

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



February 9, 2010

Alfonzo Alexander, Board Chair
Youth Encouragement Services
521 McIver Street
Nashville, TN 37211

Dear Mr. Alexander:

Please find attached the Monitoring Report of Youth Encouragement Services 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 12, 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: Keith Branson, 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
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Mark Swann, Internal Audit
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◆ Monitoring Report of ◆

Youth Encouragement Services



Conducted by



Office of Financial Accountability

February 9, 2010

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of Youth Encouragement Services. 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:

Grantor	Program	Contract	Amount	Contract Term	
Metro Nashville	Community Enhancement Fund	L-2148	\$37,500	1-Jul-08	30-Jun-09

Agency Background

Youth Encouragement Services (YES), formerly the Youth Hobby Shop, operates three youth centers which offer educational and recreational programs as alternatives for kids ages 6-18 during after school hours, weekends and summer breaks.

The mission of Youth Encouragement Services is to enrich the lives of children in Inner City Nashville, helping them to develop academically, physically, spiritually and socially. The programs offered by YES effectively keep children living in the inner city off the street, giving them a safe place to go where they can engage in social, educational and cultural activities. Each of the agency’s three youth centers is equipped with a gymnasium, kitchen and classrooms.

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-2148. 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.

We also noted that in order to effectively carry out the CEF grant funded program, Youth Encouragement Services is collaborating with other organizations, but is doing so without a contract. One of the agencies is the Vanderbilt Center for Health Services CASTLES program, which provides after school health and nutrition programming at two sites in Metro Nashville. Youth Encouragement Services should obtain a written contract from Vanderbilt Health Services and other agencies from which it obtains substantial services.

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.

RESULTS OF REVIEW

3. Program and Performance Objectives

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

- Goal: 215 low-income inner-city children will improve their fitness and nutrition, helping them to succeed in school.
- Actual: 223 child participants participated in fitness and nutrition programs 3 times a week to increase understanding of nutrition and the food pyramid.
- Goal: 10 senior citizens will serve as volunteer mentors for elementary school children.
- Actual: 15 Senior citizens were recruited through the South Nashville family resource center to serve as volunteer mentors.

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

RESULTS OF REVIEW

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. However, we noted that monthly bank reconciliations were routinely unsigned. Each month, a YES staff member or representative appropriately engaged in the process of reconciling the bank statements, by comparing and matching figures from the accounting records against those shown on a bank statement, but failed to sign off on the reconciliation. Failure to sign bank reconciliations makes it difficult to verify that the reports were reviewed for accuracy. The agency should ensure that Staff members who perform monthly bank reconciliations always sign off on them once the control activity is complete.

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.