

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



June 23, 2009

Sandra Duncan, Interim Director
Metropolitan Nashville Arts Commission
800 2nd Ave. South
Nashville, TN 37210

Dear Ms. Duncan:

Please find attached the Grants Monitoring Report for the Metropolitan Nashville Arts Commission. This report explains the results of our review of the agency's federal and state grants and other financial assistance for the fiscal year 2008. Staff from the Office of Financial Accountability commenced fieldwork for this review on May 28, 2009.

The report does not include a finding but notes an observation that should be addressed. You do not have to provide an official response to the observation. Our office will follow up to verify whether the recommended actions have been taken to address the observation.

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: Jonathan Saad, Grants Program Manager

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
Kevin Brown, Office of Financial Accountability
Laura Cowan, Office of Financial Accountability
Brad Thompson, Office of Financial Accountability



◆ Grants Monitoring Report of ◆

Metropolitan Nashville Arts Commission



Conducted by



Office of Financial Accountability

June 23, 2009

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of the Metro Nashville Arts Commission in accordance with *Generally Accepted Government Auditing Standards*. 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 from Metro government. In summary, any agreement that imposes performance and/or financial requirements on Metro government is subject to review by the Office of Financial Accountability.

The purpose of this review was to assess the agency’s compliance with contractual requirements set forth in the following grant contracts:

Contract	Grantor	Amount
Z-08-22190-00	Tennessee Arts Commission	\$50,585.00
Z-08-21850-00	Tennessee Arts Commission	\$50,000.00
Z-08-22062-00	Tennessee Arts Commission	\$750.00
-	Community Foundation of Middle Tennessee	\$5,000.00

Department Overview

The Metro Nashville Arts Commission exists to provide leadership that stimulates and advances the arts to enrich the human experience for the community. To achieve this aim, the Metro Arts Commission promotes organizational stability and growth; fosters excellence; generates awareness; increases accessibility; responds to diverse community needs; and facilitates cooperation and partnerships.

The agency serves arts organizations, individual artists, and the general public as a facilitator, technical assistance provider, and partner-collaborator with other arts groups. Specifically, the Arts Commission presents workshops focusing on arts related issues and holds forums to discuss important arts issues, conducts research,

OBJECTIVES, SCOPE AND METHODOLOGY

and produces various publications such as the *Metro Nashville Arts Directory* and *Teacher Arts Resource Guide*, among others. It also maintains a website making various arts resources available to the public, such as the online Artist Registry showcasing over 250 local visual artists and the online, “live” version of the Metropolitan Nashville Arts Directory, presenting mission, programming and contact information for over 200 local arts organizations.

Recent accomplishments include managing a grant funding process and providing technical assistance to over 50 non-profit arts organizations through a stringent evaluation procedure with citizen review panels. These grants allow organizations to expand the breadth and depth of arts offerings. The Public Art Committee undertook a strategic location planning initiative, resulting in a short list of top-priority sites for future public art projects. Two Public Square projects are moving forward with an installation target of summer 2010.

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of our review were:

- 1) To determine whether activities and costs are allowable, pursuant to program regulations and provisions of the grant contract.
- 2) To determine if costs are consistent with grantor guidelines and OMB Circular A-87.
- 3) To verify that program objectives are being met.
- 4) To verify that grant funding was fully expended during the contract period.
- 5) To determine whether requirements for local matching contributions have been met.
- 6) To test the reliability of the financial and programmatic reporting.
- 7) To verify that Federal compliance requirements regarding subrecipient monitoring have been met.

The scope of our review was limited to the contract term July 1, 2007 through June 30, 2008 and included the grants listed in Appendix A.

Audit procedures included meeting with agency management and staff, reviewing various program reports and agency accounting records. In addition, we examined certain other financial records and supporting documentation necessary to ensure compliance with contractual requirements set forth in the grant contract. 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 agency's ability to continue to administer the grant funds.

RESULTS OF REVIEW

We reviewed four grants with total financial awards totaling \$106,345. Grants reviewed included the following:

Arts Build Communities - The agency received \$50,585 under the Arts Build Communities grant from the Tennessee Arts Commission. The purpose of the grant award was to provide funding assistance associated with the Arts Build Communities initiative.

Special Opportunities - The agency received a \$750 grant from the Tennessee Arts Commission. The purpose of the grant award was to assist the agency with registration fees for its staff members to attend the Americans for the Arts annual convention.

Cultural Plan for Music City Discretionary - The agency received a \$5000 grant from the Community Foundation of Middle Tennessee. The purpose of the grant award was to provide funding assistance for local cultural initiatives.

Major Cultural Institution - The agency received a \$50,000 grant from the Tennessee Arts Commission. The purpose of the grant award was to assist the agency with various operational expenditures.

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 during our review.

1. Sufficient Resources and Capacity to Administer Grant Funds

Our review of the agency's accounting structure, the qualification of the individuals assigned to manage the accounting records, and other available resources, indicates that the agency possesses the necessary resources and 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

RESULTS OF REVIEW

on our testwork, 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 has adequately reported all expenses related to the grant funding.

3. Program Objectives Being Met

The contracts stipulate that grants will be used for specific purposes. Based on our review of available program documentation and interviews of staff personnel, these objectives are being met and the agency is in compliance with contractual program objectives.

4. Reliability of Financial and Programmatic Reporting

We reviewed all applicable financial and programmatic reports required by the contract. Based on our review, the agency complied with all financial and programmatic reporting requirements.

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.

OBSERVATION AND RECOMMENDATIONS

During the review, we noted that the agency had not formally documented evidence of its monitoring activities of its subrecipients. As the prime recipient of grant funding, the Metro Nashville Arts Commission is required to advise subrecipients of relevant grant requirements, receive and review annual program technical reports, receive and review invoices and perform on-site visits as deemed necessary. We noted that the Arts Commission does require periodic program reports; does receive and review invoices from its subrecipients; and monitors the subrecipients however, the process had not been formalized and documented.

We recommend the Metro Nashville Arts Commission formalize and document its subrecipient monitoring procedures.

APPENDIX A

The following table lists grant funding received by the agency during the review period:

Grant	Grantor	Number	Period	Amount
Arts Build Communities 08	Tennessee Arts Commission	Z-08-22190-00	7/1/07 – 6/30/08	\$ 50,585.00
Special Opportunities 08	Tennessee Arts Commission	Z-08-22062-00	7/1/07 – 6/30/08	\$ 750.00
Cultural Plan for Music City Discretionary 08	Comm Foundation of Middle TN	-	1/1/08 – 12/31/08	\$ 5,000.00
Major Cultural Institution 08	Tennessee Arts Commission	Z-08-21850-00	7/1/07 – 6/30/08	\$ 50,000.00