



NATIONAL  
ENDOWMENT  
FOR THE  
HUMANITIES

OFFICE OF INSPECTOR GENERAL

1100 PENNSYLVANIA AVE., NW  
ROOM 419  
WASHINGTON, D.C. 20506  
(202) 606-8350 (PHONE)  
(202) 606-8329 (FAX)  
[WWW.NEH.GOV](http://WWW.NEH.GOV)  
HOTLINE 877-786-7598

July 23, 2010

**RETURN RECEIPT REQUESTED**

[REDACTED]  
[REDACTED]

High Museum of Art  
1280 Peachtree Street NE  
Atlanta, GA 30309-3502

OIG-10-05 (EA)

Dear [REDACTED]

The National Endowment for the Humanities (NEH) Office of Inspector General has completed a limited audit of documentation supporting gifts certified on Certification Report No.1 (dated October 20, 2008) and Certification Report No. 2 (dated September 14, 2009) for NEH grant [REDACTED] awarded to the High Museum of Art (the "Museum").

A copy of the report is enclosed, and in general, we believe the report to be self-explanatory. However, we wish to emphasize the need for the Museum to enact procedures to properly track and report unpaid pledges on all future Certification Report submissions to NEH.

Please consider the recommendations in this report, and within thirty days, provide the OIG with a written response including any comments you have regarding the findings and recommendations and a proposed timeline for implementation of the recommendations. Office of Management and Budget (OMB) Circular A-50, *Audit Follow-up*, requires that all recommendations must be resolved within six months after a report is issued to a grantee. The thirty-day limit has been established for a first response due to the length of time frequently required by grantees and NEH personnel to communicate ideas, reach sound conclusions, and implement recommendations.

If available, documentation supporting the implementation of each recommendation should be included with your response. The response should be addressed to:

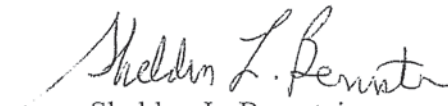
National Endowment for the Humanities  
Office of Inspector General  
1100 Pennsylvania Avenue NW, Room 419  
Washington, DC 20506  
ATTN: Audit Resolution Section

[REDACTED]  
July 23, 2010

Page 2

If you have any questions concerning the findings and recommendations or need accounting assistance, please call Mr. Steve Elsberg at (202) 606-8353. We would like to express our appreciation for the cooperation and assistance extended to our auditor by your staff during the audit.

Sincerely,

  
Sheldon L. Bernstein  
Inspector General

Enclosure

cc:

[REDACTED]  
Development Officer  
High Museum of Art  
1280 Peachtree Street NE  
Atlanta, GA 30309



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## LIMITED AUDIT REPORT

NATIONAL ENDOWMENT FOR THE HUMANITIES


CHALLENGE GRANT AWARD

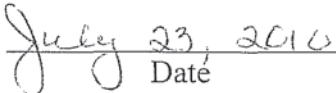
TO THE

HIGH MUSEUM OF ART

ATLANTA, GA

OIG-10-05 (EA)

  
\_\_\_\_\_  
Laura Davis, Deputy Inspector General

  
\_\_\_\_\_  
Date

LIMITED AUDIT REPORT

NATIONAL ENDOWMENT FOR THE HUMANITIES (NEH)  
CHALLENGE GRANT AWARD  
TO THE  
HIGH MUSEUM OF ART  
ATLANTA, GA

I. INTRODUCTION

We have performed a limited audit of the High Museum of Art (the "Museum") records as they relate to the following NEH Challenge Grant.

