



## METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

December 8, 2023

Metropolitan Audit Committee Members,

The Metropolitan Nashville Government signed a memorandum of understanding with the Community Foundation of Middle Tennessee to be the designated organization for directing monetary donations during natural disasters and emergencies. None of the funds received by the Community Foundation of Middle Tennessee under this agreement are Metropolitan Nashville Government funds. However, since citizens and corporations are directed by the government to donate to this organization, it is important that the Metropolitan Nashville Government does all it can to ensure those funds are handled properly and with transparency.

On September 28, 2022, the Metropolitan Audit Committee voted to have the Office of Internal Audit engage a third-party consultant to complete a performance audit of the Community Foundation of Middle Tennessee. The requirements set forth by the Metropolitan Audit Committee included:

- The audit would encompass the Community Foundation of Middle Tennessee's handling of donations collected under the memorandum of understanding with the Metropolitan Government of Nashville and Davidson County.
- The scope of the audit would cover three disasters in the Metropolitan Nashville and Davidson County area – Tornado in 2020, Bombing in 2020, Flooding in 2021.
- The audit would meet Generally Accepted Government Auditing Standards (Yellow Book) for performance audits as required by the Metropolitan Nashville Code of Ordinances §2.24.300(C).
- The cost of the audit would be reimbursed by the Community Foundation of Middle Tennessee.

The Office of Internal Audit utilized its existing consulting contract with BerryDunn to perform the audit, and a scope of work and project team were established. The scope of work included completing a performance audit of the Community Foundation of Middle Tennessee's processes and internal controls to ensure compliance with the memorandum of understanding. The scope also stated the performance audit would comply with Generally Accepted Government Auditing Standards.

In May 2023, BerryDunn's project team provided the first draft audit report. The Office of Internal Audit noted the draft report did not cover the expected scope of work. Specifically, the work performed did

not audit processes or internal controls around donations distributed under the memorandum of understanding. A review of underlying documentation confirmed the work was not performed. Though changes were made to subsequent report drafts, the final report still does not meet the expected scope of work.

Additionally, the Office of Internal Audit did not believe the work documented complied with Generally Accepted Government Auditing Standards for performance audits. As such, BerryDunn included a modified Generally Accepted Government Auditing Standards compliance statement that includes areas identified as not meeting standards.

While the BerryDunn project team's methodology, breadth, and depth of work did not meet expectations, the report's resulting recommendations are relevant and important to implement in any future memorandum of understanding. Breakdowns occurred by both the Community Foundation of Middle Tennessee and the Metropolitan Nashville Government. The vague language of the agreement played a key role in the inability to ensure transparency and accountability.

Please find attached BerryDunn's final report for the Audit of the Community Foundation of Middle Tennessee. If there are any questions related to the attached report, please let me know.

Best Regards,

A handwritten signature in black ink that reads "Lauren Riley". The signature is written in a cursive, flowing style.

Lauren Riley  
Metropolitan Auditor



# Performance Audit of Community Foundation of Middle Tennessee

Version: Final 2023-12-08

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## 1 Background

### 1.1 Audit Background – Why We Did This Audit

The Metropolitan Nashville Office of Internal Audit engaged BerryDunn to perform an independent performance audit to assess whether the Community Foundation of middle Tennessee (CFMT) appropriately managed and distributed the donated funds to benefit victims of the disasters that were activated by the Mayor’s Office of Emergency Management (OEM) in accordance with the memorandum of understanding between the Metropolitan Government of Nashville and Davidson County (the Metro) and the CFMT.

### 1.2 Community Foundation of Middle Tennessee

CFMT is a nonprofit organization established in 1991 to help individuals, families, and corporations make charitable donations to support nonprofit organizations and causes in Middle Tennessee. They are governed by a Board of Directors comprised of community leaders and volunteers responsible for administrative policy and authorization of all grants. CFMT serves a population of 2.85 million people in 40 counties of middle Tennessee.

CFMT receives contributions from members of the community and reinvests those contributions in the form of grants to nonprofit organizations working to benefit the community.

CFMT provides grants to tax exempt, nonprofit organizations serving middle Tennessee for charitable purposes such as education, environment, arts, health, and social services. Grants are awarded through an open application process for organizations addressing community needs and benefiting the well-being of residents. Grant applications are reviewed by a committee created by the CFMT Board of Directors. The recommendations of the application review committee are presented to The Community Foundation’s Board of Directors for final approval. The CFMT staff assists the Board committee by conducting preliminary research and site visits, where necessary. Grant applications are accepted from nonprofit organizations and entities of government located in and serving within 40 counties of middle Tennessee.

