

BILL PURCELL  
MAYOR



**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**

DEPARTMENT OF FINANCE  
**Office of Financial Accountability**  
222 THIRD AVENUE NORTH, SUITE 650  
NASHVILLE, TENNESSEE 37201

June 11, 2007

Ms. Susan Edwards, Executive Director  
**Frist Center for the Visual Arts**  
919 Broadway  
Nashville, TN 37203

Dear Dr. Frist:

Please find attached the Monitoring Report of the Frist Center for the Visual Arts relating to the contract it has with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2006.

The Office of Financial Accountability (OFA) is charged with the responsibility of monitoring grant funds from Metropolitan Nashville Government to any nonprofit organizations. 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 April 24, 2007.

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*

Fred Adom  
Director

cc: Thomas F. Frist Jr., Chairperson Board of Directors  
Martin Terrien, Director of Finance and Operations, Frist Center for the Visual Arts  
David Manning, Director of Finance  
Talia Lomax-O'dneal, Deputy Director of Finance  
Kim McDoniel, Assistant to the Director of Finance  
Don Dodson, Internal Audit  
Kevin Brown, Office of Financial Accountability



## Metropolitan Government of Nashville and Davidson County

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◆ Monitoring Report of ◆

# Frist Center for the Visual Arts



Issued by



## Office of Financial Accountability

June 11, 2007

Fred Adom, CPA  
Director

Kevin Brown,  
Lead Auditor

*Our Vision: To be excellent and proficient in monitoring and management services.*

Monitoring Report  
for the  
Frist Center for the Visual Arts

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## **OBJECTIVES, SCOPE AND METHODOLOGY**

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The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review for the Frist Center for the Visual Arts (hereinafter referred to as “agency”). The OFA conducted its 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 accordance with Generally Accepted Government Auditing Standards and the Metro Grants Manual of the Metro Nashville Government of Nashville and Davidson County (hereinafter referred to as “Metro”).

### **Overview of the Agency**

The Frist Center for the Visual Arts opened in April 2001, and since that time has hosted a wide array of art from the region, the country, and around the world. The Frist Center for the Visual Arts differs from traditional museums by having an exhibition schedule that has new art flowing through the Art Deco building every six to eight weeks. One of the most popular attractions at the Frist Center is the ArtQuest Gallery. The ArtQuest Gallery features 30 interactive stations that allow visitors to learn through activity. The First Center for the Visual Arts is open 7 days a week with varying hours of operations to accommodate everyone.

For the fiscal year ended June 30, 2006, the Frist Center for the Visual Arts received a capital contribution in the amount of \$500,000 which was to be used for the design, manufacture and installation of a 2,300 horsepower, 1,600 KVA backup electrical generator for the Frist Center. The generator would provide the capability of independently maintaining, the required internal environmental conditions for the protection of loaned pieces of art. The OFA review period for this capital allocation was August 18, 2005 through June 30, 2006.

### **Objectives, Scope, and Methodology**

A monitoring review is substantially less in scope than an audit. The OFA did not audit Frist Center’s financial statements and, accordingly, does not express an opinion or any assurances regarding the financial statements of Frist Center for the Visual Arts or Metro. The OFA is responsible for monitoring the direct appropriations awarded by the Metro Council to nonprofit organizations. The OFA is also responsible for monitoring Metro departments that receive Federal and State grants and financial assistance, including cooperative agreements. In summary, any agreement(s) that imposes performance and/or financial requirements on Metro Government is subject to review by the OFA.

Our objectives for this review were as follows:

- To test whether costs and services provided were consistent with the intent of the grant
- To test whether the documented costs are allowable and eligible
- To test the reliability of the financial and programmatic reporting
- To verify the grantee’s compliance with the contractual agreement; determine whether the objectives of the direct appropriation were met

Our review covered the agency’s operations and expenses for the year ended June 30, 2006, as it pertains to the capital contribution grant.

To accomplish the objectives of the monitoring review, the OFA conducted a review of all documentation submitted in support of the disbursement of the funds for the grant award. The OFA auditors obtained and reviewed supporting documentation from both the agency as well as the contracting company.

### **Monitoring Review Highlights**

The Frist Center for the Visual Art’s staff appeared to be knowledgeable about program and financial operations and provided valuable assistance to the auditors. Our review did not reveal any discrepancies with the financial operations of the Frist Center. In the “Results of Monitoring” section that follows, the OFA provides and overview of the overall results of the tests and analyses performed to meet the monitoring review objectives.

