

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



January 24, 2011

Ms. Betty Dickins, Board Chair
Rockettown of Middle Tennessee
601 4th Avenue South
Nashville, TN 37203

Dear Ms. Dickins:

Please find attached the Monitoring Report of the Rockettown of Middle Tennessee 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 September 20, 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: Regina Newkirk, 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 ◆

Rockettown of Middle Tennessee



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 Rocketown of Middle Tennessee. 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 Rocketown of Middle Tennessee. 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-2316	Community Enhancement Funds (CEF)	Metro Government	\$49,400	July 1, 2009	June 30, 2010

Agency Background

Rocketown was founded in 1994 by Singer/Songwriter Michael W. Smith as a place that gives teens a positive alternative to the negative pressures they face. For several years Rocketown operated as a teen club, then organized Sunday evening programming and special events for teens. Then in 1999, the board decided to expand the agency’s scope of programming. Today, the Rocketown houses a coffee bar, photography, art and dance studios, stages for live entertainment, and Middle Tennessee’s only indoor skate park. The Rocketown also provides Re-Act, which is an after school program that is free to program participants, who are selected based on extreme academic, economic and behavioral needs. Re-Act works to improve students’ academics, behavior and attendance.

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-2316. 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 Grant.

The agency failed to maintain adequate supporting documentation for client eligibility. The contract stipulates that the grant funds were to be used to benefit documented residents of Nashville and Davidson County. Because supporting documentation regarding eligibility was inadequate or in some cases nonexistent, we were unable to determine if all of the community enhancement funds were

RESULTS OF REVIEW

used to benefit residents of Nashville and Davidson County. Finding #1 in the Findings and Recommendation Section provides additional details.

3. Program and Performance Objectives

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

- 50 students will be provided free after-school programming from 2-6 pm, 5 days a week.

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 outcomes 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 was unable to support the program outcomes reported in their final program report. Finding #2 in the Findings and Recommendation section provides more details.

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. Inadequate Support for Client Eligibility

The agency failed to provide supporting documentation to support the residency of 40% of the program participants selected for review. Per section A.3 under the Scope of Program, “recipient shall utilize Metro funding only for services the recipient provides to documented residents of Davidson County.” Because supporting documentation regarding eligibility was inadequate or in some cases nonexistent, we were unable to determine if the community enhancement funds were used to benefit residents of Nashville and Davidson County.

Recommendation:

Rocketown of Middle Tennessee should require proof of residency from clients. Proof of residency, such as a copy of the student’s report card, identification card, or note from school principal confirming student’s enrollment should be maintained on file. Community Enhancement Funding should not be used to benefit clients who are not documented residents of Nashville and Davidson County.

2. Unsubstantiated Performance Data on Final Report

The agency reported the following actual performance measures achieved in their Final Program Report:

1. 77 students participated in the after school program.
2. English grades increased by 4.5%
3. Reading assessments showed an increase in reading levels at 2.09 grade levels.
4. Reading assessments showed an increase in reading comprehension at 1.3 grade levels.
5. Math grades increased by 3.4%.
6. Absences stayed consistent during the first to third marking period at 1 absence per student.
7. 6 of the students from Johnson School improved their behavior to the school’s highest level of achievement, green.

FINDINGS AND RECOMMENDATIONS

Based on our testing, we found that documentation was sufficient to support performance measure #1 as reported by Rocketown of Middle Tennessee in their Final Program Report. This performance measure was substantiated and was accurately reported to the Metro Finance Department, Division of Grants Coordination.

However, we found that documentation was insufficient to support performance measures #2, #3, #4, #5, #6 and #7 as reported by Rocketown in their Final Program Report. Without proper and sufficient documentation to support performance measures, these reported measures were deemed to be inaccurate and that the final program report was unreliable.

Recommendation:

Rocketown of Middle Tennessee should ensure that program outcomes reported to Metro in the Final Program Report are based on actual documented results and can be supported. In addition, management should review the achievement of those outcomes for accuracy before they are reported to the Metro Finance Department, Division of Grants Coordination.

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