

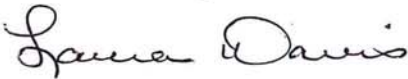


NATIONAL ENDOWMENT FOR THE  
**Humanities**

OFFICE OF INSPECTOR GENERAL

**MEMORANDUM**

TO: William Adams, Chairman  
Margaret Plympton, Deputy Chairman  
Adam Wolfson, Assistant Chairman for Programs  
Jeff Thomas, Assistant Chairman for Planning and Operations  
Karen Mittelman, Director- Division of Public Programs  
Robert Straughter, Director-Office of Grant Management

FROM: Laura Davis, Inspector General 

DATE: September 4, 2015

SUBJECT: Pre-award Survey: OIG-15-01 (TS)  
Heard Museum  
Phoenix, AZ

We have completed our pre-award survey of Heard Museum (the “Museum”). The purpose of our survey was to determine the adequacy of the organization’s accounting system, management controls, and related policies and procedures designed to administer the NEH grant funds.

Heard Museum is included in the *Pre-Award Survey List* maintained by the NEH Office of Grant Management. In July 2015, an application submitted by the Museum was approved for NEH funding in the amount of \$66,445. Accordingly, the matter was referred to the Office of Inspector General and a pre-award survey was initiated.

The NEH grant award will support planning for the (1) reinterpretation and expansion of an existing permanent exhibition, *Remembering Our Indian School Days: The Boarding School Experience*; (2) creation of a comprehensive Traveling Exhibit for venues nationwide; (3) creation of a Travel Panels Exhibit for the Museum’s Education and Public Programs Department; and (4) the creation of an accompanying catalogue reflecting some of the current thought on the overall history and legacy of American Indian boarding schools, and acknowledging the transformation of Indian boarding schools over time in response to changing cultural and political needs.

**Scope**

Our effort was limited to review of responses provided by Museum management to questions concerning the organization’s accounting system and related financial management controls<sup>1</sup> and a follow-up teleconference with pertinent Museum personnel. We also reviewed a sample of the organization’s Chart of Accounts; time and effort reporting policies and procedures; travel

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<sup>1</sup> The NEH-OIG utilizes a pre-award survey checklist which incorporates 47 questions designed to facilitate assessment of an organization’s accounting system and financial management controls pertinent to the administration of Federal award funds.

reimbursement policies and procedures; management letters issued in conjunction with the Museum's independent audit concerning fiscal years 2013 and 2014; and other documentation pertaining to the organization's accounting system and financial/administrative controls.

## **Conclusion**

Based on information provided to the Office of the Inspector General, we conclude that the accounting system, management controls, and administrative policies and procedures that have been and will be implemented by the Museum provide reasonable assurance that the organization will be able to sufficiently manage and account for NEH grant funds.

Museum management has been advised of several core compliance requirements that directly impact this NEH award and therefore should be monitored to ensure complete accountability and compliance with Federal administrative requirements.

1. **Accounting System.** The Museum's accounting system must provide accurate, current, and complete disclosure of all financial transactions related to each federally-sponsored project. Unallowable expenditures should be separately tracked in the general ledger and excluded from charges to Federal awards. The organization must also ensure a system is in place to capture and track cost-sharing activity. Cash contributions to the project from third parties must be accounted for in the general ledger with other award funds. Third party in-kind contributions (non-cash) are not required to be recorded in the general ledger, but must be under accounting control, possibly through the use of a memorandum ledger.
2. **Consultants.** Arrangements with consultants must be documented in writing. The written consultant agreement should include (at a minimum):
  - a. A clear description of all services to be rendered and/or products (written reports, etc.);
  - b. Fees to be paid;
  - c. Method of payment (submission of invoices, payment schedule, etc.);
  - d. Allowable expenses for reimbursement;
  - e. An explanation of who will provide material, equipment, and office space;
  - f. A statement that the consultant pays applicable state and Federal income taxes;
  - g. An acknowledgement by the consultant that he/she is not entitled to any of the benefits provided to employees of the organization;
  - h. A description of the term of the agreement, (one week, one season, or until the project is completed); and
  - i. A description of the circumstances under which the Museum or the consultant can terminate the agreement.



3. **Documentation of Personnel Expenses.** Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:
- a. Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
  - b. Be incorporated into the official records of the Museum;
  - c. Reasonably reflect the total activity for which the employee is compensated by the organization, not exceeding 100 percent of compensated activities;
  - d. Encompass both federally-assisted and all other activities compensated by the organization on an integrated basis, but may include the use of subsidiary records as defined in the organization's written policy;
  - e. Comply with the established accounting policies and practices of the Museum; and
  - f. Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Salaries and wages of employees used in meeting cost-sharing or matching requirements on Federal awards must be supported in the same manner as salaries and wages claimed for reimbursement from Federal awards.

4. **Record Retention.** Financial records, supporting documentation, statistical records, and all other records pertinent to the NEH award must be retained by the Museum for three years from the date of submission of the final *Federal Financial Report*.

### **Other Comments**

In the Independent Auditor's FY2014 Management Letter, a recommendation was made to the Museum to implement a cost allocation methodology concerning program, management, and operation expenses. The Museum is currently conducting usage studies across various departments to inform their determination of the best methodology for distributing certain costs.

### **Management Representations**

We have also received written assurance from [REDACTED] (Executive Director), [REDACTED] (Project Director), [REDACTED] (Controller), [REDACTED] (Board Chair), and [REDACTED] (Board Treasurer) that Heard Museum will:

1. Maintain supporting documentation in accordance with National Endowment for the Humanities (NEH) and Office of Management and Budget (OMB) regulations;

2. Comply with all of the specific terms and conditions of the NEH award;
3. Comply with OMB Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards [2 CFR Part 200; Subparts D, E, and F]; and
4. Comply with NEH General Terms and Conditions for Awards to Organizations.

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