

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**



December 9, 2010

Maggie Masimore  
The ARC of Davidson County  
111 North Wilson Blvd  
Nashville, TN 37205

Dear Ms. Masimore:

Please find attached the Monitoring Report of The ARC of Davidson County relating to the contract it has with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2010.

The Office of Financial Accountability is charged with the responsibility of monitoring grant funds, including Community Enhancement Funds, from Metropolitan Nashville Government to any nonprofit organization. Staff from the Office of Financial Accountability conducted the review on September 9, 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: Norman Tenenbaum, Executive Director  
Richard M. Riebeling, Director of Finance  
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  
Essie Robertson, Office of Financial Accountability  
Brad Thompson, Office of Financial Accountability



**Metropolitan Government of Nashville and Davidson County**

# **THE ARC OF DAVIDSON COUNTY**

**◆ Monitoring Report ◆**

**Conducted by**



**Office of Financial Accountability**

December 9, 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 The ARC of Davidson County. 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 ARC of Davidson County or any of its component units. The OFA is responsible for the internal monitoring of Metropolitan Government of Nashville and Davidson County (hereinafter referred to as “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:

<b>Contract</b>	<b>Type</b>	<b>Amount</b>	<b>Contact Term</b>	
L-2304	Community Enhancement Funds	\$80,800	July 1, 2009	June 30, 2010

### **Agency Background**

The Arc of Davidson County was founded in 1952 by parents and friends of children and adults with intellectual disabilities. Their members are people with disabilities and their families, friends and supporters who represent over five thousand adults and children in Davidson and surrounding counties. They are Nashville's chapter of The Arc of the United States, the largest national membership disability organization.

The mission of The Arc is to increase the desire and capacity of our community to include people with intellectual and developmental disabilities and support them in having self-determined, meaningful and purposeful lives. Through service and advocacy, they strive to fulfill our mission in all aspects of community life, including school, work, recreation and neighborhoods.

## OBJECTIVES, SCOPE AND METHODOLOGY

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The objectives of our review were:

- 1) To determine whether the agency had the resources and capacity to administer the grant funds.
- 2) To determine if costs and services were allowable and eligible.
- 3) To verify that program objectives were 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, 2009 through June 30, 2010.

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-2304. 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
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*. 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.

Based on our test work, some costs and services during the period were ineligible and unallowable. Please see Finding #1 for specific information regarding ineligible and unallowable costs.

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

The contract stipulates that the agency shall use the funds to provide the following outcomes:

## RESULTS OF REVIEW

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- 69 persons with severe and permanent disabilities will be provided up to \$1,000 each to help pay for basic survival needs of rent, food or utilities.

Based on our review of program documentation and discussions with staff, program performance objective was not met and the agency is not in compliance with contractual program objectives. Please see Finding #2 for specific information regarding unmet program outcomes.

### **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.

### **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. Unallowable Costs Reported to Grantor**

Our review of the organization's general ledger and documentation to support expenditures under the grant revealed that The ARC of Davidson County used \$16,856.57 to pay for the emergency medical costs of their clients. The contract terms do not allow for medical costs.

Per the contract section C.6. The recipient's invoice shall be subject to reduction for amounts included in any invoice or payment theretofore made which are determined by Metro, on the basis of audits or monitoring conducted in accordance with the terms of this grant contract, to constitute unallowable costs.

**Recommendation:** The ARC of Davidson County should ensure that expenditures are allowable, necessary and reasonable per the grant agreement.

### **2. Program Performance Goals Not Met**

The ARC of Davidson County reported the following outcomes in their final program report:

- 81 people with permanent, severe disabilities in Davidson County have been provided with emergency financial assistance for rent, food, utilities, or medical emergencies for a total of \$69,000 (an average of \$850 per individual).

Based on OFA staff testing, we found these 80 people were provided with financial assistance; however, 17 of those individuals were helped with significantly more than the \$1,000 limit required by the contract.

**Recommendation:** Information pertaining to program objectives in the Final Program Report should be based on actual results and supported by written documentation. Management should review the achievement of those objectives before they are reported to the Metro Office of Grants Coordination, in order to ensure their accuracy. In addition, established performance objectives should be objective and reasonable. Effort should be made to strictly stick to the terms of the contract.

## FINDINGS AND RECOMMENDATIONS

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### **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 the address below:

Division of Grants Coordination  
700 2<sup>nd</sup> Avenue South, Suite 201  
Nashville, TN 37210  
ATTN: Director