

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



October 14, 2011

Ben Bodzy, Board Chair
Fannie Battle Dayhome for Children
108 Chapel Avenue
Nashville, TN 37206

Dear Mr. Bodzy:

Please find attached the Monitoring Report of Fannie Battle Dayhome for Children relating to the contract it has with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2011.

The Office of Financial Accountability (OFA) is charged with the responsibility of monitoring grant funds, including Community Enhancement Funds (CEF), from Metropolitan Nashville Government to any nonprofit organization. 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 September 21, 2011.

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: Sara Longhini, Executive Director
Richard M. Riebeling, Director of Finance

OFFICE OF FINANCIAL ACCOUNTABILITY

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
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◆ Monitoring Report of ◆

Fannie Battle Dayhome for Children



Conducted by



Office of Financial Accountability

October 14, 2011

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of Fannie Battle Dayhome for Children. 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 Metropolitan Government of Nashville and Davidson County (hereinafter referred to as “Metro”) or any of its component units. 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 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-2467 | Community Enhancement Funds | \$73,600 | July 1, 2010 | June 30, 2011 |

Agency Background

Fannie Battle Day Home for Children is a not-for-profit year-round childcare center whose mission is to continue the tradition established in 1891 by its founder, Miss Fannie Battle: “to provide affordably high-quality child care for at-risk children in a nurturing environment, while empowering families to reach their potential”. Fannie Battle is licensed by the State of Tennessee, receiving the highest 3-Star rating and is also a United Way of Middle Tennessee funded agency participating in the Community Foundation of Middle Tennessee’s GivingMatters.

The agency’s Day Home offers Infant/Toddler, Preschool, Pre-K, and School Age Programs to 82-96 children ages 6 weeks to 10 (12 years during the summer). Fees are set on a sliding scale according to income and parents are required to be working, in school or in a job training program.

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of our review were:

- 1) To determine whether the agency has the resources and capacity to administer the grant funds.
- 2) To determine if costs and services are allowable and eligible.
- 3) To verify that program objectives are being 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, 2010 through June 30, 2011.

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-2467. 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*. Based on our test work, costs and services during the period were allowable and eligible. 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.

3. Program and Performance Objectives

The agency reported the following quantifiable outcomes and objectives in their final program report:

RESULTS OF REVIEW

34 at risk youth ages 5-12 will participate in the after-school program and 48 in the summer program, showing the following outcomes:

1. 80% will meet 80% of their individual goals during the school year
2. 85% will achieve an “A” or “B” (or equivalent “E” or “S”) in at least 3 core academic subjects.
3. 90% will maintain or increase their instructional reading level during the 10 week summer program.
4. 1,000 books will be read during the summer reading program June – August.

Based on our review of program documentation and discussions with staff, 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. We reviewed all applicable financial and programmatic reports required by the contract, including audited financial statements. Based on our review, the agency was unable to support the program outcomes reported in their final program report. Please see Finding #1 for more details.

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. Inaccurate Performance Data on Final Program Report

The agency reported the following outcomes on their final program report:

1. 92% met 80% of their individual developmental goals during the school year.
2. 94% achieved an “A” or “B” (or equivalent “E” or “S”) in at least 3 core academic subjects.
3. 82.5% maintained or increased their instructional reading level during the 10-week 2010 summer program.
4. 2,090 books read June-August 2010.

Based on our testing, we found that documentation was sufficient to support performance outcome #1 as reported by Fannie Battle Day home for Children in their Final Program Report. We were able to substantiate that Performance Outcome #1 was accurately reported to the Metro Finance Department, Division of Grants Coordination.

However, we found that the agency inaccurately reported performance outcome #2, #3, and didn’t maintain adequate supporting documentation to support outcome #4.

Performance Outcome #2. Based on our testing, 86% of the program participants achieved an “A”, “B”, or its equivalent and not the 94% that was reported. Though reported incorrectly, the 86% achievement still exceeded the required program outcome of 85%.

Performance Outcome #3. We verified that 87% of the program participants maintained or increased their instructional reading level which exceeds the 82.5% that was reported.

Performance Outcome #4. The agency failed to maintain sufficient documentation to support the 2,090 books reportedly read between June and August 2010. The agency was able to provide documentation that showed the number of books read by participants and it totaled 2,090 books being read; however, the documentation support was in a spreadsheet. According to the agency, individual reading logs were not maintained; the logs were returned to the program participants.

FINDINGS AND RECOMMENDATIONS

Recommendation:

Fannie Battle Dayhome for Children should ensure that program outcomes reported to Metro in the Final Program Report are based on actual documented results and can be supported. The agency should always retain detail logs and other documentation that support reported results on file until audited.

In addition, management should review the achievements of those outcomes for accuracy before they are reported to the Metro Finance Department, Division of Grants Coordination.

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:

Ms. Brandie Haywood, Director
Division of Grants Coordination
700 2nd Avenue South, Suite 201
P.O. Box 196300-6300
Nashville, TN 37219