

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



April 16, 2010

Janet Ayers, Board Chair
The Nashville Symphony
One Symphony Place
Nashville, TN 37201-2031

Dear Ms. Ayers:

Please find attached the Monitoring Report of The Nashville Symphony relating to the contracts 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 December 29, 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: Mr. Alan Valentine, CEO
Michael Kirby, CFO

Richard M. Riebeling, Director of Finance
Jennifer Cole, Arts Commission, Executive Director
Talia Lomax-O'dneal, Deputy Director of Finance
Gene Nolan, Deputy Director of Finance
Kim McDoniel, Chief of Accounts
Mark Swann, Internal Audit
Jonathan Saad, Arts Commission Grants Program Manager
Kevin Brown, Office of Financial Accountability
Laura Cowan, Office of Financial Accountability
Essie Robertson, Office of Financial Accountability
Brad Thompson, Office of Financial Accountability



◆ Monitoring Report of ◆

The Nashville Symphony



Conducted by



Office of Financial Accountability

April 16, 2010

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of The Nashville Symphony. 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 contracts with Metro Government:

Contract	Type	Grantor	Amount	Contract Term	
L-2124	Community Enhancement Fund (CEF)	Metro Government	\$25,000	July 1, 2008	June 30, 2009
09-B01-07	Metro Arts Commission	Nashville Symphony	\$345,182	July 1, 2008	June 30, 2009

Agency Background

The Nashville Symphony is dedicated to achieving the highest standard for excellence in musical performance and educational programs, while engaging the community, enriching audiences and shaping cultural life. The Symphony is housed in the Schermerhorn Symphony Center in downtown Nashville, which opened on September 9, 2006. Highlights of the Symphony Center include a 1,844-seat concert hall and a 3,000 square-foot Music Education Hall. The new venue has had a significant artistic, social and economic impact on the city. Music education has also been identified as a top priority for the Nashville Symphony. In April 2007, the agency announced a new initiative called Music Education City, to help mobilize local school systems, community leaders and area residents to increase music education opportunities in Nashville.

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.
- 6) To verify that funding by the Arts Commission grants was expended to cover allowable administrative costs of the Symphony

The scope of our review was limited to the contract term July 1, 2008 through June 30, 2009 for both the Community Enhancement grant and the Arts Commission grant to the Nashville Symphony for operational support.

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-2124 and Contract 09-B01-07. 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 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. No unallowable costs were identified regarding the CEF grant. Our review of the Symphony administrative cost supported with funding from the Arts Commission did not reveal any unallowable costs.

RESULTS OF REVIEW

3. Program and Performance Objectives

The agency reported the following quantifiable outcomes and objectives in their final program report on the CEF grant:

- 2,500 students served in the Stratford Cluster served (Inglewood Elementary, Dan Mills Elementary, Cora Howe Elementary, Rosebank Elementary, Bailey Middle, Litton Middle, and Stratford High) (3,600 was listed in application)
- 8 performances at the Schermerhorn
- At least 1 presentation in each school (12 in total)
- 32 students provided private lessons

The Arts Commission grant to the Symphony was intended to cover basic operating costs. It did not have any specific program objectives or performance measures except to provide administrative support funds.

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 for both the CEF and the Arts Commission grants.

4. Reliability of Financial and Programmatic Reporting

The CEF contract requires Nashville Symphony to submit to Metro year end reports of the program outcomes 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 CEF contract. The Arts Commission grant to the Symphony did not state any specific reporting requirements.

Based on our review, the agency failed to comply with certain financial and programmatic reporting requirements. We found that two of three reports required by the CEF grant were not submitted to Metro by the due date. Please see finding #1 for specific details and additional information.

RESULTS OF REVIEW

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.

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. Untimely Submission of Final Expenditure and Interim Program Reports

Our review of the Nashville Symphony's grants revealed certain problems with grant reporting requirements. During the review, we noted instances in which reports were not filed timely. The grant contract the Nashville Symphony manages has state specific reporting requirements. Our tests show the agency failed to submit required grantor reports in a timely manner on two occasions.

Untimely filing of grantor reports, which in most cases also serve as claims for reimbursement, could lead to cash flow issues and potential interest expense in the grant fund. The following table summarizes the reporting problems noted during our testing for the timeliness of financial and programmatic reports.

Report Name	Report Period	Report Date	Due Date
Final Expenditure Report	07/01/08 - 06/30/09	9/14/2009	8/15/2009
Final Program Report	07/01/08 - 06/30/09	7/8/2009	8/15/2009
Interim Program Report	07/01/08 - 12/31/08	2/17/2009	2/15/2009

Recommendation: The agency should ensure compliance with all grant reporting requirements. Specifically, agency management should review financial reports to ensure agreement with Metro's accounting records and submit financial and programmatic reports in accordance with established deadlines.

Corrective Action Plan Required

Please submit a corrective action plan indicating the actions the agency intends to take to correct the findings identified in this report. The corrective action plan should be submitted within 30 days from the report date to Tiffy Barnett at the address below:

Tiffy Barnett
Division of Grants Coordination
222 Third Avenue North, Suite 500
Nashville, TN 37201