

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

November 1, 2006

Tammy Johnston, Chairperson Board of Directors
Nashville Children's Theater
724 Second Ave. South
Nashville, TN 37210

Dear Ms. Johnston:

Please find attached the Monitoring Report of the Nashville Children's Theater relating to the contract it had 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 September 12, 2006.

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: Allison Dillon, Executive Director
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



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◆ Monitoring Report of ◆

Nashville Children's Theater



Issued by



Office of Financial Accountability

November 1, 2006

Fred Adom, CPA
Director

Kevin Brown,
Lead Auditor

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

Monitoring Report
for the
Nashville Children's Theater

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OBJECTIVES, SCOPE AND METHODOLOGY

The Office of Financial Accountability (herein after referred to as OFA) is charged with the responsibility of monitoring grant funds from Metropolitan Nashville Government to any nonprofit organizations, which receive appropriations from the Metropolitan Nashville and Davidson County government. The OFA is also responsible for monitoring the federal and state grants to departments within the Metropolitan Nashville Government.

We have completed a monitoring review of the Metropolitan Nashville Government grant to the Nashville Children's Theater for the year ended June 30, 2006. 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 assurance regarding the financial statements of the Nashville Children's Theater. Our objectives for this review were:

- 1) To determine whether the agency has the resources and capacity to administer the grant funds
- 2) To test if costs and service 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 test the reliability of internal controls
- 6) To verify contractual compliance

The review was limited to the Metropolitan Government of Nashville and Davidson County grant L-1446 in the amount of \$29,700.00 to the Nashville Children's Theater for the fiscal year ending June 30, 2006. The Nashville Children's Theater is Tennessee's only professional, non-profit theater dedicated exclusively to kids and families. Established in 1931 by the Junior League of Nashville, the Nashville Children's Theater is the oldest children's theater in America, and compelling, high-quality performances form the cornerstone of this professional theater for young people. The mission of the Nashville Children's Theater is to provide an ensemble of professional artists who bring unique vision and compelling voice to the creation of meaningful theater for Nashville and Middle Tennessee audiences and the agency strives to make the imaginative celebration of our hopes, struggles and joys a vital part of the shared experience for young people, families and our community. The average NCT season spans over 30 weeks and features over 150 performances for both school groups and family audiences. The Nashville Children's Theater was ranked by Time Magazine as one of the top five children's theaters in the country. To accomplish our objectives of the monitoring review we:

- Interviewed the officials responsible for the grant management, financial reporting, and accountability.
- Reviewed controls and supporting documentation of expenditures for allowability, necessity and reasonableness of the costs incurred.
- Reviewed operations and activities offered by the Nashville Children's Theater and its compliance with the intended beneficiaries of the grant funds.
- Reviewed the financial stability of the Nashville Children's Theater and its ability to continue to administer the grant program funded by Metro.
- Reviewed the agencies General Ledger to verify the accuracy of the agencies invoices submitted to Metro.

RESULTS OF MONITORING

Our review did not reveal any findings of noncompliance. The Results of Monitoring section presents brief summaries of results of the testing performed including conclusions regarding the key objectives, recommendations for improvement and an action plan for implementing the conclusions. The results of the monitoring are listed below:

1. Possess necessary 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 Nashville Children's Theater possesses the necessary resources and expertise to administer the grants funds. We found that the agency uses AccPac accounting software to record financial transactions. According to the minutes for the Board of Directors meetings from July 2005 through June 2006, the Nashville Children's Theater appears to have close Board oversight and active Board participation. Further, the agency appears to have the necessary capacity to administer the grant funds.

2. Allowable and Eligible costs and services

The contract between Metropolitan Nashville Government and the Nashville Children's Theater for the year ended June 30, 2006 was to help fund the theatre's gas and electricity charges for the 2005-2006 program year. Our tests covered the financial reports submitted to Metro for the grant period. Based on these tests, we determined that the cost incurred and reported comply with applicable guidelines, including OMB Circular A-122 and the Metro Grants manual.

The grants manual specifies for the separate accounting of the Metropolitan Nashville Government grant funds to prohibit co-mingling of the Metro Funds with other sources of funding. The agency is in compliance with this requirement of the grants manual. 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 their expenses supported by the Metro Appropriation.

3. Program objectives being met

The contract between Metropolitan Nashville Government and the Nashville Children's Theater for the year ended June 30, 2006, stipulates that the Grantee is to utilize the grant funds "to help fund gas and electricity charges associated with NCT's 2005-2006 programming." The funding shall help to ensure that the NCT is a safe and fully functional facility that provides the best possible professional theater and arts education opportunities for Metro residents. Based on interviews with the Grantee's staff and the review of the agencies documentation, the Nashville Children's Theater appears to be in compliance and program objectives are being met. During the fiscal year 2006, the NCT performed productions for 29,089 metro students and teachers.

4. Reliability of financial and programmatic reporting

The contract called for submission of an annual audit report performed by a Certified Public Accountant. The Nashville Children's Theater is required to submit to Metro reports of the program outcome and a final expenditures report 45 days after the close of the contract. Our review determined that the Nashville Children's Theater was in compliance with this requirement.

RESULTS OF MONITORING

5. Reliability of internal controls

Our review of the internal controls of the Nashville Children's Theater revealed that the agency appeared to be well managed and incorporate strong internal controls. The Board of Directors provides sufficient oversight and there appears to be adequate segregation of duties in the implementation of the grant funds.

6. Civil rights requirements

Our review did not reveal anything to indicate that the Nashville Children's Theater was not in compliance with civil rights requirements. The agency has not received any complaints regarding any form of discrimination and the agency has civil rights and ADA postings in public places. The Nashville Children's Theater employee handbook addresses the agency's civil rights policy as well.