

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



December 3, 2010

Ms. Betty Martin, Board Chair
Morning Star Sanctuary
P.O. Box 568
Madison, TN 37116

Dear Ms. Martin:

Please find attached the Monitoring Report of the Morning Star Sanctuary 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 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 its review on October 14, 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: Nila Sherrill, 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



◆ Monitoring Report of ◆

Morning Star Sanctuary



Conducted by



Office of Financial Accountability

December 3, 2010

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of Morning Star Sanctuary. 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 Morning Star Sanctuary. 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-2293 | Community Enhancement Funds (CEF) | Metro Government | \$140,200 | July 1, 2009 | June 30, 2010 |

Agency Background

Morning Star Sanctuary is a private, non-profit entity offering services to victims of domestic violence. The agency maintains an emergency 17-bed shelter providing safety, support, and refuge for victims and their children, who may remain in the shelter for up to 90 days. In addition to confidential shelter in a safe environment for those seeking immediate protection, the agency maintains a 24-hour crisis hotline to assist domestic violence victims seeking information, safety planning or housing.

Morningstar also offers some extended services, both within the shelter and in the community, such as court advocacy, transitional housing and counseling services. A weekly support group for domestic violence victims, with child care provided, and a group program for children who were exposed to domestic violence growing up are also available free of charge.

OBJECTIVES, SCOPE AND METHODOLOGY

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-2293. 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 |
|--|-----|----|
| 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 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 Appropriation.

3. Program and Performance Objectives

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

RESULTS OF REVIEW

- 150 women and children will receive shelter services and family planning;
- 100 children will receive individual/group counseling;
- 115 mothers will receive Parenting classes;
- 4 families will receive transitional housing;
- 1,950 victims will receive services in all Courts;
- 90% of clients will feel safer as a result of services received.

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 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 inaccurately reported their grant expenditures. Please see Finding #1 for specific information regarding the agency inaccurately reporting grant expenditures.

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.

RESULTS OF REVIEW

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. Expenditures Reported to Grantor did not line up with the Spending Plan.

The Morning Star Sanctuary inaccurately reported its expenditures on the final expenditure report. The approved grant spending plan was for the Morning Star Sanctuary to utilize the grant funds for Salaries and Professional Fees. The agency entered into a contract with a licensed counselor to provide individual and group counseling sessions to victims of domestic violence. Those expenses were budgeted under the Professional Fees line item of the grant budget. However, over the course of the grant period, the Morning Star Sanctuary hired the counselor as a staff member of the agency thereby requiring the agency to record those expenses under the Salaries line item of the grant budget. The agency failed to obtain an approved revision to the budget to correspond to the change in its operations. As a result of the agency hiring the counselor and failing to submit a budget revision, the Morning Star Sanctuary understated their Salaries and overstated their Professional Fees expenditures on the final expenditures report.

Recommendation:

The agency should take the necessary steps to ensure the grant funds are being utilized for as planned. The agency should also implement a policy to ensure that appropriate grantor approvals are sought prior to revisions in the spending plans as approved by the grantor.

Corrective Action Plan Required

Please submit a corrective action plan indicating the actions the agency intends to take to correct the finding 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 2nd Avenue South, Suite 201
Nashville, TN 37210
ATTN: Director