

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**



April 16, 2010

Mike Hogrefe, Board Chair  
St. Mary Villa  
30 White Bridge Road  
Nashville, TN 37205-1401

Dear Mr. Hogrefe:

Please find attached the Monitoring Report of St. Mary Villa 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 completed the review on March 10, 2010.

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: Michael Miller, 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  
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◆ Monitoring Report of ◆

# St. Mary Villa



Conducted by



## Office of Financial Accountability

April 16, 2010

MONITORING REPORT

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## INTRODUCTION

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The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of St. Mary Villa. 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 St. Mary Villa. 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 Metropolitan Government of Nashville and Davidson County (hereinafter referred to as “Metro”) 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 Metropolitan Government:

<b>Contract</b>	<b>Type</b>	<b>Grantor</b>	<b>Amount</b>	<b>Contract Term</b>	
L-2125	Community Enhancement Funds (CEF)	Metro Government	\$10,000	July 1, 2008	June 30, 2009

### **Agency Background**

St. Mary Villa is a non-profit agency established for the purpose of providing needed Education/Aftercare in the Nashville area. Community Enhancement Funding was provided to the agency to support early childhood education for children one to five years old. St. Mary Villa intends to expand its child development services at a new site located at 3112 Nolensville Road, which is located in an area of growing need characterized by a concentration of Spanish speaking immigrant families. Specifically, the grant funds were to provide needed equipment and furnishings for the classrooms to begin operating the program, enabling parents to maintain employment with affordable, dependable and quality child care. St. Mary Villa also helps children to be better prepared for success in school by participating in a comprehensive program of development with a curriculum that emphasizes literacy, communication and reading.

## OBJECTIVES, SCOPE AND METHODOLOGY

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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-2125. 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

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### 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**

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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*. As explained in Finding #1 below, the agency was noncompliant with certain contract stipulations related to allowable and eligible costs and services. Based on our test work, of the \$10,000 grant budget, \$8926.00 constitutes unearned income because, although this portion of the award was expended during the period, the agency did not establish a program to provide the intended benefit to citizens of the Nashville community.

### **3. Program and Performance Objectives**

The agency did not report any quantifiable outcomes and objectives in their final program report because the child development center is not yet operational. As such, no program has been established and no performance information was available for our review.

### **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

## **RESULTS OF REVIEW**

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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.

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

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### **1. Grant Funds not Fully Expended during the Contract Period**

Of the \$10,000 grant budget, \$8,926.00 constitutes unearned income because, although this portion of the award was expended during the period, the agency did not establish any program from which the community could derive the intended benefit. The agency was provided community enhancement funding by Metro in order to purchase necessary equipment to operate a daycare to serve Nashville residents.

It should also be noted that of the \$10,000 community enhancement fund grant received by the agency, \$1074.09 (11%) was not expended during the contract period. Recipients of Metro grant funding are required to expend funds in accordance with the terms of the contract, which stipulate that grant funds are to be used for specific purposes and expended entirely during the contract period.

At the request of the agency OFA postponed the review of the grant to allow time for the agency to complete the purchase and installation of the equipment. Our office conducted an excessive number of follow-up reviews with the agency in order to allow them the necessary time to comply with the contract stipulations. The first follow-up took place on 10-28-09 – a full four months after the fiscal year end, during which we noted that equipment had been purchased with a portion of the funds. However, at that time, the building was undergoing improvements in order to meet building codes for daycare centers in Nashville. In addition, a daycare license had not yet been applied for at that time.

Our office contacted the agency by phone each month from November 2009 through February 2010 in order to obtain status updates on the opening of the daycare. The agency finally confirmed to us that they will begin operation in March 2010.

On March 10, 2010, we conducted another follow-up site review. We observed the equipment to ensure that it was on hand and installed. At that time, tables had been purchased and installed as well as sinks. During the visit, we also inspected the completed re-construction of the daycare and noted that the agency had applied for a daycare license but it had not yet been granted.

## **FINDINGS AND RECOMMENDATIONS**

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In summary, the community enhancement funding expended by St. Mary Villa during the contract period constitutes unearned funds in the amount of \$8,926.00, because the agency did not utilize the funding to operate any program whatsoever. Because of this, the community did not derive the intended benefit from the use of these funds either during the contract period, or during the subsequent eight month period after the contract period expired. These funds should be refunded to Metro Nashville Government.

### **Recommendation:**

The agency's management and Board of Directors should periodically review compliance with contractual requirements. At a minimum, the Board should ensure that all grant funding is properly expended during the contractual period for allowable costs and program requirements are met.

### **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