## **RESULTS OF MONITORING**

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The overall results of the monitoring review for the Frist Center for the Visual Arts Capital Allocation are provided in this section. The results are based on tests performed and include conclusions regarding the specific review objectives and, if applicable, recommendations for improvement and an action plan for implementing the conclusions. Where applicable, the Findings and Recommendations section of the report provides more insight into the problem identified in the results below.

### **1. Resources and capacity to administer the grant funds**

Our review of the agency's accounting system, the qualification of the individuals assigned to manage the accounting records, and other available resources, indicates that the Frist Center for the Visual Arts possesses the necessary resources and expertise to administer the grants funds. The agency has various individuals who oversee various financial operations. The Frist Center for the Visual Arts utilizes a Purchase Order system that requires a purchase order to be completed prior to expending funds. Once a purchase order is completed the agency's Director, the Director of Finance and Operations, or the agency's Controller reviews and approves. Upon approval of the purchase order and the receiving of the goods or services, the agency's accounts payable personnel is responsible for matching the invoice to the purchase for payment. This provided the OFA auditors sufficient documentary evidence and support for the purchases and the internal controls over the purchases. The day-to-day financial functions (i.e., data entry) are completed by one the agency's administrative staff; these activities are verified by the Director of Finance and Operations and the Controller.

### **2. Allowable and eligible costs and services**

The contract between Metro and the Frist Center for the Visual Arts for the period ending June 30, 2006 awarded The Frist Center capital contribution funds to be used for the design, manufacture, and installation of a 2,300 horsepower, 1,600 KVA backup generator. Based on the tests performed, we found the agency charged only allowable and eligible costs to the grant. The agency utilized the funds specifically toward the acquisition and installation of the generator.

Our review indicates the total costs break down of the project was as follows:

	<b><u>Cash</u></b>	<b><u>Total Contribution</u></b>
Total Generator costs	\$789,621.00	\$ 789,621.00
Other sources of funding	\$ 289,621.00	\$ 289,621.00
Metro - Capital Imp. Appropriation and land	\$ 500,000.00	<b>\$ 500,000.00</b>
<b>Metro Total Support</b>		<b>63.32%</b>

The grantee drew the funds in one installment with supporting documentation that reflected total costs of the project. The supporting documentation was certified by an independent architect as to the percentage of completion as of the date of the report.

The OFA auditors randomly selected and reviewed four (4) expenditures amounting to \$542,348.00 of the from the invoice detail report for the generator project. The OFA tests did not identify any discrepancies.

The agency has established different revenue classes as well as expenditure classes, so the agency can accurately track the sources and amounts of their funding. Also, the agency can easily and accurately report the expenses supported by the Metro appropriation.

## **RESULTS OF MONITORING**

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### **3. Program objectives being met**

The contract between Metro Nashville Government and the Frist Center for the Visual Arts for the year ended June 30, 2006, stipulates that the Grantee is to use the funds for the design, manufacture, and installation of a 2,300 horsepower, 1,600 KVA backup generator. Based on the test performed, the Frist Center for the Visual Arts appears to have achieved this goal.

### **4. Reliability of financial and programmatic reporting**

The Frist Center for the Visual Arts was required to submit program outcome and final expenditures reports to Metro within 45 days after the close of the contract. Our review determined that the Frist Center for the Visual Arts was not in compliance with this requirement. According to the contract, “the recipient shall submit a final expenditures report within 45 days of the end of the grant contract. Said report shall be in form and substance acceptable to Metro and shall be prepared by a Certified Public Accounting Firm or the Chief Financial Officer of the Recipient Organization.” The grant contract also states under D.9., “The recipient shall submit a final program report within 45 days of the end of the grant contract.”

It appears the grantee was not aware of the provision and Metro officials also failed to insist on those final reports. The OFA recommends the agency carefully review and comply with all provisions in future grant contract.

### **5. Contractual compliance**

Overall, the OFA found the agency in compliance with the contract requirements. The purpose of the Metro capital contribution grant funds was to be used for the design, manufacture, and installation of a 2,300 horsepower, 1,600 KVA backup generator. The Frist Center for the Visual Arts has met the requirements of the grant award based on OFA’s review of the supporting documentation.