review of the related grant file and determined that one certification report reflecting \$ [REDACTED] in non-federal matching funds has been submitted. This resulted in the release of \$ [REDACTED] in cumulative federal dollars by NEH as of today's date. Assuming NEH represents the Institute's only federal funding source, the single audit requirement will be triggered once the Institute "expends" \$ [REDACTED] in federal grant funds (to include this challenge grant and other existing NEH federal awards) during a single fiscal year. Remember, the cumulative endowment portion of the challenge grant award must be reported each year therefore the possibility exists that an A-133 audit may be required for the fiscal year ending June 30, 2011.

Please ensure the Institute's controller and the independent auditors are promptly informed of this matter since the improper preparation of the SEFA and faulty A-133 audit procedures can lead to additional scrutiny by federal auditors, to include our office, and the temporary suspension of federal funding. Please note that additional audit guidance concerning the challenge grant program can be found on the NEH Office of the Inspector General website (<http://www.neh.gov/whoware/oig-challenge-audit.html>).

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

Sincerely,

  
Sheldon L. Bernstein  
Inspector General

cc:

[REDACTED]  
[REDACTED]

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