#### 1.2.1 CFMT’s Roles and Responsibilities in the Emergencies

The Metro entered into a memorandum of understanding (MOU) by and through the Metro OEM with CFMT in 2012 that allows CFMT to serve as the centralized collection and distribution system for managing non-designated donations of cash, securities, and credit card donations (hereafter “monetary donations”) which will be distributed to benefit local disaster victims through local nonprofit organizations, religious institutions, and entities of government.

According to the Metro Nashville Davidson County Comprehensive Emergency Management Plan (CEMP) dated 2017, when there is a major emergency and disaster, OEM assesses and determines the need to activate the Donations and Volunteers Emergency Support Function (ESF) based on the nature of the disaster and public interest. When OEM activates this ESF and notifies CFMT, CFMT officially becomes responsible for managing the solicitation,



collection, and distribution of monetary donations to benefit local victims of this specific activated disaster.

Notably, CFMT does not receive any public funds from Metro for any disasters. CFMT assumes their responsibilities under the MOU solely with respect to donated funds without charging administration or other fees. The donated funds include, but are not limited to, the donations made by the citizens of Nashville and Davidson County who were encouraged to do so by OEM and the mayor's office. However, CFMT is unable to quantify how much money was donated as a result of OEM's activation.

## 2 Scope

The requested scope of this performance audit included the management and distribution of the disaster funds for the following disasters:

- Tornado in March 2020
- Bombing in December 2020
- Flooding in March 2021

Based on the results of our procedures, CFMT was not activated by OEM for the bombing in 2020 or the flooding in 2021. In the absence of activation CFMT was not obligated to assume the responsibilities described above as stipulated in the MOU. CFMT reached out to the mayor's office after hearing him indicate that the United Way was accepting donations for the 2020 bombing. The mayor's office subsequently made an announcement to encourage people to send donations to CFMT as well. Although it does not constitute a formal activation, it should be noted that CFMT may have received contributions from donors who were motivated by the mayor's office's announcement.

Due to the lack of activations BerryDunn excluded analysis related to the donated funds for the bombing in 2020 and the flooding in 2021.

The scope of our procedures was also limited to the donated funds distributed to the grantees that were located within Nashville and Davidson County.

### 3 Methodology

BerryDunn conducted this performance audit in accordance with generally accepted government auditing standards, except for the following requirements:

- Inquiry regarding investigations or legal proceedings
- Assessment and documentation of internal controls
- Assessment of the need for audit procedures related to information system controls
- Collection and assessment of information specifically related to the identification of fraud risk

Generally accepted government auditing standards require that BerryDunn plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. BerryDunn believes that, with the exception of requirements noted above, the evidence obtained provided a reasonable basis for our findings and conclusions based on the audit objectives.

BerryDunn utilized the following procedures:

#### **Interviews**

- Melisa Currey, Chief Financial Officer
- Amy Fair, Vice President of Donor Services
- Kelly Walburg, Vice President of Communications
- Heidi Mariscal, Planning, Training, and Exercise Coordinator/OEM
- William Swann, Director Chief of Nashville Fire Department/OEM

#### **Review of Documentation:**

- MOU between Metro and CFMT signed in 2012
- CFMT organization chart
- Financial internal procedures
- Disaster Response Fund Advisory Committee Meeting agendas and minutes in 2020 and 2021
- Grantee lists for the three disasters
- Certification form
- Middle Tennessee Emergency Response Fund (MTER) application form



- Metro Nashville Davidson County CEMP dated 2017

**Survey:**

- Conducted an electronic survey of the organizations that were listed as recipients of at least one of the three applicable disaster funds. The survey recipients were limited to the organizations that reside within the Nashville and Davidson County.

Table 1 below includes the number of organizations that received funding, the number of grants provided, and the total value of the grants for each disaster.

**Table 1: Grant Value**

Disaster	Number of Organizations that Received Funding	Number of Grants	Total Value of Grants
Tornado – 2020	98	182	\$7,651,944.86
Bombing – 2020	6	10	\$698,613.69
Flooding – 2021	14	22	\$1,150,194.48
<b>Total</b>	<b>118</b>	<b>214</b>	<b>\$8,802,139.34</b>

Out of these 118 grantees, ten organizations received funds for more than one disaster; therefore, the total number of distinct organizations was 108. CFMT was not able to obtain contact information for one organization that received \$9,914.25 for tornado. As a result, the survey was sent to a total of 107 organizations. Forty-two (39%) organizations responded to our survey.

