

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**



March 22, 2011

Mr. Steve Turner, Chairman of the Board  
Country Music Foundation  
222 Fifth Avenue South  
Nashville, TN 37203

Dear Mr. Turner:

Please find attached the Monitoring Report of the Country Music Foundation relating to the contract it had with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2010.

The Office of Financial Accountability (OFA) is charged with the responsibility of monitoring grant funds, including Direct Appropriations, 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 its review on March 18, 2011.

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: Mr. Kyle Young, 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  
Jennifer Cole, Metropolitan Arts Commission  
Kevin Brown, Office of Financial Accountability  
Essie Robertson, Office of Financial Accountability  
Brad Thompson, Office of Financial Accountability



◆ Monitoring Report of ◆

# Country Music Foundation



Conducted by



## Office of Financial Accountability

March 22, 2011

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 Country Music Foundation. 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 Country Music Foundation. 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 contracts with Metro Government:

<b>Contract</b>	<b>Type</b>	<b>Grantor</b>	<b>Amount</b>	<b>Contract Term</b>	
L-2332	Direct Appropriation	Metro Government	\$ 100,000.00	July 1, 2009	June 30, 2010
10-B1-02	Basic Operating Support I	Metropolitan Arts Commission	\$ 141,000.00	July 1, 2009	June 30, 2010

### **Agency Background**

The Country Music Hall of Fame and Museum has been the home of country music since 1967. The Country Music Hall of Fame and Museum is operated by the Country Music Foundation, Inc. a Section 501( c )3 non-profit educational organization chartered by the state of Tennessee in 1964. In 1961 the Country Music Association announced the creation of the Country Music Hall of Fame and chose its first three inductees—Jimmie Rogers, Hank Williams, and Fred Rose. The original Country Music Hall of Fame and Museum, located on Music Row at Sixteenth and Division Street, opened on April 1, 1967 and closed on December 31, 2000. After years of rapid growth and expansion in the Museum’s operations, the Country Music Foundation opened the new \$37 Million dollar Country Music Hall of Fame and Museum on May 17, 2001.

## 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-2332 and Contract 10-B1-02. 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*. 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 was in compliance with this requirement. Different revenue classes as well as expenditure classes had been established to separately track the sources and amounts of funding. Also, the agency could easily and accurately report their expenses supported by the Metro Grant.

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

The grant contract L-2332 stipulates that the agency was to provide the following program objectives:

## **RESULTS OF REVIEW**

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- \$53,000.00 was to be utilized in outdoor advertising and marketing for the Museum's major exhibitions including Family Tradition: The Hank Williams Family Legacy, and Brenda Lee.
- \$47,000.00 was to be utilized in radio advertising and marketing for the above mention major exhibitions.

Grant 10-B1-02 from the Metropolitan Arts Commission was to be utilized as basic operating support for the Country Music Foundation and was specifically designated as artistic personnel salary and fringes, and other operating expenses. The Country Music Foundation utilized the other operating expenses line item to assist with utility bills.

Based on our review of program documentation and discussions with staff, program performance objectives had been met and the agency was in compliance with contractual program objectives.

### **4. Reliability of Financial and Programmatic Reporting**

The contract L-2332 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. The contract 10-B1-02 required the agency to submit the final payment request, financial report of expenditures, a project/program evaluation within thirty (30) days after the ending date of the project/program or by June 1, 2010, whichever comes first. We reviewed all applicable financial and programmatic reports required by the contract, including audited financial statements. Based on our review, the agency was in compliance with the 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**

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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.