

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



January 24, 2011

Jennie Renwick
PENCIL Foundation
421 Great Circle Road
Nashville, TN 37228

Dear Ms. Renwick:

Please find attached the Monitoring Report of the PENCIL Foundation 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 October 28, 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: Connie Williams, 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

PENCIL FOUNDATION

◆ Monitoring Report ◆

Conducted by



Office of Financial Accountability

January 24, 2011

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of PENCIL 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 PENCIL Foundation 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:

Contract	Type	Amount	Contact Term	
L-2314	Community Enhancement Funds	\$50,600	July 1, 2009	June 30, 2010

Agency Background

PENCIL Foundation is the premier organization linking community resources of both volunteers and materials with Metro Nashville Public Schools. PENCIL administers eight educational programs that involve the community as volunteers and mentors, provide academic enrichment opportunities, prepare students for graduation and get school supplies in the hands of children who need them.

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-2314. 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*. 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, costs and services during the period were allowable and eligible.

3. Program and Performance Objectives

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

RESULTS OF REVIEW

- 32 7th grade students at Wright and Cameron Middle shall receive 233 hours of afterschool services;
- 60% or 19 of the students will show some decline in discipline referrals as compared to the 2008-2009 academic year;
- 50% or 16 of the students will improve attendance compared to the 2008-2009 academic year;
- 25% or 8 of the students will improve on the self esteem index as measured at the beginning and the end of the school year 2009-2010;
- 25% or 8 of the students will show improvement in GPA compared to 2008-2009 academic year;
- 90% or 28 of the students will transition into the 8th grade.

Based on our review of program documentation and discussions with staff, not all of the program performance objectives were met and the agency was not in compliance with contractual program objectives. Please see Finding #1 for specific information regarding unmet program outcome.

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 reporting requirements; however, the agency was unable to support one reported programmatic objective in the final report. Please see Finding #1 for specific information regarding unmet program outcome.

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.

RESULTS OF REVIEW

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

1. Program Performance Goals Not Met and Not Reported

The PENCIL Foundation reported the following outcomes in their final program report:

1. 31 7th grade students at Wright and Cameron Middle were served 299 hours of afterschool services;
2. 85% of the students will show some decline in discipline referrals as compared to the 2008-2009 academic year;
3. 55% of the students will improve attendance compared to the 2008-2009 academic year;
4. 100% of the students will improve on the self esteem index as measured at the beginning and the end of the school year 2009-2010;
5. 39% of the students will show improvement in GPA compared to 2008-2009 academic year;
6. Objective data will be available at the beginning of the 2011-2012 school year.

Based on our testing, we found one of the program performance objectives to be unmet (#4) and one of the objectives was not reported (#6).

The OFA staff was did not verify the reported results for performance objective #4. Based on the documentation provided to auditors during fieldwork for objective #4, the OFA staff determined that only 39% of the students improved their self esteem index as measured by tests at the beginning and end of the school year.

Is must be noted that the PENCIL Foundation could not report on outcome #6 because of the due date of the program report to Metro. However, the OFA staff determined during fieldwork that 94% of the students were promoted to the 8th grade.

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.

FINDINGS AND RECOMMENDATIONS

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:

Ms. Brandie Haywood, Director
Division of Grants Coordination
700 2nd Avenue South, Suite 201
P. O. Box 196300
Nashville, TN 37219-6300