



NATIONAL ENDOWMENT FOR THE

**Humanities**

**Office of Inspector General**

**SEMIANNUAL  
REPORT TO  
CONGRESS**

**For the Period October 1, 2016 through March 31, 2017**

**Report No. 56**

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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

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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 October 1, 2016 through March 31, 2017, and has been designed to respond to new reporting requirements established by the Inspector General Empowerment Act of 2016. OIG activities completed during this reporting period were in concert with our oversight of non-Federal audits of NEH grantees. We also continued our monitoring of the activities of the independent auditors engaged to conduct the audit of the NEH financial statements for fiscal year ended September 30, 2016.

During this reporting period, we completed a quality control review and a desk review of Single Audit reports issued by non-Federal auditors for two NEH grantees. As of the end of this reporting period, we have several audits and inspections in process, the results of which we anticipate including in our semiannual report for the period ending September 30, 2017.

We continued to monitor the work of the auditors engaged to conduct the audit of the NEH financial statements for fiscal year ended September 30, 2016. We completed a final review of the audit working papers and draft report to ensure compliance with applicable Federal requirements. The NEH received an unmodified opinion on the audited financial statements as of and for the years ended September 30, 2016 and 2015. No material internal control deficiencies or instances of noncompliance with applicable laws and regulations were reported by the IPA.

No investigations were initiated by the NEH-OIG during this reporting period. We received one Hotline complaint, which concerned a Federal agency that does not have a statutory Office of Inspector General. The complaint has been forwarded to the GAO FraudNet.

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, (which involves audit and accountability representatives from the non-Federal audit community, and representatives from Federal and State government communities). We 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 Federal grant awards. We also completed a review of the system of quality control for the audit organization of the U.S. Consumer Product Safety Commission — Office of Inspector General in effect for the year ended September 30, 2016.

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 NEH recently launched an initiative entitled, *The Common Good*. This initiative is designed to demonstrate the critical role humanities scholarship can play in our public life. Through NEH's traditional grant-making programs and several special initiatives, *The Common Good* encourages humanities scholars to turn their attention to topics that have widespread resonance with the American people and that lend themselves to the methods and concerns of the humanities.

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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. 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 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 also 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, reviews, and inspections. 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 consist of 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 this reporting period. The Inspector General Act of 1978, as amended, requires us 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 12].

	<u>Report Number</u>	<u>Date Issued</u>
<b><u>FINANCIAL STATEMENT AUDIT</u></b>		
Final Report NEH Financial Statement Audit ~ FY 2016	N/A (Outsourced)	11/10/2016
<b><u>QUALITY CONTROL REVIEW</u></b>		
Quality Control Review — Single Audit of the Humanities Council of Washington, DC — Fiscal Year Ended October 31, 2014	OIG-17-01 (QCR)	12/29/2016
<b><u>DESK REVIEW</u></b>		
Desk Review of the Single Audit Report for Year Ended October 31, 2015 — Massachusetts Foundation for the Humanities	OIG-17-01 (DR)	03/07/2017
<b><u>SINGLE AUDIT ACT REVIEWS</u></b>		
OMB Circular A-133 Reports	— See Page 5 —	

# AUDIT AND REVIEW ACTIVITIES

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## SUMMARY OF REPORTS ISSUED

### FINANCIAL STATEMENT AUDIT

#### **Final Report NEH Financial Statement Audit ~ Fiscal Year 2016 November 10, 2016**

We engaged Leon Snead & Company, P.C., (the “IPA”) to perform the annual audit of the NEH financial statements, as required by the *Accountability of Tax Dollars Act of 2002*. We were responsible for (1) evaluating the qualifications and independence of the IPA; (2) reviewing the audit approach and planning; (3) monitoring the work of the IPA; (4) examining audit workpapers and draft reporting deliverables to ensure compliance with *Government Auditing Standards*, OMB Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*, and the *Financial Audit Manual*, issued jointly by the Government Accountability Office (GAO) and the President’s Council on Integrity and Efficiency (PCIE); and (5) executing other procedures deemed necessary to oversee the audit.

The IPA issued an unmodified opinion on the NEH financial statements as of and for the years ended September 30, 2016 and 2015. The IPA’s testing did not identify material weaknesses in internal control over financial reporting and the results of the IPA’s tests of compliance with certain provisions of laws and regulations disclosed no instances of noncompliance required to be reported under *Government Auditing Standards* and OMB Bulletin 15-02. There are no prior year unresolved findings.

