

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



November 30, 2009

Lady Bird, Board Chair
Homework Hotline
4805 Park Avenue
Nashville, TN 37209

Dear Ms. Bird:

Please find attached the Monitoring Report of Homework Hotline relating to the contract it has with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2009.

The Office of Financial Accountability (OFA) is charged with the responsibility of monitoring grant funds, including Community Enhancement Funds (CEF), from Metropolitan Nashville Government to any nonprofit organization. The OFA is also responsible for monitoring the federal and state grants to departments within the Metropolitan Nashville Government. Staff from the OFA conducted the review on November 5, 2009.

We appreciate the assistance provided by your agency during the course of the review. If you have any questions, please call me at 615-880-1035.

Sincerely,

Fred Adom, CPA
Director

cc: Wendy Kurland, Executive Director

Richard M. Riebeling, Director of Finance
Talia Lomax-O'dneal, Deputy Director of Finance
Gene Nolan, Deputy Director of Finance
Kim McDoniel, Chief of Accounts
Mark Swann, Internal Audit
Kevin Brown, Office of Financial Accountability
Laura Cowan, Office of Financial Accountability
Essie Robertson, Office of Financial Accountability
Brad Thompson, Office of Financial Accountability



◆ Monitoring Report of ◆

Homework Hotline



Conducted by



Office of Financial Accountability

November 30, 2009

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of Homework Hotline. A monitoring review is substantially less in scope than an audit. The OFA did not audit the financial statements and, accordingly, does not express an opinion or any assurances regarding the financial statements of the Metropolitan Government of Nashville and Davidson County (hereinafter referred to as “Metro”) or any of its component units. The OFA is responsible for the internal monitoring of Metro agencies that receive federal and state financial assistance, including cooperative agreements and non-profit organizations that receive appropriations and Community Enhancement Funds from Metro government. In summary, any agreement(s) that imposes performance and/or financial requirements on Metro government is subject to review by the OFA.

The purpose of this review was to assess the agency’s compliance with contractual requirements set forth in the following contract with Metro Government:

Contract	Type	Grantor	Amount	Contract Term	
L-2103	Community Enhancement Fund (CEF)	Metro Government	\$10,000	1-Jul-08	30-Jun-09

Agency Background

Homework Hotline works to reduce the dropout rate by providing free, one-on-one, bilingual academic assistance by phone to Metro Nashville Public School (MNPS) students and their parents. The service is available in five languages. Homework Hotline has a call center staffed with certified professional teachers and dedicated volunteers, as well as a complete library of current and past textbooks in teacher’s editions.

By the end of a Hotline call, 96% of callers have resolved their problem and successfully answered their questions. Of those, nearly 80% of callers prove they have mastered the concept by independently working the next problem correctly. Homework Hotline is open afternoons and evenings, August through May, whenever the MNPS is in session.

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of our review were:

- 1) To determine whether the agency has the resources and capacity to administer the grant funds.
- 2) To determine if costs and services are allowable and eligible.
- 3) To verify that program objectives are being met.
- 4) To test the reliability of the financial and programmatic reporting.
- 5) To verify contractual compliance.

The scope of our review was limited to the contract term July 1, 2008 through June 30, 2009.

Audit procedures included meeting with agency management and staff, reviewing the design of internal controls as a basis for establishing our testwork, reviewing Board minutes and obtaining written representations from management. In addition, we examined certain financial records and supporting documentation necessary to ensure compliance with contractual requirements set forth in Contract L-2103. Specific procedures included:

- Interviewing the employees responsible for grant management, financial reporting, and accountability.
- Reviewing supporting documentation of expenditures for allowability, necessity and reasonableness.
- Reviewing the agency's General Ledger and verifying the accuracy of all invoices submitted to Metro.
- Reviewing documentation to determine that funds were used for intended beneficiaries and expended in accordance with the Spending Plan of the contract.
- Reviewing documentation to support program activities for consistency with grant requirements.
- Assessing the financial stability of the agency and its ability to continue to administer the grant program funded by Metro.

RESULTS OF REVIEW

Summary of Results

Criteria	Yes	No
Agency in Compliance with Contract Requirements?	✓	
Sufficient Resources and Capacity to Administer Funds?	✓	
Costs and Services are Allowable and Eligible?	✓	
Program Objectives being Met?	✓	
Reporting Requirements Met?	✓	
Sufficient Internal Control Environment?		✓
Compliance with Civil Rights Requirements?	✓	

RESULTS OF REVIEW

The overall results of the monitoring review are provided in this section. Results are based on testwork performed and include conclusions regarding specific review objectives and, if applicable, recommendations for improvement and an action plan for implementation. Where applicable, the Findings and Recommendations section of this report provides more insight into any issues identified below.

1. Sufficient Resources and Capacity to Administer Grant Funds

Our review of the agency's accounting system and the qualifications of the individuals assigned to manage the accounting records indicate that the agency possesses the necessary resources and professional expertise to effectively administer the grant funds.

