

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



December 1, 2011

Tracy Kane, Board Chair
Sister Cities of Nashville
P.O. Box 120555
Nashville, TN 37212

Dear Ms. Kane:

Please find attached the Monitoring Report of the Sister Cities of Nashville relating to the contract it has with the Metropolitan Government of Nashville and Davidson County for the fiscal year ended June 30, 2011.

The Office of Financial Accountability is charged with the responsibility of monitoring grant funds, including Direct Appropriations, 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 Office of Financial Accountability conducted the review on November 9, 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: Heather Cochran Cunningham, Executive Director
Richard M. Riebeling, Director of Finance

Talia Lomax-O'dneal, Deputy Director of Finance
Gene Nolan, Deputy Director of Finance
Kim McDoniel, Chief of Accounts
Mark Swann, Internal Audit
Essie Robertson, Office of Financial Accountability
Kevin Brown, Office of Financial Accountability
Brad Thompson, Office of Financial Accountability



Metropolitan Government of Nashville and Davidson County

SISTER CITIES OF NASHVILLE

◆ Monitoring Report ◆

Conducted by



Office of Financial Accountability

December 1, 2011

MONITORING REPORT

TABLE OF CONTENTS

| | |
|---|----|
| INTRODUCTION | 5 |
| OBJECTIVES, SCOPE AND METHODOLOGY | 6 |
| RESULTS OF REVIEW | 7 |
| FINDINGS AND RECOMMENDATIONS..... | 11 |

INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of Sister Cities of Nashville. 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 Sister Cities of Nashville 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-2474 | Direct Appropriations | \$40,000 | July 1, 2010 | June 30, 2011 |

Agency Background

Sister Cities of Nashville is a member chapter of Sister Cities International, an organization which facilitates the partnering of select cities to promote international goodwill and diplomacy. The agency, incorporated in 1990 as a 501(c)3 not-for-profit corporation, is dedicated to promoting world peace and cultural understanding through citizen diplomacy initiatives and educational, professional and cultural exchange programs and events.

Nashville currently has official existing relationships with the following cities: Belfast, Northern Ireland; Caen, France; Edmonton, Canada; Magdeburg, Germany; Mendoza, Argentina; and Taiyuan, China.

The agency also facilitates a reciprocal student exchange program with Metro school students.

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, 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-2474. 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 are Allowable and Eligible? | ✓ | |
| Program Objectives being 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*. 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 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 to provide the following outcomes:

RESULTS OF REVIEW

- 200 elementary and high school students and teachers; and college students will participate in exchange programs and the email penpal program
- 80-100 civic and business professionals, educators, students, and artists will host partner city officials and delegations
- 85-120 Nashville citizens will participate in delegation visits here and abroad
- 25-30 Nashville area musicians, music teachers, and music industry executives will participate in music exchange opportunities.

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 inaccurately reported their grant expenditures. Please see Finding #1 for specific information regarding the agency inaccurately reporting grant expenditures.

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. Expenditures Reported to Grantor did not line up with the Spending Plan.

The Sister Cities inaccurately stated it's incurred expenditures on the final expenditure report. The report reflected the salaries of the Executive Director position as approved in the grant spending plan, however, review of the supporting documentation revealed the Executive Director position is a contracted position and not a salaried staff as reported. Thus, the Executive Director was not an actual employee of the agency; the agency should have sought and obtained approval of a revised spending plan to transfer grant funds from Salaries to Professional Fees. As a result, the agency overstated their Salaries and under stated their Professional Fees expenditures on the final expenditures report.

Recommendation:

The agency should take the necessary steps to ensure the grant funds are being utilized for as planned. The agency should also implement a policy to ensure that appropriate grantor approvals are sought prior to revisions in the spending plans as approved by the grantor.

Corrective Action Plan Required

Please submit a corrective action plan indicating the actions the agency intends to take to correct the finding 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
Nashville, TN 37219-6300