



NATIONAL
ENDOWMENT
FOR THE
HUMANITIES


OFFICE OF INSPECTOR GENERAL

1100 PENNSYLVANIA AVE., NW
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September 16, 2008

MEMORANDUM

TO: Bruce Cole, Chairman
Thomas Lindsay, Deputy Chairman
Jeff Thomas, Assistant Chairman for Planning and Operations
Adam Wolfson, Assistant Chairman for Programs
Susan Daisey, Director ~ Office of Grant Management
Thomas Phelps, Director ~ Division of Public Programs

FROM: Sheldon Bernstein, Inspector General 

SUBJECT: Results of the Office of Inspector General (OIG) Desk Review
of the Time and Effort Accounting Policies and Procedures Implemented
by the OASIS Institute [OIG-08-05 (DR)]

We have completed a desk review of the time and effort accounting policies and procedures implemented by the OASIS Institute. The objective of our review was to assess the adequacy of the organization's procedures to ensure compliance with OMB Circular A-122, *Cost Principles for Non-Profit Organizations*. Attached is a copy of the subject memorandum report.

Based on the results of our review and our understanding of the organization's time and effort accounting policies and procedures, we have concluded that such policies and procedures are not adequate to ensure compliance with the requirements set forth in OMB Circular A-122 concerning support of salaries and wages. Personnel activity reports are maintained for individual employees; however, they are prepared quarterly and reflect predetermined effort allocations. We have requested a written response from the organization describing actions that will be taken to address our observations. We will schedule a follow-up review as deemed appropriate based on the organization's response.

If you have any questions, please call Ms. Laura Davis at (202) 606-8574.

Attachment

- Memorandum Report OIG-08-05 (DR) to the OASIS Institute



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September 15, 2008

[REDACTED]
[REDACTED]
The OASIS Institute
7710 Carondelet Avenue; Suite 125
St. Louis, MO 63105

OIG-08-05 (DR)

Dear [REDACTED]

We have completed our desk review of the time and effort accounting policies and procedures implemented by The OASIS Institute. The objective of our review was to assess the adequacy of the organization's procedures to ensure compliance with OMB Circular A-122, *Cost Principles for Non-Profit Organizations*. Our review included employee personnel activity reports, payroll registers, OASIS Institute Payroll Schedules, Salary and Benefit Detail ~ *The Immigrant Experience*, and general ledger postings related to the period October 1, 2007 through December 31, 2007.

Based on the results of our review and our understanding of the organization's time and effort accounting policies and procedures, we conclude that such policies and procedures are not adequate to ensure compliance with the requirements set forth in OMB Circular A-122 concerning support of salaries and wages. Personnel activity reports are maintained for individual employees; however, they are prepared quarterly and reflect predetermined effort allocations. While it is the responsibility of the Program Manager to review the personnel activity reports to determine if they reflect reasonable allocations of actual time and effort, this review procedure is not an acceptable control to compensate for the use of predetermined effort allocation factors.

It is our understanding that, upon notice of award from a funding source, the OASIS Institute staff person or persons in charge of the program for which funding has been awarded, the President, and the Director of Finance meet to review the approved budget. These individuals, based on the approved budget and program deliverables, determine the personnel needs and estimate the percentage of overall effort over the course of the grant period that will be required of each individual assigned to the project. The allocation of personnel costs to the funding source is determined based on the results of this meeting.

At the end of each calendar quarter, the Director of Finance provides a *Quarterly Effort Report* for each individual whose personnel costs are allocated to Federal awards to the Program Manager on the project. The Program Manager reviews the allocations for the quarter and determines if they are reasonable representations of time and effort related to the individual(s) working on the project and sign to that affect. If the Program Manager has knowledge that there should be an adjustment to the allocation, it is indicated on the report and then signed and returned to the Director of Finance. If there are any adjustments indicated, the Director of Finance will make an adjustment on both the EXCEL spreadsheet as well as in the General Ledger.

According to OMB Circular A-122, Attachment B, Paragraph 7(m), *Support of salaries and wages*, charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports, except when a substitute system has been approved in writing by the cognizant agency.

Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate.

Reports must meet the following standards:

- a. The reports must reflect an after-the-fact determination of the actual activity of each employee. **Estimates determined before the services are performed do not qualify as support for charges to awards.**
- b. Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.
- c. The reports must be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.

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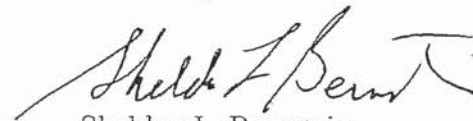
- d. The reports must be prepared at least monthly and must coincide with one or more pay periods.

OMB Circular A-122 further states that salaries and wages of employees used in meeting cost sharing or matching requirements on awards must be supported in the same manner as salaries and wages claimed for reimbursement from awarding agencies.

Please provide your written response to the Office of Inspector General within thirty (30) calendar days. Your written response should describe the actions your organization will be taking concerning our observations. Also, if applicable, please provide a timetable noting a planned implementation date.

If you have any questions, you may call Mrs. Laura Davis at (202) 606-8574 or email at ldavis@neh.gov.

Sincerely,



Sheldon L. Bernstein
Inspector General