Note that we are only reporting the survey results from 37 out of 98 grantees (38%) of the 2020 tornado disaster funds in the next section because the 2020 bombing and the 2021 flooding were determined to be out of scope.

## 4 Objectives and Conclusions Related to Tornado in 2020

The objective of the audit was to examine and determine whether the CFMT appropriately managed and distributed the donated funds to benefit victims of those disasters in accordance with the MOU.

This audit focused on compliance and the effectiveness of CFMT performance relating to the following responsibilities and obligations of CFMT with activated disasters as agreed upon in the MOU:

1. Facilitate Metro Nashville Disaster Response Fund Advisory Committee meetings to evaluate requests for disbursement of disaster funds
2. Manage the distribution of monetary donations to those nonprofit organizations, religious institutions, and entities of government serving victims based on need, and provide guidelines for accounting and auditing these distributions
3. Within 30 days of making a disaster fund distribution, post information about the recipient of the funds and the purpose of the distribution
4. Track distribution of monetary donations for reporting to State, federal, and local agencies, as well as to the public
5. In grant award agreements, require the funded agency to inform recipients of Metro Nashville Disaster Response Fund benefits that those services/supports were funded through the Metro Nashville Disaster Response Fund of the Community Foundation
6. Also require the funded agency to acknowledge funding from the Metro Nashville Disaster Response Fund in its public information such as: websites, newsletter, press releases, and social media

### 4.1 Did CFMT facilitate Metro Nashville Disaster Response Fund Advisory Committee meetings to evaluate requests for disbursement of disaster funds?

**No.**

Due to the tornado damage spanning multiple counties, CFMT chose to utilize the MTER fund and not the Metro Nashville fund noted in the MOU. The Metro Nashville Disaster Response Fund committee is comprised of different individuals than the MTER fund; therefore, CFMT did not fulfill this responsibility.

However, we observed that there were at least 10 MTER Fund Committee meetings facilitated by CFMT in 2020, and at least four MTER Committee meetings facilitated by CFMT in 2021 to discuss disbursements of disaster funds. Most of the committee meetings were conducted electronically via Zoom. An agenda was sent before each meeting that listed amounts requiring approval

before disbursement, as well as sums that had been disbursed based on previous approvals. The amounts needing approval were referenced in the notes of the meetings under "Grants for consideration." However, the notes we reviewed do not specify whether these amounts were approved at the meetings. The documents we reviewed were tools for tracking the meeting topics rather than formal sets of minutes.

Our reviews revealed that the agenda for each meeting was consistently distributed in advance. Each meeting commenced with a review of items discussed in the previous meeting and concluded with a summary of forthcoming matters, enabling participants to effectively track progress. Additionally, the date for the subsequent meeting was, in all cases, established and recorded before the conclusion of the current meeting.

With limited exceptions, meetings included a report on the status of MTER Fund, detailing the funds received, disbursed, and remaining since the last meeting. We observed that contributions were received from a diverse range of donors, and grants were primarily allocated to nonprofit organizations. Furthermore, we noticed that any extraordinary occurrences were duly incorporated into the discussion and decision-making process during the meetings.

## 4.2 Did CFMT manage the distribution of monetary donations to those nonprofit organizations, religious institutions, and entities of government serving victims based on need, and provide guidelines for accounting and auditing these distributions?

We conducted fact-finding interviews with CFMT stakeholders and a survey of organizations to understand whether the distributions were made based on need of those organizations and whether adequate guidelines for accounting and auditing these distributions were provided.

### ***Were the distributions made based on need?***

***Generally, yes.***

Out of 37 organizations that verified a receipt of disaster funds related to tornado in 2020 in our survey,

- Twenty-six organizations (70%) said they applied to receive the disaster funds prior to their receipt of funds, and provided detailed descriptions of intended use of the funds
- Eleven (30%) said they did not apply to receive the disaster funds prior to their receipt of funds

- Three out of the eleven organizations (27%) said they did not provide detailed descriptions of intended use of the funds, however, two out of the three said they reported the use of funds in 2022.
- Eight out of the eleven organizations (73%) said they provided detailed descriptions of intended use after the receipt of funds.

***Did CFMT provide guidelines for accounting and auditing these distributions?***

**No.**

Out of 37 organizations that verified a receipt of disaster funds related to tornado in 2020 in our survey,

- 21 (57%) said they did not receive any guidelines
- 15 (40%) said they received accounting guidelines
- 1 (2%) said they received auditing guidelines

#### **4.3 Did CFMT post information about the recipient of the funds and the purpose of the distribution within 30 days of making a disaster fund distribution?**

**Yes**

We reviewed a record of the CFMT's website history and news articles that showed CFMT posted the required information in March and April 2020. The total value of grants distributed during this timeframe was \$4,169,572 which accounted for 54% of the total of \$7,651,944.86 distributed for the tornado disaster from March 2020 – June 2022.

