

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



February 10, 2010

Mimi Vaughn, Board Chair
Second Harvest Food Bank
331 Great Circle Road
Nashville, TN 37228

Dear Ms. Vaughn:

Please find attached the Monitoring Report of the Second Harvest Food Bank 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 October 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: Jaynee K. Day, 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 ◆

Second Harvest Food Bank



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 Second Harvest Food Bank. 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-2106 | Community Enhancement Funds (CEF) | Metro Government | \$202,500 | July 1, 2008 | June 30, 2009 |

Agency Background

The Second Harvest Food Bank of Middle Tennessee is a non-profit organization whose mission is to feed hungry people and to work to solve hunger issues in the community. Second Harvest has a network of over 300 non-profit partner agencies in 46 counties in Middle and West Tennessee through which resources are distributed. Partners include food pantries, soup kitchens, shelters, child care facilities, senior centers, group homes, and youth enrichment programs. During FY07/08, Second Harvest distributed approximately 40 million pounds of food and other products to 361 non profit partner agencies in Middle and West Tennessee and to 113 food banks across the nation. The agency also distributes Emergency Food Box Assistance at 16 locations in Davidson County to feed hungry individuals and families on an urgent need basis.

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-2106. 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

- Maintained partnerships with 16 sites and monitored them to ensure proper food handling, storage, distribution and data tracking.
- The Emergency Food Box program distributed 48,169 food boxes to the 16 sites through free weekly deliveries.
- The program has reduced hunger for 120,423 people through the 16 sites with the 48,169 food boxes.

Based on our review of program documentation and discussions with staff, we found that certain program objectives were not based on actual data, but rather on estimates. Although the agency was able to substantiate the number of food boxes distributed (48,169), they were unable to substantiate the number of people for which hunger has been reduced because the agency does not actually track the number of unique individuals served. Please see Finding #1 below for additional information.

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.

RESULTS OF REVIEW

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. Unsubstantiated Performance Data on Final Program Report

The agency reported the following actual performance objectives achieved in their Final Program Report:

1. Maintained partnerships with 16 sites and monitored them to ensure proper food handling, storage, distribution and data tracking.
2. The Emergency Food Box program distributed 48,169 food boxes to the 16 sites through free weekly deliveries.
3. The program has reduced hunger for 120,423 people through the 16 sites with the 48,169 food boxes.

Based on our testing, we found that documentation was sufficient to support performance measures #1 and #2 as reported by Second Harvest in their Final Program Report. These performance measures were substantiated and were accurately reported to the Metro Office of Grants Coordination. However, we found that documentation was insufficient to support performance measure #3 as reported by Second Harvest in their Final Program Report. This performance measure is unsubstantiated and was not based on actual data, but rather on estimates.

The system used by the agency does not track the number of people served; it tracks the number of unduplicated households. Because a household may contain multiple individuals, there is no way to determine whether or not the agency met the reported outcome as to the number of people served. Further, obtaining an unduplicated count is not possible, since each client can obtain up to 3 food boxes during a certain time period. Because the number of unique individuals served is undeterminable, Second Harvest relied on estimates to report performance measure #3 and therefore, does not actually know the number of people for which the program has reduced hunger.

Recommendation: Information pertaining to program objectives in the Final Program Report should be based on actual data and supported by written documentation. In addition, management should review the achievement of those objectives before they are reported to the Metro Office of Grants Coordination in order to assure accuracy.

FINDINGS AND RECOMMENDATIONS

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