

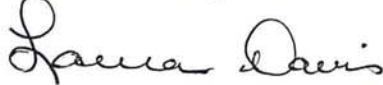


NATIONAL ENDOWMENT FOR THE
Humanities

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
William Rice, Director- Division of Education Programs
Robert Straughter, Director-Office of Grant Management

FROM: Laura Davis, Inspector General 

DATE: September 9, 2015

SUBJECT: Pre-award Survey: OIG-15-02 (TS)
Japanese American Citizens League
San Francisco, CA

We have completed our pre-award survey of the Japanese American Citizens League (“JACL”). 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.

The Japanese American Citizens League is included in the *Pre-Award Survey List* maintained by the NEH Office of Grant Management. In July 2015, an application submitted by the JACL was approved for NEH funding in the amount of \$165,831. Accordingly, the matter was referred to the Office of Inspector General and a pre-award survey was initiated.

The NEH grant award will support two five-day workshops for school teachers that will explore the historical significance and enduring legacy of the Japanese American incarceration experience during World War II. These workshops, titled *Civil Liberties in Times of Crisis: The Japanese American Incarceration*, will be held in the historic Little Tokyo neighborhood of Los Angeles, with day trips to Santa Anita Park and Manzanar National Historic Site.

Scope

Our effort was limited to review of responses provided by JACL management to questions concerning the organization’s accounting system and related financial management controls¹ and a follow-up teleconference with pertinent JACL personnel. We also reviewed a sample of the organization’s Chart of Accounts; time and effort reporting policies and procedures; travel

¹ 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; audited financial statements concerning fiscal year 2014 (DRAFT); 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 implemented by the JACL provide reasonable assurance that the organization will be able to sufficiently manage and account for NEH grant funds.

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

1. **Accounting System.** The organization'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 budget for the NEH project indicates that an indirect cost rate, not to exceed 10 percent, will be applied to project operating costs (total direct costs less participant stipends). The indirect cost rate must be supported by the organization's accounting system.

2. **Organizational Prior Approval System.** The JACL has indicated that a prior approval system is in place; however, the organization does not have established procedures for the processing of budget revisions that require specific approval by the NEH.

The NEH delegates to recipients the authority to approve all budget revisions EXCEPT for the following, which require prior written approval from the NEH:

- a. transfer to a third party (by subawarding, contracting, or other means) of any work under an award, (NEH approval is not required for third-party transfers that were described in the approved project plan, or for the purchase of supplies, material, or general support services);
 - b. addition of costs that are specifically disallowed by the terms and conditions of the award;
 - c. transfer of funds from stipends or training allowances to other budget categories; or
 - d. revisions resulting from changes in the scope or objectives of the project.
3. **Consultants.** The JACL does not have written policies and procedures concerning 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 JACL or the consultant can terminate the agreement.
4. **Cash Management.** The organization does not have written policies and procedures that minimize the time elapsing between receipt and disbursement of Federal funds or written procedures concerning estimation of the organization's cash needs.

Grant recipients paid in advance must maintain or demonstrate the willingness to maintain both written procedures that minimize the time elapsing between the transfer and disbursement of award funds to avoid having excessive Federal funds on hand, and financial management systems that meet Federal standards for fund control and accountability. Requests for advance payment must be limited to the organization's immediate cash needs and are not to exceed anticipated expenditures for a 30-day period.

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

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 the Japanese American Citizens League 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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