<u>Grant Number</u>	<u>Grant Period</u>	<u>Amount Awarded</u>
██████████	12/1/06 – 7/31/2012	\$ ██████████

Matching Gifts: Per Certification Report No. 1 (dated October 20, 2008) and Certification Report No. 2 (dated September 14, 2009), the Museum certified that eligible gifts totaling \$ ██████████ were either pledged or received and used to meet the matching requirements stipulated by the above NEH challenge grant. The grantee conveyed in the certification reports that all restricted gifts were made in response to the NEH challenge grant; that the gifts meet the criteria for eligibility established by NEH and would be expended for the intended grant purposes; and that the total of any unrestricted gifts certified does not exceed the federal portion of the challenge grant. The grantee further certified that documentation that substantiates the sources, purposes, eligibility, and expenditure of the gifts would be retained for three years following the submission to NEH of the final financial and performance reports. Based upon the submission of two certification reports, \$ ██████████ in federal funds have been released.

Grant Expenditures: As noted below, the entire grant award will be invested in an endowment that will yield annual support to cover salary costs. The Museum disclosed that none of the NEH grant funds will be spent until the related endowment is fully funded. The grantee conveyed that these future expenditures will conform to the intended grant purpose, as stipulated in the NEH challenge grant award.

II. BACKGROUND

The Museum, which was originally founded in 1905 as the Atlanta Art Association, is a legally defined division of the Robert W. Woodruff Arts Center which has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

The Museum was awarded this \$ [REDACTED] challenge grant in order to endow the Head of Museum Interpretation position. The 2005 expansion more than doubled the Museum's size to 312,000 square feet. With the expansion, the Museum reinstalled its collections and incorporated a variety of interpretive strategies. The Head of Museum Interpretation position, inaugurated in December 2004, plays a seminal role in exhibition planning from concept development for exhibition storylines to the execution of interpretive plans. To meet the terms of the grant award, the Museum must raise four times the federal offer in eligible non-federal matching funds (\$ [REDACTED] NEH and \$ [REDACTED] non-federal matching). The full \$ [REDACTED] will be invested as an endowment that will yield annual support to cover the salary for the Head of Museum Interpretation position.

### **III. LIMITED AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY**

The principal objectives of this limited audit were to determine that 1) the gifts certified by the Museum were eligible to release federal matching funds and 2) grant expenditures and endowment investments are made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations* and the terms of the approved grant budget. Our review was conducted in accordance with *Generally Accepted Government Auditing Standards (GAGAS)* as promulgated by the Comptroller General of the United States.

We examined documentation provided by the Museum supporting a) the eligibility of gifts included in Certification Reports No. 1 and 2, and b) the allowability of expenses incurred for this NEH challenge grant. We also reviewed the Museum's accounting system as it pertains to the challenge grant donations and expenditures and gained an understanding of procedures implemented by management to oversee the Museum's endowment and related investment portfolio.

### **IV. LIMITED AUDIT FINDINGS AND RECOMMENDATIONS**

#### **A. Improper Reporting of Pledges Receivable on the Certification Report**

Certification Report No. 2 dated September 14, 2009 incorrectly reported that there were no outstanding pledges related to the NEH challenge grant matching gifts. Per our testing, we determined that over \$ [REDACTED] in unpaid pledges existed as of this date.

According to NEH's Challenge Grant administration manual (see [www.neh.gov/manage/challenge\\_admin.html](http://www.neh.gov/manage/challenge_admin.html)), all challenge grant pledges treated as matching dollars must be collected in full before the expiration of the grant. The cumulative amount of any unpaid pledges and unrestricted matching gifts must be tracked and properly reported on the certification forms submitted to NEH. Upon submission of the final certification, grant recipients must attest that all pledges have been paid.

## Recommendation A

The Museum must revise and resubmit the most recent certification report to reflect the correct outstanding pledge balance as of the report date<sup>1</sup>. In addition, the organization must enact proper procedures to track and report outstanding challenge grant pledge receivables on the certification forms submitted to NEH.

### V. EXIT CONFERENCE

The results of our review were discussed with [REDACTED] (Grant Administrator) and [REDACTED] (High Museum Controller) on March 2, 2010. Museum management agrees with the above recommendations and asserted that these issues will be addressed in a timely fashion.

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<sup>1</sup> Based upon our audit results, the grantee revised Certification Report No. 2 on March 8, 2010 to properly reflect the outstanding pledge receivable balance that existed as of original report date.