

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



January 17, 2013

Ms. Kathryn Stevenson, Board Chair
Monroe Harding
1120 Glendale Lane
Nashville, TN 37204

Dear Ms. Kathryn Stevenson:

Please find attached the Monitoring Report of the Monroe Harding, Inc. relating to the contract it has with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2012.

The Office of Financial Accountability is charged with the responsibility of monitoring grant funds, including Community Enhancement Funds, from Metropolitan Nashville Government to any nonprofit organization. Staff from the Office of Financial Accountability conducted the review on September 28, 2012.

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 Baker, 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



Metropolitan Government of Nashville and Davidson County

Monroe Harding, Inc.

◆ Monitoring Report ◆

Conducted by



Office of Financial Accountability

January 17, 2013

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of Monroe Harding, Inc. 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 Monroe Harding, Inc. or any of its component units. The OFA is responsible for the internal monitoring of Metropolitan Government of Nashville and Davidson County (hereinafter referred to as “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	Amount	Contact Term	
L-2643	Community Enhancement Funds	\$49,200	July 1, 2011	June 30, 2012

Agency Background

For over 100 years, Monroe Harding has had a singular mission: changing young people’s lives. Monroe Harding makes the dreams of young people not just dreams, but realities by creating opportunities for them.

Monroe Harding provides the basics: food, clothing and shelter. They provide foster homes, group living, mentoring, relationship-building skills, safety and structure, encouragement, spiritual formation, life skills training, education, job placement, and more. This gives every young person the opportunity to live a whole, happy and independent life.

They are a caring, dedicated group who provides children in foster care with the knowledge, experience and security they need to become self-sufficient contributors to society. Monroe Harding serves as a resource for foster families and for youth who are transitioning from foster care.

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, 2011 through June 30, 2012.

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-2643. 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 Allowable and Eligible?		✓
Program Objectives 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*. 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.

Based on our test work, most costs and services during the period were allowable and eligible.

3. Program and Performance Objectives

The contract stipulates that the agency shall use the funds to provide the following outcomes:

RESULTS OF REVIEW

- Approximately 92 youth will participate in the afterschool education and enrichment programs with the following outcomes:
- 65% will experience successful discharges from the program within 6 months of placement by reaching permanency or moving to a less restrictive environment
- 80% will gain knowledge and experience by participating in various classes and groups as determined by pre- and post-testing and class attendance
- 70% of youth enrolled in public school will experience academic gains during placement, as tracked through weekly education summaries
- 80% of youth will participate in the summer enrichment program.

Based on our review of program documentation and discussions with staff, program performance objectives were not met and the agency is not 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 making suggestions for improvement to management. We did not evaluate the operating effectiveness of internal controls over financial reporting.

RESULTS OF REVIEW

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.

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 Failed to Adhere to Spending Plan

Monroe Harding failed to adhere of Spending Plan limits per the grant contract. The agency reported more costs for one line item than contractually allowed, without seeking Spending plan revisions. The agency reported Employee Benefits and Payroll taxes of \$9,333 instead of the \$7,200 limit per the spending plan, without seeking required grantor approval.

As a result of reporting more costs, the agency exceeded the contracted line item by \$2133. The OFA is not questioning the costs of the difference however the agency needs to adhere to the spending plan as required.

Recommendation:

The agency should request permission prior to making changes to the approved Spending Plan for the CEF grant.

2. Program Performance Goals Not Met

Based on our testing, the agency's unmet contractual program objectives were as follows:

- 65% will experience successful discharges from the program within 6 months of placement by reaching permanency or moving to a less restrictive environment

According to agency documentation and the final program report, only 57% of the children experienced successful discharges from the program within 6 months of placement. The auditor calculated successful discharges at 61%.

- 70% of youth enrolled in public school will experience academic gains during placement, as tracked through weekly education summaries.

The agency reported that 75% of the youth enrolled in public school experienced academic gains during placement. The auditor was unable to arrive at the same result for this performance goal because the agency reported on entire academic gain instead of on each individual youth enrolled in public school.

FINDINGS AND RECOMMENDATIONS

Recommendation: Information pertaining to program objectives in the Final Program Report should be based on actual results and supported by written documentation. In addition, agency should revisit how the results of the objectives are computed and ensure they align with the

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
PO Box 196300
Nashville, TN 37219
ATTN: Tonya Bowers