### QUALITY CONTROL REVIEW

#### **Quality Control Review — Single Audit of the Humanities Council of Washington, DC Fiscal Year Ended October 31, 2014 December 29, 2016; OIG-17-01 (QCR)**

We completed a quality control review of the single audit reporting package issued by Han Group, LLC (the “IPA”) concerning the Humanities Council of Washington, DC for the fiscal year ended October 31, 2014. The objectives of the quality control review (QCR) were to (1) determine whether the audit was conducted in accordance with applicable standards, which include *Generally Accepted Government Auditing Standards* (GAGAS) and *Generally Accepted Auditing Standards* (GAAS), and met the requirements of OMB Circular A-133; (2) identify any follow-up work necessary to support the opinions contained in the audit report; and (3) identify issues that may require the attention of NEH program management. The QCR was conducted in accordance with the *Quality Standards for Inspection and Evaluation*, as issued by the Council of the Inspectors General on Integrity and Efficiency.

We assigned an overall rating of “Fail” to the IPA’s work related to the Council’s single audit submission. We determined that the IPA did not sufficiently execute audit procedures designed to support the IPA’s opinion concerning several compliance attributes deemed to be direct and material to the major Federal program tested. Consequently, the IPA failed to detect a substantive Federal financial reporting anomaly. Specifically, the IPA failed to fully implement planned procedures for testing the Council’s:

- ◆ Federal financial reporting;
- ◆ Fulfillment of subrecipient monitoring responsibilities;
- ◆ Fulfillment of the mandated cost-sharing requirement applicable to the Federal program tested; and
- ◆ Implementation of safeguards to ensure that Federal funds are not disbursed to suspended or debarred parties.

# AUDIT AND REVIEW ACTIVITIES

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## SINGLE AUDIT DESK REVIEWS

Subpart F of OMB 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 this reporting period, we issued a letter to governance officials for the Massachusetts Foundation for the Humanities, communicating the results of our desk review of their single audit reporting package submitted in accordance with OMB Circular A-133\*. The objectives of the desk review were to: (1) determine whether the audit report is acceptable based on the reporting requirements of OMB Circular A-133; (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 if the report is in conformance with core reporting requirements stipulated by OMB Circular A-133. Audit reports receiving a "Fail" rating require corrective action.

We assigned a "Fail" rating to the reporting package due to key deficiencies that affect the reliability of the report.

\* Note: OMB recently updated single audit guidance with the issuance of *Uniform Guidance: Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Subpart F)*. For fiscal years beginning after December 25, 2014, the single audit threshold increased from \$500,000 to \$750,000 under the new guidance.

## 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. We occasionally receive Single Audit reports directly from NEH grantees.

During the six-month period ended March 31, 2017, we reviewed OMB Circular A-133 audit report communications concerning five (5) NEH grantees. No findings were noted that affected NEH programs.

# AUDIT AND REVIEW ACTIVITIES

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## WORK IN PROGRESS/REPORTS TO BE ISSUED (as of March 31, 2017)

### Inspection ~ NEH Government Charge Card/Travel Card Programs

On October 5, 2012, the Government Charge Card Abuse Prevention Act of 2012 (“Charge Card Act”) [P.L. 112-194] was enacted to reinforce efforts to prevent waste, fraud, and abuse of government-wide charge card programs. Consistent with existing guidance contained in OMB Circular A-123, Appendix B, *Improving the Management of Government Charge Card Programs*, the Charge Card Act requires all executive branch agencies to establish and maintain safeguards and internal controls for purchase cards, travel cards, and centrally-billed accounts.

The Charge Card Act also requires agency Inspectors General to (1) conduct periodic risk assessments of agency charge card programs to analyze the risks of illegal, improper, or erroneous purchases; and (2) submit an annual purchase and travel card audit recommendation status report to the OMB for compilation and transmission to Congress and the Government Accountability Office.

### Limited Audit ~ International Documentary Foundation

The primary objectives of this limited audit are to determine whether (1) expenditures related to NEH grant TW-50296-13 were made in accordance with applicable provisions of NEH’s *General Terms and Conditions for Awards to Organizations* (and its Addendum), and the specific terms of the grant award; and (2) the grantee maintains proper controls over the administration of Federal awards in accordance with minimum standards prescribed in OMB Circulars A-110 (2 CFR Part 215) and A-122 (2 CFR Part 230).

