



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

May 17, 2012

Scott Potter, Director
Metro Water Services
1600 2nd Avenue North
Nashville, TN 37208

Dear Mr. Potter:

Please find attached our Monitoring Report on select grant administered by Metro Water Services. This report explains the results of the monitoring review of the agency's federal and state grants and other financial assistance for the fiscal year ending June 30, 2011 tested. Staff from the Office of Financial Accountability began conducting the fieldwork for this review on May 15, 2012.

We appreciate the cooperation and assistance provided us during the course of the review. If you have any questions, please call me at (615) 880-1035.

Sincerely,

Fred Adom, CPA
Director

cc: Richard M. Riebeling, Director of Finance
Talia Lomax-O'dneal, Deputy Director of Finance
Kim McDoniel, Assistant to the Director of Finance
Mark Swann, Internal Audit
Tom Palko, Metro Water Services
Glenn Mizell, Metro Water Services
Stan Robinson, Metro Water Services
Kevin Brown, Office of Financial Accountability
Essie Robertson, Office of Financial Accountability
Brad Thompson, Office of Financial Accountability



◆ **Grants Monitoring Report of** ◆

Metro Water Services



Conducted by



Office of Financial Accountability

May 17, 2012

MONITORING REPORT
FOR THE
METRO WATER SERVICES

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OVERVIEW

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of the Federal and State grants and contracts administered by the Metro Water Services (hereinafter referred to as “Metro Water” or “department”). The monitoring process included a review of those contracts in effect during the fiscal year ending June 30, 2011. The contracts reviewed are listed in Appendix A. The OFA conducted the monitoring review along the major compliance areas identified in the Office of Management and Budget (OMB) Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations” and in compliance with the OMB Circular A-87, “Cost Principles for State, Local and Indian Tribal Governments.”

Overview of the Department

The Metro Water Services is responsible for providing safe drinking water, performing wastewater treatment, and Stormwater management services to the community. The purpose of the Stormwater division within the Metro Water Services is to provide development review and permitting, master planning, routine and remedial maintenance, and improved watershed water quality to the residents of Davidson County so that they can have a reduced potential for property damage, safe roadways, and improved stream water quality. The Stormwater Management division is also responsible for the operations of grant programs from the Federal Emergency Management Agency to provide hazard mitigation, pre-disaster mitigation, and flood mitigation assistance.

We selected and reviewed one grant with total financial award of approximately \$547,635.00. The grant reviewed included the following:

San Marcos Home Buyout Program

The Metro Water Services was awarded the San Marcos Home Buyout grant in the amount of \$547,635.00 with a required cash match of \$182,545.00 from the Tennessee Emergency Management Agency. The objectives of the San Marcos Home Buyout grant was for the purchase and removal of 5405 and 5409 San Marcos Drive properties which were located in a repetitively flooded area.

OBJECTIVES, SCOPE AND METHODOLOGY

Objectives, Scope, and Methodology

A monitoring review is substantially less in scope than an audit. The OFA did not audit the financial statements for the Metro Water Services and, accordingly, does not express an opinion or any assurances regarding the financial statements of the Metro Water or the Metropolitan Government of Nashville and Davidson County (hereinafter referred to as “Metro”). 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 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 overall monitoring objective was to determine the department’s compliance with grantor guidelines, rules, and regulations. Specifically, we reviewed for the following objectives:

- To determine whether the activities and costs of the programs are allowable under the program regulations and provisions of the grant agreement
- To determine whether costs reported under the grant program are consistent with provisions of grantor guidelines and OMB Circular A-87
- To determine whether civil rights requirements are met
- To determine whether the minimum requirements for local matching contributions and/or adequate level of expenditures by other sources of funds are met
- To determine whether the department adheres to grantor guidelines for equipment purchases
- To determine whether grant funds were used exclusively during the period in which the funds were authorized
- To determine whether purchases were made in accordance with OMB Circular A-87, the minimum federal, state and local requirements, and grantor guidelines
- To determine whether grant financial reports are reliable and timely
- To determine whether Federal compliance requirements regarding subrecipient oversight were met and whether the subrecipient performed in accordance with the contract terms.

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OBJECTIVES, SCOPE AND METHODOLOGY

The scope of the work included the grants listed in Appendix A. The grant period was July 1, 2010 through June 30, 2011. Although the review focused on this specific time period, certain analyses required the consideration of financial transactions outside of this time period.

The methodology adopted by the OFA encompassed various interviews and an objective review of fiscal files, including:

- Financial transactions and supporting documentation,
- Contract agreements and related amendments,
- Federal and/or State financial reports, and
- Internal and external correspondence.

RESULTS OF MONITORING REVIEW

Major Review Highlights

Our review did not reveal any discrepancies or instances of non-compliance with policies and/or grant requirement guidelines.

APPENDIX A

FEDERAL & STATE GRANTS AND FINANCIAL ASSISTANCE						
Grantor	Grant	Contract Number	Grant Period		Grant Award	Findings
TN Emergency Management	San Marcos Drive Home Buyout 08-11	Pending	09/18/2008	09/30/2011	\$547,635.00	NO