

NATIONAL ENDOWMENT FOR THE

Humanities

**OFFICE OF INSPECTOR GENERAL**

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

December 22, 2010

**RETURN RECEIPT REQUESTED**

[REDACTED]  
[REDACTED]  
Springfield Library and Museums Association  
220 State Street  
Springfield, MA 01103

OIG-11-02 (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 January 23, 2009) and Certification Report No. 2 (dated February 24, 2010) for NEH grant [REDACTED] awarded to the Springfield Library and Museums Association (the "Association").

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 Association to enact new procedures to ensure Davis-Bacon Act language is properly included in all future proposal requests (RFPs) and signed contracts associated with federally-financed construction projects.

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 audit finding 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:

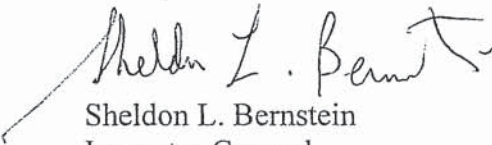
National Endowment for the Humanities  
Office of Inspector General  
1100 Pennsylvania Avenue NW, Room 419  
Washington, DC 20506  
ATTN: Audit Resolution Section

December 22, 2010

Page 2

If you have any questions concerning the audit finding and related 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



NATIONAL ENDOWMENT FOR THE

**Humanities**

**OFFICE OF INSPECTOR GENERAL**

1100 PENNSYLVANIA AVE., NW

WASHINGTON, D.C. 20506

ROOM 419

(202) 606-8350 PHONE

(202) 606-8329 FAX

WWW.NEH.GOV

HOTLINE: 877-786-7598

**LIMITED AUDIT REPORT**

**NATIONAL ENDOWMENT FOR THE HUMANITIES**

**CHALLENGE GRANT AWARD**


**TO THE**

**SPRINGFIELD LIBRARY AND MUSEUMS  
ASSOCIATION**

**SPRINGFIELD, MA**

**OIG-11-02 (EA)**

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

  
\_\_\_\_\_  
Date

**LIMITED AUDIT REPORT**

**NATIONAL ENDOWMENT FOR THE HUMANITIES (NEH)  
CHALLENGE GRANT AWARD  
TO THE  
SPRINGFIELD LIBRARY AND MUSEUMS ASSOCIATION  
SPRINGFIELD, MA**

**I. INTRODUCTION**

We have performed a limited audit of the Springfield Library and Museums Association (the "Association") records as they relate to the following NEH Challenge Grant.

<u>Grant Number</u>	<u>Grant Period</u>	<u>Amount Awarded</u>
██████████	6/1/2007 – 7/31/2012	██████████

Matching Gifts: Per Certification Report No. 1 (dated January 23, 2009) and Certification Report No. 2 (dated February 24, 2010), the Association certified that eligible gifts totaling ██████████ were 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 the two certification reports, ██████████ in federal funds have been released.

Grant Expenditures: As noted below, the intent of the grant award was to renovate a purchased office building into a new Museum of Springfield History; this project was successful with the museum opening to the public in October 2009. The grantee conveyed that the related expenditures conformed to the intended grant purpose, as stipulated in the NEH challenge grant award.

**II. BACKGROUND**

The Association, which consists of multiple museums in Springfield, MA, is a private nonprofit educational organization originally formed in 1857 which holds and cares for collections of many different kinds of materials, objects and artifacts. The organization has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

The Association was awarded this [REDACTED] challenge grant in order to construct a new forty thousand square-foot Museum of Springfield History. The work consisted of two phases; Phase One represented the renovation of an office building purchased by the grantee and Phase Two consisted of the construction of a brand new "Great Hall" addition. Work was completed ahead of schedule and the new museum opened to the public in October 2009. To meet the terms of the grant award, the Association was required to raise four times the federal offer in eligible non-federal matching funds ([REDACTED] NEH and [REDACTED] non-federal matching).

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

The principal objectives of this limited audit were to determine that 1) the gifts certified by the Association are eligible to release federal matching funds; 2) grant expenditures were made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations* and the terms of the approved challenge grant budget; and 3) Davis-Bacon Act compliance requirements were adhered to with this construction-based award. 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 Association supporting a) eligibility of gifts included in Certification Reports No. 1 and 2; b) allowability of expenses incurred for this NEH challenge grant; and c) Davis-Bacon Act compliance. We also reviewed the Association's accounting system as it pertains to the challenge grant donations and expenditures.

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

#### **A. Davis-Bacon Act Compliance**

The contract executed with the roofing company engaged to work on the Museum of Springfield History lacked the required references to the Davis-Bacon Act and the prevailing wage requirement. Additionally, the related request for bids (RFP) used to solicit proposals for the roofing work could not be located for our review.

Davis-Bacon Act requirements apply to federally financed construction contracts in excess of \$2,000. All laborers and mechanics employed by contractors or subcontractors must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) as stipulated by 40 USC 3141-3144, 3146 and 3147. Furthermore, these executed construction contracts shall include a clause that requires the contractor or subcontractor to comply with the Davis-Bacon Act and the DOL regulations (29 CFR part 5).

## **Recommendation A**

Even though we ultimately verified that employees of the roofing company were paid wages that exceeded the DOL prevailing wage rates, we stress the importance of including the Davis-Bacon Act language in the related RFPs and signed contracts to avoid any possible confusion and non-compliance. In particular, a misunderstanding over this very issue resulted in a one time, retroactive payroll adjustment being booked by the roofing contractor to properly compensate the employees for the difference between the prevailing wage rate and the standard rate paid. Accordingly, we recommend that management implement new procedures to ensure 1) all future federally-financed construction work is supported by signed agreements that incorporate the required Davis-Bacon Act language and 2) all related documentation is properly retained in accordance with document retention standards.

## **V. EXIT CONFERENCE**

The results of our review were discussed with [REDACTED] on July 30, 2010. Association management agrees with the above recommendation and asserted that this issue will be addressed in a timely fashion.