



NATIONAL
ENDOWMENT
FOR THE
HUMANITIES


OFFICE OF INSPECTOR GENERAL

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March 31, 2009

MEMORANDUM

TO: Carole Watson, Acting Chairman
Michael McDonald, Acting Deputy Chairman
Jeff Thomas, Assistant Chairman for Planning and Operations
Adam Wolfson, Assistant Chairman for Programs
Susan Daisey, Director ~ Office of Grant Management

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 Gilder Lehrman Institute of American History [OIG-09-02 (DR)]

We have completed a desk review of the time and effort accounting policies and procedures implemented by the Gilder Lehrman Institute of American History (GLI). 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. Timesheets are prepared for some employees of GLI, specifically for those involved in projects supported by federal grants. The timesheets are prepared quarterly, but represent effort expended on a bi-weekly basis. The employees are paid monthly. Also, salary expenses allocable to the project supported by the NEH grant are not posted to the general ledger until the end of the fiscal year. We have requested a written response from GLI 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 contact Ms. Laura Davis at (202) 606-8574 or ldavis@neh.gov.

Attachment

- Memorandum Report OIG-09-02 (DR) to the Gilder Lehrman Institute of American History



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[REDACTED]
[REDACTED]
Gilder Lehrman Institute of American History
19 West 44th Street, Suite 500

OIG-09-02 (DR)

Dear [REDACTED]

We have completed our desk review of the time and effort accounting policies and procedures implemented by the Gilder Lehrman Institute of American History (GLI). 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 personnel activity reports, payroll registers, and a general ledger report for the period November 1, 2008 through January 31, 2009.

According to GLI's time and effort accounting policies, some employees may be required to prepare timesheets for the purposes of record keeping, specifically for grants received from the federal government. The timesheets are prepared quarterly, but represent effort expended on a bi-weekly basis. The timesheets are prepared by the Finance Officer upon meeting with each employee. The Finance Officer verifies with the employee the number of hours worked during the period represented by each timesheet and obtains a distribution for 100 percent of the employee's time. The completed PARs are signed by each employee and supervisor whenever possible. Employees are paid monthly.

We further understand that, all salary expense is coded to an administrative (G&A) account titled, *Payroll & Benefits to Allocate: Salaries and Wages*. At the end of the fiscal year, an analysis is done for each employee to determine what percentage of the employee's time is allocable to each of the program categories. Once the allocations are determined, an entry is made to apportion salaries to the direct cost of GLI programs. For purposes of requesting reimbursement from the NEH for salaries, the timesheets are used to calculate a dollar amount for each pay period. The calculated salaries are added to the total of other direct costs coded in the general ledger to the NEH grant.

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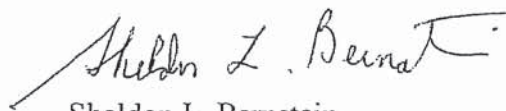
Based on the results of our review and our understanding of the organization's time and effort accounting policies and procedures, we conclude that GLI's procedures are not adequate to ensure compliance with the requirements set forth in OMB Circular A-122 concerning support of salaries and wages. OMB Circular A-122 requires that reports reflecting the distribution of activity of each employee be maintained for all staff members whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, personnel activity reports must also be maintained for employees whose work involves two or more functions/activities if a distribution of their compensation between such functions/activities is included in the determination of the organization's indirect cost rate, (e.g., an employee engaged in both indirect cost activities and program/project activities). The reports must be prepared at least monthly and must coincide with one or more pay periods. The PARs should be signed by the employee when prepared and by the supervisory official prior to being processed through the accounting system.

Moreover, to ensure consistency in the reporting of expenditures to NEH and the recording of such expenditures in the accounting records, interim salary allocations, based on the PARs, should be posted to the appropriate project/programs in the general ledger throughout the fiscal year.

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

cc:

Gilder Lehrman Institute of American History
19 West 44th Street, Suite 500
New York, NY 10036