

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**



January 9, 2013

Denine Torr  
Pencil Foundation  
421 Great Circle Rd  
Nashville, TN 37228

Dear Ms. Torr:

Please find attached the Monitoring Report of the Pencil Foundation relating to the contract it had 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 27, 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: Connie Williams, 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**

# **PENCIL FOUNDATION**

## **◆ Monitoring Report ◆**

**Conducted by**



**Office of Financial Accountability**

January 9, 2013

# MONITORING REPORT

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## INTRODUCTION

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The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of Pencil Foundation. 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 Pencil Foundation 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:

<b>Contract</b>	<b>Type</b>	<b>Amount</b>	<b>Contact Term</b>	
L-2626	Community Enhancement Funds	\$75,400	July 1, 2011	June 30, 2012

### **Agency Background**

PENCIL Foundation began in 1982 as Nashville’s first nonprofit linking community resources with Nashville public schools to help young people achieve academic success. The flagship program, PENCIL Partners, now connects the city’s 139 public schools to one or more of 754 businesses and community groups. Pencil administers 10 student-related programs and has assisted over 19,000 students in the past 10 years.

## OBJECTIVES, SCOPE AND METHODOLOGY

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The objectives of our review:

- 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.

Review 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-2626. 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.

## SUMMARY OF RESULTS

<b>Criteria</b>	<b>Yes</b>	<b>No</b>
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?	✓	

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, 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 afterschool and summer activities to students in grades 5-8 to achieve the following outcomes:

1. A total of 66 students from Cameron (15), Oliver (15) and Wright (36)

2. 53 students will maintain or improve their academic performances as evidenced by report cards.
3. 56 students will demonstrate engagement with school and academics by promotion to the next grade level.
4. 50 students will maintain or improve their self-efficacy index by taking a pre and post test assessment.

Based on our review of program documentation and discussions with staff, all of the program performance objectives were 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.

Based on our review of Reliability of Financial and Programmatic Reporting documentation and discussions with staff, all of the reporting requirements were met and the agency was in compliance with contractual 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.

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.