### Limited Audit ~ Pacific Symphony

The primary objectives of this limited audit are to determine whether (1) expenditures related to NEH grant GI-50294-11 were made in accordance with applicable provisions of NEH’s *General Terms and Conditions for Awards to Organizations*, and the specific terms of the grant award; and (2) the grantee maintains proper controls over the administration of Federal awards exist in accordance with minimum standards prescribed in OMB Circulars A-110 (2 CFR Part 215) and A-122 (2 CFR Part 230).

### Inspection ~ Federal Information Security Management Act (FISMA) — Fiscal Year 2016

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.

# 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 be for criminal cases only with no guarantee that investigative staff would be available when needed.

## INVESTIGATIVE ACTIVITIES

No investigations were initiated by the NEH-OIG during this reporting period.

## MATTERS REFERRED TO PROSECUTIVE AUTHORITIES

No matters were referred to the U.S. Department of Justice during this reporting period.

## 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 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, a preliminary inquiry is conducted to inform a 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 the beginning of the reporting period. We received one Hotline complaint during the reporting period, which concerned a Federal agency that does not have a statutory Office of Inspector General. We forwarded the complaint to the GAO Fraudnet.

During this reporting period, we also received over 246 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 via text messaging or telephone calls.

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

Open as of October 1, 2016	0
Matters Brought to the OIG during the Reporting Period	1
Total Hotline Contacts	1
Closed, Referred, or No Action Deemed Necessary during the Reporting Period	1
Open as of March 31, 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 this reporting period.

### **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 Project Directors’ meetings convened by the NEH Division of Education (*Landmarks of American History and Culture Workshops* and *NEH Humanities Initiatives at Historically Black Colleges and Universities, Hispanic-Serving Institutions, and Tribal Colleges and Universities*). The meetings were held in October 2016 and February 2017, respectively.

### **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 this reporting period, the Inspector General regularly attended monthly CIGIE meetings, provided responses to various CIGIE inquiries, and attended a meeting of the CIGIE sub-group representing the “Smaller OIGs”.

### **PARTICIPATION IN OTHER ACTIVITIES WITHIN THE FEDERAL ACCOUNTABILITY COMMUNITY**

The Inspector General participated in the Single Audit Roundtable held in October 2016. The Single Audit Roundtable involves audit and accountability representatives from the non-Federal audit community, and Federal and State government communities.

## 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 Office of Management and Budget, the Government Accountability Office, the Office of Government Ethics, and the Council of the Inspectors General on Integrity and Efficiency (IGNET).

### 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.

During this reporting period, the Inspector General conducted a webinar addressing Federal financial reporting requirements. The webinar was hosted by the Federation of State Humanities Councils, (the national member association of the 56 state and jurisdictional humanities councils). Webinar participants included officials representing various state humanities councils and NEH staff.

### “AUDIT READINESS” AWARENESS CAMPAIGN

The NEH-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 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. Highlighted in the communications are specific areas wherein problems are commonly identified during audits of NEH grant recipients and 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 this reporting period, email communications were sent as noted below. We have reasonable assurance that all of the awardees received a copy of the communication.

<b>NEH Office or Division</b>	<b>Number of Awardees</b>	<b>Total Value of Awards</b>
Division of Preservation and Access	39	\$2,884,150
Division of Public Programs	16	\$2,421,335
Division of Education Programs	13	\$1,253,100
Office of Digital Humanities	1	\$249,680

# 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.....	9
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.....	7
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 - 5
Section 5(a)(8)	Audit Reports - Questioned Costs.....	12
Section 5(a)(9)	Audit Report - Funds To Be Put to Better Use.....	12
Section 5(a)(10)	Prior Audit Reports — Unresolved.....	13 - 14
Section 5(a)(11)	Significant Revised Management Decisions.....	*
Section 5(a)(12)	Significant Management Decisions with which OIG Disagreed.....	*
Section 5(a)(14-16)	Peer Review Results.....	Appendix A
Section 5(a)(17-18)	Investigation Statistics.....	7
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 period

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

	Number Of Reports	Questioned Cost	Unsupported Cost
A. For which no management decision has been made by the commencement of the reporting period.	- 0 -	\$ - 0 -	\$ - 0 -
B. Which were issued during the reporting period.	- 0 -	\$ - 0 -	\$ - 0 -
<b>Subtotals (A+B)</b>	- 0 -	\$ - 0 -	\$ - 0 -
C. For which a management decision was made during the reporting period.			
i. Dollar value of disallowed costs.	- 0 -	\$ - 0 -	\$ - 0 -
ii. Dollar value of costs not disallowed	- 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*.