#### **4.4 Did CFMT track distribution of monetary donations for reporting to State, Federal, and local agencies, as well as to the public?**

**Yes**

We reviewed the independent auditor's report on compliance for each major federal program and report on internal control over compliance in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance).

There were no incidents of noncompliance and the auditors issued unmodified opinion.

We also reviewed the documentation CFMT used to track distribution of monetary donations and any reporting CFMT made to governments and/or the public.

- There were 182 grants distributed to 100 unique organizations for a total of \$7,651,944.86 before June 30, 2022.
- The amounts ranged from \$1,500 (to Shower the People) to \$446,000 (to Tennessee Conference United Methodist Church).
- The organizations were all in the 615 area code region near Nashville, not statewide.
- CFMT used to use FIMS as the grant management software. Now they are using Stellar iPhi, a comprehensive Software as a Service (SaaS) system that provides donor, grantee, gift / grant transaction, etc. functionality.

Table 2 below includes the number of organizations that received funding, the number of grants provided, and the total value of the grants distributed each year for the 2020 tornado.

**Table 2: 2020 Tornado Grant Value**

Year	Number of Organizations that Received Funding	Number of Grants	Total Value of Grants
2020	98	147	\$6,100,741
2021	12	32	\$1,225,038
2022	2	3	\$326,166
<b>Total</b>		<b>182</b>	<b>\$7,651,945</b>

Since some organizations received grants multiple times, the total number of distinct organizations that received tornado grant was 98.

#### 4.5 In grant award agreements, did CFMT inform recipients of Metro Nashville Disaster Response Fund benefits that those services/supports were funded through the Metro Nashville Disaster Response Fund of the Community Foundation?

**No**

Since the tornado first hit the Western counties in Tennessee, CFMT used the MTER fund to raise tornado disaster funds. Therefore, the Metro Nashville Disaster Response Fund was not used.

In addition, CFMT reported that they do not have a grant award agreement with their grantees.

#### 4.6 Did CFMT acknowledge funding from the Metro Nashville Disaster Response Fund in its public information such as: websites, newsletter, press releases, and social media?

**No**

Since the tornado disaster funds were funded through the MTER Fund, CFMT did not acknowledge that it came from the Metro Nashville Disaster Response Fund.

However, we reviewed CFMT website, newsletter, press releases, and social media, and verified that they adequately acknowledged the funding source(s) for each disaster funds.

## 5 Observations and Recommendations

### 5.1 Observation A: Unclear activation process

The activation process of the Donations and Volunteers Emergency Support Function, the process of public announcement of the activation, and each organization's responsibilities following the formal activation, are not clearly described in either the Comprehensive Emergency Management Plan (CEMP) or Memorandum of Understanding (MOU). Specifically, since the MOU does not mention the CEMP or the activation process, it is not clear when CFMT becomes accountable for the responsibilities under the MOU.

**Recommendation:** CFMT and Metro/OEM should work together to clarify the activation processes of the Donations and Volunteers ESF and notification procedures after the activation in CEMP.

### 5.2 Observation B: Unclear language in MOU

The current language in the MOU does not clearly describe CFMT's responsibilities, which makes it difficult to make CFMT accountable. For example, it assumes CFMT uses Metro Nashville Disaster Response Fund but it does not require CFMT to use the fund. It also assumes CFMT has a grant award agreement with their grantees without first requiring CFMT to have a grant agreement with their grantees.

**Recommendations:**

1. CFMT and Metro/OEM should work together to refine the language about their responsibilities in the MOU.
  - a. We recommend that the MOU be updated to include language that requires CFMT to use the Metro Nashville Disaster Response Fund or describe CFMT's responsibilities when a different fund is used.
  - b. We recommend that the MOU either require CFMT to have a grant award agreement with their grantees or delete the condition that CFMT needs to inform something to their grantees in grant award agreement.
  - c. We recommend considering including the following monitoring procedures in an updated MOU:
    - Submission of periodic progress reports detailing ongoing activities and accomplishments.
    - Regular meetings for open communication and addressing concerns part of the required responsibility in the MOU.
    - Metro's right to conduct independent audits of the collection/distribution function of CFMT for transparency and accountability.

- Performance of periodic compliance reviews to help ensure adherence to the MOU terms.
  - Site visits to monitor operations and verify compliance.
- d. We also recommend that the MOU be designed to facilitate periodic updates in order to ensure it is relevant and effective.