2. Allowable and Eligible Costs and Services

Our review covered all of the core compliance areas identified by OMB Circular A- 133: *Audit of States, Local Government, and Non-Profit Organizations*. Based on our test work, costs and services during the period were allowable and eligible. Costs incurred by the agency complied with applicable guidelines stated in OMB Circular A-122.

Additionally, the Metro Grants Manual requires separate accounting of the Metropolitan Nashville Government grant funds to prevent co-mingling of Metro Funds with other sources of funding. The agency is in compliance with this requirement. Different revenue classes as well as expenditure classes have been established to separately track the sources and amounts of funding. Also, the agency can easily and accurately report their expenses supported by the Metro Appropriation.

3. Program and Performance Objectives

The agency reported the following quantifiable outcomes and objectives in their final program report:

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- Goal: 1500 calls for at-risk low-income MNPS middle school students.
- Actual: 3357 calls from 625 unduplicated MNPS middle school students (grade 5-8). All callers must be attending MNPS schools in low-income neighborhoods, as determined by 70% or higher free lunch rates or schools with a Family Resource Center (FRC) and/or Alignment Enhanced Schools (AES).
- Goal: Each call must average 20 minutes each and will not end until the child can prove mastery.
- Actual: 91% were resolved (student self-reports success). 78% were able to prove mastery on a post-test of the skill.
- Bilingual Calls: 789
- 122 Complete School supplies sets distributed
- 10 Spanish-English dictionaries distributed

Based on our review of program documentation and discussions with staff, program performance objectives have been met and the agency is in compliance with contractual program objectives.

4. Reliability of Financial and Programmatic Reporting

The contract requires submission of an annual audit report performed by a Certified Public Accountant. The contract also requires the agency to submit to Metro year end reports of the program outcome and a final expenditures report, no more than 45 days after the close of the contract. We reviewed all applicable financial and programmatic reports required by the contract, including audited financial statements. Based on our review, the agency complied with all financial and programmatic reporting requirements.

5. Internal Control Environment

In order to determine the adequacy of the design of internal controls, we obtained and reviewed an independent auditor's report on internal control over financial reporting and/or a completed internal control questionnaire. This audit procedure was performed solely as a basis for determining our test work and to assist us in

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making suggestions for improvement to management. We did not evaluate the operating effectiveness of internal controls over financial reporting.

Our review of the design of the agency's internal controls revealed certain control deficiencies. In order to assess the effectiveness of the agency's internal controls, an Internal Control Questionnaire was completed with the agency's Director. Based upon our review of the agency's internal controls, the agency has insufficient controls in place to safeguard the agency's assets from waste and misuse. With only one full-time employee, too many of the agencies duties are performed by this individual. For example, the director collects money, prepares the bank deposit slips and deposits the money into the agency's bank account. This is considered an improper segregation of duties. The findings and recommendations section of this report contains additional information.

6. Civil Rights Requirements

Our review did not reveal anything to indicate that the agency was noncompliant with civil rights requirements. The agency also has necessary written policies and procedures relating to civil rights. The agency has not received any complaints regarding any form of discrimination. Further, civil rights and ADA postings are publicly displayed.

FINDINGS AND RECOMMENDATIONS

1. Internal Controls Need Improvement

Our review of the agency's internal controls indicates the agency's controls in place currently are not sufficient to safeguard the agency's assets from waste and misuse.

The agency's office is currently staffed by a single individual who performs nearly all of the day to day operational activities. Consequently, both cash and payroll/personnel activities are not adequately segregated. Although cost benefit constraints should always be considered, in general, individuals opening the mail or collecting funds should not also be allowed to record those receipts into the accounting system and employees who have access to the accounting system should not also be allowed to reconcile the agency's monthly bank statements. We found the agency's director collects money, prepares the bank deposit slips, deposits the money into the agency's bank account and reconciles bank statement.

In addition, we determined that payroll and personnel functions were not segregated. The director performs personnel actions, approves employee timesheets, verifies the authenticity of employees/payees, and distributes payroll checks. In both cases there were no other compensating actions/duties performed by others to minimize the potential risk of abuse without detection in a timely manner.

Recommendation:

Proper segregation of duties reduces the possibility of errors or fraud being undetected in timely manner in the normal course of business. With only one full-time employee, the director, too many of the agencies duties are performed by this individual. Additional staff should be considered to assure proper segregation of duties. If deemed cost prohibitive, the Board of Directors should engage in more active oversight of these operational activities so as to minimize current risks posed by the absence of properly segregated internal controls. Any compensating actions taken by the board should be appropriately noted.

FINDINGS AND RECOMMENDATIONS

Corrective Action Plan Required

Please submit a corrective action plan indicating the actions the agency intends to take to correct the findings identified in this report. The corrective action plan should be submitted within 30 days from the report date to Tiffy Barnett at the address below:

Tiffy Barnett
Division of Grants Coordination
222 Third Avenue North, Suite 501
Nashville, TN 37201