

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



January 6, 2016

John Doerge, Board Chair
Pencil Foundation
421 Great Circle Rd
Nashville, TN 37228

Dear Mr. Doerge:

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, 2015.

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 October 20, 2015.

We appreciate the assistance provided by your agency during the course of the review. If you have any questions, please call me at 615-862-6712.

Sincerely,

Kevin Brown

Kevin Brown, CMFO, CICA
Finance Administrator

cc: Angie Adams, President and CEO
Talia Lomax-O'dneal, Director of Finance
Gene Nolan, Deputy Director of Finance

Kim McDoniel, Chief of Accounts

Mark Swann, Internal Audit

Fred Adom, CPA, CGMA, CICA, Director, Office of Financial Accountability

Essie Robertson, CPA, CMFO, CICA, Office of Financial Accountability

Aaron Davis, CICA, Office of Financial Accountability



Metropolitan Government of Nashville and Davidson County

PENCIL FOUNDATION

◆ Monitoring Report ◆

Conducted by



Office of Financial Accountability

January 6, 2016

MONITORING REPORT

TABLE OF CONTENTS

INTRODUCTION	5
OBJECTIVES, SCOPE AND METHODOLOGY	6
RESULTS OF REVIEW	7
FINDINGS AND RECOMMENDATION.....	10

INTRODUCTION

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:

Contract	Type	Amount	Contact Term	
L-3274	Community Enhancement Funds	\$96,100	July 1, 2014	June 30, 2015

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 820 businesses and community groups. Per Pencil Foundation’s website, “Pencil administers 8 educational programs that involve the community as volunteers and mentors, provide academic enrichment opportunities, prepare students for graduation and get school supplies in the hands of children who need them.”

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, 2014 through June 30, 2015.

The monitoring review procedures included meeting with agency management and staff, 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-3274. 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?		✓
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 2 CFR Part 200: *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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 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 grant.

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 for the afterschool program, PENCIL-ACE (Academic and Career Enrichment), will serve at least 90 unduplicated middle school students at Apollo, Creswell, Donelson, Madison, Oliver or Wright middle schools with the following outcomes:

RESULTS OF REVIEW

- 1) At least 75% of the students will improve or maintain their academic performance as evidenced by school issued progress reports or report cards
- 2) At least 75% of the students will demonstrate engagement with school and academics as evidenced by promotion to the next grade level
- 3) At least 75% of the students will improve their knowledge and attitudes related to STEM.

Based on our review of program documentation and discussions with staff, program performance objectives #1 and 2 were not met and the agency was not in compliance with contractual program objectives. See Finding #1 for more details.

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 submitted all required financial and programmatic reports within a timely manner; however, not all reported program outcomes were verifiable. See Finding #2 for more details.

5. 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.

1. Program Performance Goals Not Met

Finding

The Pencil Foundation failed to provide sufficient documentation to support its successful achievement in attaining the minimum program requirements as stated in the scope of program within the grant contract. Under the Community Enhancement Fund grant program, non-profit agencies submit grant applications stating their minimum performance measures as well as stating how they intend to document their successful completion of each performance objective. The Pencil Foundation stated they were going to utilize “student progress reports and nine-week report cards” to support their performance objectives. Per the agency’s grant application and the completed grant contract, the Pencil Foundation’s performance objectives #1 and #2 were:

- 1) At least 75% of the students will improve or maintain their academic performance as evidenced by “school issued progress reports or report cards”
- 2) At least 75% of the students will demonstrate engagement with school and academics as evidenced by promotion to the next grade level

During the review process, the Pencil Foundation provided a spreadsheet containing what appeared to be student’s grades from their report cards, by school. However, test revealed that the grades were not supported by actual copies of the student’s report cards but rather verbally given to Pencil Foundation staff from the school principals. There was no independent verifiable evidence that scores on the spreadsheets represented official records. Without copies of the client’s report cards, the OFA was unable to determine whether or not the Pencil Foundation met the minimum program objectives as stated within the grant contract.

Recommendation:

Management should take the necessary steps to ensure that program objectives are met and documentation to support program outcomes are maintained for review. Management should further review their objectives to make sure they are reasonable and obtainable.

2. Reliability of Programmatic Reporting

Finding

The Pencil Foundation's Final Program Report, received by the Division of Grants Coordination on August 14, 2015, the Pencil Foundation reported the following:

- 1) Based upon report card data, 68% of students in the Madison, Donelson, Wright, and Creswell programs improved their academic performance in at least one core subject.
- 2) Based upon report card data, 100% of students in the Madison, Donelson, Wright, and Creswell programs were promoted to the next grade.

As stated within Finding #1, the Pencil Foundation failed to provide copies of the student's report cards, or any support for the data for review. Therefore, the OFA was unable to determine the reliability of the Pencil Foundation's Final Program Report.

Recommendation:

Pencil Foundation should take the necessary steps to ensure that it can provide actual support for data reported on the program objectives to allow auditors and others to independently verify reported results. Information pertaining to program objectives in the Final Program Report should be supported by written documentation. Management should review the achievement of those objectives before they are reported to the Metro Division of Grants Coordination in order to ensure accuracy and to make sure the objectives are reasonable, obtainable and verifiable.

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 14 days from the report date to the address below:

Division of Grants Coordination
PO Box 196300

OFFICE OF FINANCIAL ACCOUNTABILITY

700 2nd Avenue South, Suite 201, Nashville, TN 37210

FINDINGS AND RECOMMENDATIONS

Nashville, TN 37219
ATTN: Vaughn Wilson