### 5.3 Observation C: Lack of sufficient accounting and auditing guidelines provided to the grantees

None of the respondents of our survey that received tornado disaster funds reported that they received both accounting and auditing guidelines. 57% of the respondents indicated that they received either accounting or audit guidelines, but not both. Their notes indicated that some of the organizations that answered they received accounting guidelines did not receive the guidelines at the receipt of the funds.

**Recommendation:** CFMT should provide clear accounting guidelines and auditing guidelines, if applicable, when they distribute donation funds.

1. Establishment of performance metrics to assess effectiveness and identify areas for improvement.
2. Collection of beneficiary feedback to gauge the impact and address concerns.

### 5.4 Observation D: Insufficient preparation for disaster

Eleven organizations (30%) out of the 37 survey respondents said their organizations did not apply to receive the disaster funds prior to their receipt of funds, and three of them said they did not provide detailed descriptions of intended use of the funds. These distributions did not meet CFMT's responsibilities under the MOU to evaluate requests for disbursement of disaster funds and manage the distribution based on need.

However, it should be noted that the timing of the tornado in 2020 may have affected specific procedures used by CFMT in administering donated funds. The tornado impacted middle Tennessee on March 2 and 3, 2020, amid an unprecedented public health emergency due to the COVID-19 pandemic. People had begun quarantining at this time, and the communication with victims, volunteers, and potential grantees was becoming increasingly difficult. CFMT reported that the needs for help were high and swift distribution of funds was their priority.

**Recommendation:** CFMT should develop processes, in collaboration with their partnering organizations and the Metro, and training staff to prepare to assume their responsibilities under the MOU accountably.



COMMUNITY  
FOUNDATION  
OF MIDDLE TENNESSEE

September 26, 2023

Mr. Bill Brown  
BerryDunn  
2211 Congress Street  
Portland, ME. 04102

Dear Mr. Brown,

Thank you for the comprehensive performance audit conducted by your team of the Community Foundation of Middle Tennessee's response to the 2020 Tornado that impacted the Middle Tennessee area.

The findings you presented are comprehensive and balanced. I would like to take this opportunity to address the specific recommendations made in your August 31, 2023 report:

- 1. CFMT and Metro/OEM should work together to clarify the activation processes of the Donations and Volunteers EST and notification procedures after the activation CEMP.**

*We agree with this recommendation. It has been a topic of conversation among executive leadership of Nashville Voluntary Organizations Active in Disaster (VOAD) as a priority for all organizations listed in the CEMP, including CFMT, to clarify with OEM the activation notification protocol.*

- 2. CFMT and Metro/OEM should work together to refine the language about their responsibilities in the MOU.**

*Agree, and a couple of updates/thoughts:*

- a. CFMT is committed to return to and adhere to the protocol of using the Metro Nashville Disaster Response Fund for all disasters impacting Metro Nashville/Davidson County. In the event a disaster impacts multiple counties, we will also activate the Tennessee Emergency Response Fund, which allows for receiving funds to support any counties in our geographic footprint, including Davidson. We will provide clarity on how funds and their respective committee(s) are used.*
- b. We now understand the expectations for the grant agreement and grant reporting guidelines are to be in written form and provided at the onset of any grant award with a grantee providing disaster services for recovery efforts in Metro Nashville/Davidson County.*



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c. *We agree with these recommendations and would also like to share that CFMT and all other CEMP partners meet with OEM quarterly and provide other brief reports, so this recommended activity is in place.*

**3. CFMT should provide clear accounting guidelines and auditing guidelines, if applicable, when they distribute donation funds.**

*Agree. CFMT has updated our grantmaking protocol to ensure that at the time funding is received following the event of a disaster, every grantee receives applicable accounting and auditing guidelines.*

**4. CFMT should develop processes, in collaboration with their partnering organizations and the Metro, and training staff to prepare to assume their responsibilities under the MOU accountably.**

*Agree. CFMT has contracted with an outside consultant to review our current disaster response protocols, plans and policies (last updated in 2019). This work will be completed by December 31, 2023.*

It is evident that your team has invested quite a bit of time analyzing our current practices and identifying areas for improvement, especially as it relates to our partnership with OEM. We believe that your recommendations will only help us enhance performance and ensure greater transparency, communication, and compliance with regulatory requirements during times of disaster response.

Once again, I would like to extend my gratitude to you and your team for the professionalism and dedication demonstrated throughout the audit process.

Gratefully,



Hal Cato, CEO