

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



December 9, 2010

Mr. David Hornsby, Board Chair
Bethlehem Centers of Nashville
1417 Charlotte Ave.
Nashville, TN 37203

Dear Mr. Hornsby:

Please find attached the Monitoring Report of the Bethlehem Centers of Nashville relating to the contract it had with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2010.

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 3, 2010.

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: Mary McKinney, 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
Essie Robertson, Office of Financial Accountability
Brad Thompson, Office of Financial Accountability



◆ Monitoring Report of ◆

Bethlehem Centers of Nashville



Conducted by



Office of Financial Accountability

December 9, 2010

MONITORING REPORT

TABLE OF CONTENTS

INTRODUCTION 5

OBJECTIVES, SCOPE AND METHODOLOGY 6

RESULTS OF REVIEW 7

FINDINGS & RECOMMENDATIONS 11

INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of Bethlehem Centers of Nashville. 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 Bethlehem Centers of Nashville. 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-2300	Community Enhancement Funds (CEF)	Metro Government	\$44,600	July 1, 2009	June 30, 2010

Agency Background

Bethlehem Centers of Nashville (BCN) is a non-profit community-based ministry promoting self-reliance and positive life choices for children, youth and adults in Middle Tennessee by delivering and advocating quality programs and services. The agency provides comprehensive services to over 6,000 people annually, by meeting their immediate needs and motivating them to reach the next level in their lives by changing their direction to improve their situation and become self-reliant. BCN has programs in four main areas: Child Development, Youth Development, Adult Programming and Community Outreach. Their childcare facilities have earned Tennessee's top "Three Star" rating and are accredited by the National Association for the Education of Young Children (NAEYC). Their mission is to promote self-reliance and positive life choices for children, youth and adults in Middle Tennessee by delivering and advocating quality programs and services.

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of our review were:

- 1) To determine whether the agency had the resources and capacity to administer the grant funds.
- 2) To determine if costs and services were allowable and eligible.
- 3) To verify that program objectives were 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, 2009 through June 30, 2010.

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-2300. 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
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 was in compliance with this requirement. Different revenue classes as well as expenditure classes had been established to separately track the sources and amounts of funding. Also, the agency could easily and accurately report their expenses supported by the Metro Appropriation.

3. Program and Performance Objectives

The grant contract stipulates that the agency was to provide the following program objectives:

RESULTS OF REVIEW

- 40 feeder elementary and middle school students will be provided with supportive education/aftercare 3 hours per day for 180 days.
- Participants will achieve 75% of individually targeted goals in Reading and Language Arts, Math/Science, basic computer literacy and project research, physical fitness and nutrition, and service learning.

Based on our review of program documentation and discussions with staff, program performance objectives had been met and the agency was 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 inaccurately reported their grant expenditures. Please see Finding #1 for specific information regarding the agency inaccurately reporting grant expenditures.

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 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 did not reveal any control deficiencies. Further, nothing came to our attention that would necessitate suggestions for improvement in internal control activities to management.

RESULTS OF REVIEW

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. Agency Inaccurately Reported it's Expenditures.

The Bethlehem Centers of Nashville inaccurately reported it's expenditures on the final expenditure report. The Bethlehem Centers of Nashville compensated their contracted bus drivers from the salaries line item but there was no provision for salaries in the approved grant spending plan. Contracted personnel are not considered employees of the agency; therefore, compensation to non personnel is considered to be professional fees. As a result, the Bethlehem Centers of Nashville overstated their salaries and understated their professional fees.

Recommendation:

The agency should take the necessary steps to ensure the grant funds are being utilized for their intended purposes. The agency should also implement a policy for reviewing their budget to actual expenditures to ensure that the agency is in compliance with the grant spending plan or to make the determination to submit a grant spending plan revision.

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 the address below:

Division of Grants Coordination
700 2nd Avenue South, Suite 201
Nashville, TN 37210
ATTN: Director