



NATIONAL  
ENDOWMENT  
FOR THE  
HUMANITIES


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## MEMORANDUM

Date: June 3, 2008

To: Bruce Cole, Chairman  
Thomas Lindsay, Deputy Chairman  
Michael McDonald, Assistant Chairman for Programs  
Jeff Thomas, Assistant Chairman for Planning and Operations  
Suzanne Lodato, Director – Division of Preservation and Access  
Susan Daisey, Director – Office of Grant Management

From: Sheldon Bernstein, Inspector General 

Subject: Telephone Survey Memorandum Report  
OIG-08-01 (TS)  
**The Walters Art Museum**  
**Baltimore, MD**

We conducted a telephone survey with   
 of The Walters Art Museum. The purpose of our survey was to obtain information to determine the adequacy of the organization's accounting system, management controls, and policies and procedures designed to administer grant funds.

The Walters Art Museum was included in the *NEH Problem Grantee List* due to the organization's failure to comply with the Davis-Bacon Act, as noted during the U.S. Office of Management and Budget (OMB) Circular A-133 audit of the organization's fiscal period ended June 30, 1999. In February 2008, an application submitted by The Walters Art Museum was approved for NEH funding. As a basis for clearing the organization from the *NEH Problem Grantee List*, the Office of Inspector General decided to conduct a telephone survey to ascertain the status of the organization's accounting system and assess its adequacy.

### Scope

Our review was limited to telephone discussions with Mr. [REDACTED] and Ms. [REDACTED]. We also reviewed documented policies, the most recent independent audit report, minutes of the Board of Trustee meetings, and other documentation pertaining to the organization's accounting system and the financial and administrative controls.

### Conclusion

Based upon the information obtained from Mr. [REDACTED] and [REDACTED] the accounting system, management controls, and administrative policies and procedures implemented by The Walters Art Museum provide reasonable assurance that the organization can manage and account for NEH grant funds. However, there are conditions that should be addressed by the organization to ensure compliance with Federal regulations. The Office of Inspector General will perform an interim review to assess the organization's implementation of corrective action.

1. The organization's accounting system does not provide for:
  - a. The segregation of unallowable costs in the accounting records. Unallowable expenses are excluded from charges to grants manually based on review of individual expense reimbursement forms.
  - b. Recording of the non-NEH share/contributions in the general ledger. The Walters' share is tracked using an EXCEL spreadsheet.
2. The Walters Art Museum does not have written policies and procedures that address:
  - a. Consultants. Agreements with consultants are documented in writing.
  - b. Property records for property purchased with grant funds.
  - c. Minimizing the time elapsing between receipt and disbursement of Federal funds. It is the organization's policy to request Federal funds after the expenditure has been made.



- d. Estimating the cash needs of the organization. A spreadsheet is maintained to facilitate the monitoring of cash flow.
  - e. Lobbying activities.
3. The Walters Art Museum does not maintain labor distribution reports (Personnel Activity Reports) that satisfy the requirements of OMB Circular A-122 concerning support of salaries and wages charged to Federal awards. Employees document on their daily attendance timesheets, the percentage of their weekly effort related to grants. This representation is used to distribute salary costs to grants via an EXCEL spreadsheet. Compensation not allocable to a grant is charged to the respective employee's home cost center.

Mr. [REDACTED] has acknowledged our findings and has responded that:

1. Project-based reports have been set up in the accounting system to track the NEH awarded program, *Islamic Digitization*. Each grant will be designated with a project name and cost center in order to account for grant expenses along with unallowable expenses for both NEH related expenses and Walters' only expenses related to the grant.
2. The Museum has begun the process of writing policies and procedures that address a) Consultants; b) Property records for property purchased with grant funds; and c) Lobbying activities. The Museum does not request funds from granting agencies until after the expenditure has been made by the Museum. Therefore, the Museum will not be holding Federal funds in advance of disbursement.
3. The timesheets completed by Museum employees have been modified to provide for the documenting of grant-related effort on a daily basis.

We have also received written assurance from Mr. [REDACTED] Mr. [REDACTED] Mr. [REDACTED] Ms. [REDACTED] and Mr. [REDACTED] that The Walters Art Museum will:

1. Maintain supporting documentation in accordance with NEH and OMB regulations;

2. Comply with all of the specific terms and conditions of the NEH award;
3. Comply with the Uniform Administrative Requirements of OMB Circular A-110;
4. Comply with the Cost Principles for Nonprofit Organizations (OMB Circular A-122);
5. Comply with NEH General Grant Provisions for Organizations; and
6. Comply with the audit requirements of OMB Circular A-133.