



NATIONAL
ENDOWMENT
FOR THE
HUMANITIES

OFFICE OF INSPECTOR GENERAL

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June 18, 2010

[REDACTED]
[REDACTED]
The Kamusi Project USA
605 41st Street, #H
Brooklyn, NY 11232

{E-MAIL ONLY}

OIG-10-03 (TS)

Dear [REDACTED]

We have completed our pre-award survey of The Kamusi Project USA. 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. Our effort was limited to review of your responses to questions concerning the organization's accounting system and related financial management controls. We also reviewed the organization's documented financial and reporting policies and procedures, (effective March 15, 2010).

We have concluded that the accounting system, management controls, and administrative policies and procedures proposed to be implemented by The Kamusi Project USA upon the transfer of NEH grant [REDACTED], provide assurance that the organization will be able to sufficiently manage and account for NEH grant funds. However, the following conditions will be monitored to ensure proper implementation.

1. The organization's accounting system must provide accurate, current, and complete disclosure of all financial transactions related to each Federally-sponsored project, [**NEH General Terms and Conditions for Awards to Organizations**]. Project costs include allowable costs incurred by a recipient and the value of the contributions made by third parties in accomplishing the objectives of the award during the project period, [**OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with**

Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations]. Unallowable expenditures should be separately tracked in the general ledger and excluded from charges to Federal awards. Cash contributions to the project from third parties must be accounted for in the general ledger with other award funds. Third-party in-kind contributions (non-cash) are not required to be recorded in the general ledger, but must be under accounting control, possibly through the use of a memorandum ledger.

The budget for the project indicates that an indirect cost rate, not to exceed [REDACTED] percent, will be applied to direct project costs (less distorting items), which represents indirect costs associated with the project. The indirect cost rate must be supported by the organization's accounting system. General administrative costs should be tracked and accounted for separately, and not included in direct charges to the NEH grant.

2. Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, must be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports, except when a substitute system has been approved in writing by the cognizant agency, **[OMB Circular A-122, Attachment B, Paragraph 8(m)(1), Support of salaries and wages]**.

Reports reflecting the distribution of activity of each employee must be maintained for all staff members whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate.

Reports maintained by nonprofit organizations to satisfy these requirements **must** meet the following standards:

- (a) The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.
- (b) Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.

- (c) The reports must be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the period covered by the reports.
- (d) The reports must be prepared at least monthly and must coincide with one or more pay periods. **[OMB Circular A-122, Attachment B, Paragraph 8(m)(2)]**

Salaries and wages of employees used in meeting cost sharing or matching requirements on awards must be supported in the same manner as salaries and wages claimed for reimbursement from awarding agencies. **[OMB Circular A-122, Attachment B, Paragraph 8(m)(4)]**

3. **Consultants.** The organization's written policies concerning the use of consultants should emphasize that such arrangements 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 materials, 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 the organization or the consultant can terminate the agreement.


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Please be advised that the NEH Office of Inspector General will perform an interim review of project costs to assess compliance with the terms and conditions of the NEH award and applicable Federal regulations.

Also, please provide the attached assurances in a letter bearing your organization's letterhead and the appropriate signatures no later than June 28, 2010. If you have any questions, please contact Ms. Laura Davis at 202/606-8574 or ldavis@neh.gov. We greatly appreciate your cooperation and assistance with the survey.

Sincerely,


for Sheldon L. Bernstein
Inspector General

Attachment

{Organization's Letterhead}

Mrs. Laura Davis
Deputy Inspector General
National Endowment for the Humanities
1100 Pennsylvania Avenue, NW
Room 419
Washington, DC 20506

Dear Mrs. Davis:

We are providing this letter in connection with your pre-award survey of The Kamusi Project USA. We confirm that we are responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud. We are also responsible for compliance with the laws, regulations, and provisions of grant agreements applicable to us.

We want to assure you that we 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 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 Terms and Conditions for Awards to Organizations; and
- 6) Comply with the audit requirements of OMB Circular A-133.

We understand the NEH-OIG will perform an interim review to ensure that we are complying with the above.

Sincerely,

[Redacted Signature]

[Redacted Signature]

[Redacted Signature]

[Redacted Signature]