

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



February 10, 2010

Patrick Dougherty, Board Chair
Nurses for Newborns
50 Vantage Way
Nashville, TN 37228

Dear Mr. Dougherty:

Please find attached the Monitoring Report of the Nurses for Newborns Foundation 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 September 30, 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: Vicki Beaver, Executive Director
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
Essie Robertson, Office of Financial Accountability
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◆ Monitoring Report of ◆

Nurses for Newborns



Conducted by



Office of Financial Accountability

February 10, 2010

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of Nurses for Newborns. 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-2144	Community Enhancement Funds (CEF)	Metro Government	\$97,170	July 1, 2008	June 30, 2009

Agency Background

Nurses for Newborns is an RN-based, home visitation program dedicated to reducing infant mortality by providing healthcare, parenting skills education and support to at-risk families. The agency currently serves seven counties in Middle Tennessee and has provided over 32,000 home visits since 2001. Populations served include medically fragile babies, teen mothers and medically challenged mothers. The agency’s mission is “to provide a safety net for families most at risk; to help prevent infant mortality, child abuse and neglect through in-home nursing visits, and to provide healthcare, education and positive parenting skills”.

Nurses for Newborns operates three programs: Teen Parent, Safe Beginnings and Bridge to the Future, all of which may continue until the infant reaches 24 months of age.

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-2144. 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, we determined some of the costs reported during the period were unallowable and ineligible. Costs incurred by the agency complied with applicable guidelines stated in OMB Circular A-122.

Based on our test work, approximately \$32,960 of agency expenses reported to Metropolitan Government of Nashville was accounted for inappropriately. As explained in Finding #1 below, the agency was noncompliant with certain contract stipulations related to allowable and eligible costs and services.

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 did not comply with this requirement. Different revenue classes as well as expenditure classes had not been established to separately track the sources and amounts of funding. Properly established revenue and expenditure classes would have allowed the agency to more easily and accurately report expenses supported by the Metro Appropriation.

RESULTS OF REVIEW

3. Program and Performance Objectives

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

- 625 in-home nurse visits benefiting 125 families.

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.

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.

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. Questioned Costs in the Amount of \$32,960.

The agency failed to allocate expenses based on actual costs, but rather allocated expenses using an inflated hourly wage rate for nurses, a practice which has resulted in significant unallowable costs. We determined that from July 1 through October 31, the agency paid the nurses \$100.00 per visit regardless of the time spent providing the service and billed Metro for the actual cost paid to the nurses. Effective November 1, the agency discontinued the practice of paying the nurses a fixed rate per visit and began compensating the nurses their normal hourly rate based on the amount of time spent providing the service. The agency, however, continued to bill Metro the \$100.00 per visit. After reviewing the number of hours compensated to the nurses and comparing this to the amount billed to Metro, we determined the agency inappropriately billed Metro \$32,960 in payroll expenses. The following table lists the quarterly amounts for salaries, including allowable costs and questioned costs:

Invoice	Salary		Total Questioned Cost
	Amount Billed	Allowable Cost	
July 08 - September 08	\$18,870.00	\$18,870.00	\$0.00
October 08 - December 08	\$18,584.00	\$12,107.09	\$6,476.91
January 09 - March 09	\$18,408.00	\$6,485.59	\$11,922.41
April 09 - June 09	\$19,167.00	\$7,630.13	\$11,536.87
	\$75,029.00	\$45,092.81	\$29,936.19
	Benefits & Taxes		
Employee Benefits & Taxes (10.1	\$7,578.00	\$4,554.37	\$3,023.63
Total Questioned Cost			\$32,959.82

2. Commingling of Funds

The Metro Grants Manual requires separate accounting of the Metropolitan Nashville Government grant funds in order to prevent commingling of Metro Funds with other sources of funding. The agency did not comply with this requirement. Different revenue classes as well as expenditure classes had not been established to separately track the sources and amounts of funding. The agency

indicated that their accounting system would not permit separate accounting of the various grants. Properly established revenue and expenditure classes would have allowed the agency to more easily and accurately report expenses supported by the Metro Appropriation.

Recommendation: The agency should take steps to correct this practice immediately. Expenses should be based on actual costs which are allowable and eligible. In addition, Metro grant funds should not be comingled with funding from other agencies. The agency's Board should periodically review grant spending to ensure that all grant funding is properly expended during the contractual period for allowable and eligible costs and services.

Nurses for Newborns should take immediate steps to resolve the \$32,960 in questioned costs with the Metropolitan Government of Nashville's Office of Grants Coordination.

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