

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



February 12, 2010

Alice Chapman, Board Chair
Book'em
161 Rains Ave
Nashville, TN 37203

Dear Ms. Chapman:

Please find attached the Monitoring Report of Book'em relating to the contract it has with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2009.

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 November 11, 2009.

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: Melissa Spradlin, CEO
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
Laura Cowan, Office of Financial Accountability
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◆ Monitoring Report of ◆

Book'em



Conducted by



Office of Financial Accountability

February 12, 2010

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of Book’em. 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	Grantor	Amount	Contract Term	
L-2157	Community Enhancement Funds (CEF)	Metro Government	\$11,034	July 1, 2008	June 30, 2009

Agency Background

Book'em, founded in 1989, is a non-profit children's literacy organization in Nashville. The agency focuses on two core areas: the collection and distribution of books to children and teens in lower-income families who might not otherwise have books of their own; and providing volunteer readers to local preschools and elementary schools. Book'em carries out its mission to inspire a love of books and reading in all children through several programs. The *Library without Walls* program provides books for children who may not have books of their own. *Ready for Reading* places reading volunteers in local preschools and elementary schools. *Read Me Week* is a week-long event during which area businesses and organizations are recruited to adopt schools and send volunteers to read to the students. The agency donates thousands of books to Middle Tennessee kids each year.

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, 2008 through June 30, 2009.

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-2157. 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
Agency in Compliance with Contract Requirements?	✓	
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*. 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

- Provide literacy and reading education to 115 families of preschoolers.
- Provide guided practice to 90% of Napier students and 75% of Family Literacy program enrollees.

Based on our review of program documentation and discussions with staff, program performance objectives have been met and the agency is 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 complied with all financial and programmatic reporting requirements.

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.

We noted certain weaknesses in the agency's internal control environment. Specifically, we found that Book'em does not adequately segregate certain financial activities necessary for effective control over cash receipts. Please see Finding # 1 for additional details.

RESULTS OF REVIEW

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. Internal Control Environment Needs Improvement

We noted certain weaknesses in the agency's internal control environment. We found that Book'em does not adequately segregate certain financial activities necessary for effective control over cash receipts. More specifically, the same employee who prepares the daily Bank Deposit, makes the Bank Deposit, opens the Bank Statements, and also performs bank reconciliations. The Bank deposits typically consist of financial contributions in the form of cash or check.

Employees who have access to the accounting system or who are responsible for making bank deposits should not also be allowed to prepare the deposits and open or reconcile bank statements. Proper segregation of duties reduces the possibility of an employee having complete control of any process.

Recommendation: The agency should segregate the functions of recording cash receipts, depositing cash receipts and reconciling bank statements. If necessary, additional staff should be considered to assure proper segregation of duties. If deemed cost prohibitive, the Board of Directors should engage in more active oversight and participation in regard to certain operational activities, especially those related to cash receipts.