



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
HOTLINE 877-786-7598

June 26, 2009

RETURN RECEIPT REQUESTED

[REDACTED]
[REDACTED]
National Yiddish Book Center
Harry and Jeanette Weinberg Building
1021 West Street
Amherst, MA 01002-3375

OIG-09-02 (EA)

Dear Mr. Lansky:

The National Endowment for the Humanities (NEH) Office of Inspector General has completed a limited audit of documentation supporting gifts certified on January 25, 2008 (Certification Report No. 1) for NEH grant [REDACTED] awarded to the National Yiddish Book Center (NYBC).

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 NYBC to 1) revise and resubmit Certification Report No. 1 to include the level of donations required for the first certification under the challenge grant that meet the criteria for eligibility as established by NEH; 2) maintain on file, documentation for gifts certified consistent with the internal recordkeeping requirements prescribed by the NEH; and 3) develop and implement accounting procedures to specifically identify NEH challenge grant funds, matching gifts, and related expenditures in the general ledger.

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.

Letter to [REDACTED]
June 26, 2009
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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

If you have any questions concerning the findings and recommendations or need accounting assistance, please call Ms. Laura Davis at (202) 606-8574. 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]
[REDACTED]

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Harry and Jeanette Weinberg Building
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Amherst, MA 01002-3375

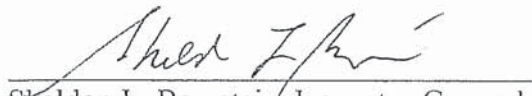


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LIMITED AUDIT REPORT
ON
GIFTS CERTIFIED UNDER CHALLENGE GRANT
TO THE
NATIONAL YIDDISH BOOK CENTER
AMHERST, MA
OIG-09-02 (EA)


Sheldon L. Bernstein, Inspector General


Date

**LIMITED AUDIT REPORT
ON
GIFTS CERTIFIED UNDER CHALLENGE GRANT
TO THE
NATIONAL YIDDISH BOOK CENTER
AMHERST, MA**

I. INTRODUCTION

We have performed a limited audit of gifts certified on January 25, 2008 to release matching funds under NEH grant [REDACTED] awarded to the National Yiddish Book Center (NYBC). The NYBC certified that gifts totaling \$ [REDACTED] were received to match NEH challenge grant [REDACTED]. The grantee conveyed in the certification report 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 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 audits. This was the first certification report required under the challenge grant and Federal funds in the amount of \$ [REDACTED] were released as a result of the certification.

II. BACKGROUND

The National Yiddish Book Center, a dynamic cultural organization based in Amherst, MA, was founded in 1980 by the MacArthur Fellow [REDACTED], who now serves as [REDACTED]. The NYBC was offered its first NEH challenge grant award in May 2007, [REDACTED]. The challenge grant provides support for an endowment for preservation and international book rescue; public programming; a translation series; and faculty salaries and honoraria in a summer internship program for undergraduates. The grant period is June 1, 2006 through January 31, 2012. NEH offered an amount up to \$ [REDACTED]. To receive the full challenge grant award, the NYBC must raise at least \$ [REDACTED] in new nonfederal contributions.

III. LIMITED AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

The principal objectives of this limited audit were to determine that 1) the gifts certified are eligible to release federal matching funds; and 2) endowment expenditures are made in accordance with the terms of the budget approved by NEH and any amendments. Our review was conducted in accordance with *Government Auditing Standards* as promulgated by the Comptroller General of the United States.

We examined documentation provided by NYBC supporting the eligibility of gifts included in Certification Report No. 1 for challenge grant [REDACTED]. We also ascertained the grantee's accounting procedures applicable to endowment income and expenditures.

IV. LIMITED AUDIT FINDINGS AND RECOMMENDATIONS

A. Certification of Ineligible Gifts

In Certification Report No. 1, the NYBC reported \$ [REDACTED] as eligible donations to release matching funds under the challenge grant, ([REDACTED] gifts). We reviewed documentation related to [REDACTED] gifts totaling \$ [REDACTED]. Our testing revealed that the [REDACTED] gifts reviewed do not meet the criteria for eligibility as established by the NEH. Many of the gifts are payments made on pledges that either pre-date the NEH challenge grant ([REDACTED] gifts), or there is no indication that the respective pledge was made in anticipation of or in response to the NEH challenge grant ([REDACTED] gifts). Also, there is no evidence that the other restricted donations were made in response to the NEH challenge grant ([REDACTED] gifts). The grantee has acknowledged that most of the gifts submitted for the certification are not eligible for release of federal matching funds, as they were made without the requisite acknowledgement of being used as a match to the NEH award or were payments on pledges made prior to the date of the grant. Considering the results of our testing and the apparent internal control deficiency related to the organization's certification process, we further conclude that the remaining [REDACTED] gifts certified, totaling \$ [REDACTED], likewise do not meet the criteria for eligibility established by the NEH.

Recommendation A

NYBC must revise and resubmit Certification Report No. 1 to include the level of donations required for the first certification under challenge grant [REDACTED] that meet the criteria for eligibility as established by NEH. The criteria are discussed in the NEH publication, *Administration of NEH Challenge Grants*, which can be accessed via the internet at www.neh.gov/manage/challenge_admin.html.

B. Inadequate Documentation Supporting Certified Gifts

The documentation provided by the NYBC to support gifts included in Certification Report No. 1 does not completely satisfy the internal recordkeeping requirements for matching gifts. According to the NEH guidance, *Administration of NEH Challenge Grants*, the recipient must keep on file documentation showing 1) the value of all donations; 2) the donor's awareness that it is being used for the approved challenge grant purposes outlined in the proposal (restricted gifts); 3) evidence that the gift was received during the grant period; and 4) the expenditure of grant and matching gift funds during the grant period. All restricted gifts of \$1,000 or more must be

accompanied by a donor transmittal letter. Documentation for all matching gifts and other evidence of eligibility should be maintained by the grant recipient for at least three years after the NEH's acceptance of the final reports.

Recommendation B

The NYBC must maintain documentation for gifts certified consistent with the internal recordkeeping requirements prescribed by the NEH.

C. Lack of Accounting Procedures Specific to the NEH Challenge Grant

The NYBC does not have accounting procedures to specifically identify NEH challenge grant funds, matching gifts, and related expenditures in the general ledger. Currently, all endowment funds are included in a pooled fund. NEH challenge grant funds and matching gifts are included in the pool. NEH challenge grant funds and matching gifts are identified as additions to the pooled endowment fund and a subsidiary ledger is maintained that details the endowment contributions.

Recommendation C

The NYBC must develop and implement accounting procedures to specifically identify NEH challenge grant funds, matching gifts, and related expenditures in the general ledger. The NYBC should maintain accounts, records, and other evidence pertaining to costs incurred and revenues earned under the challenge grant. The system of accounting should conform to generally accepted accounting principles and be applied in a consistent manner so that revenue and expenditures related to the NEH challenge grant can be clearly identified.

The NYBC has asserted that, once spending commences, dedicated accounts within the general ledger will be established to track program income and expenses.

V. EXIT CONFERENCE

The results of our review were discussed with Ms. [REDACTED] on April 24, 2009.