

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



December 20, 2010

Mr. Jerry Geraghty, Board Chair
United Way of Metropolitan Nashville
250 Venture Circle
Nashville, TN 37228

Dear Mr. Geraghty:

Please find attached the Monitoring Report of the United Way of Metropolitan Nashville 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 22, 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: Mr. Eric Dewey, President and CEO
Richard M. Riebeling, Director of Finance
Talía 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

◆ **Monitoring Report of** ◆

United Way of Metropolitan Nashville



Conducted by



Office of Financial Accountability

December 20, 2010

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of United Way of Metropolitan Nashville. 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 United Way. 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-2333	Community Enhancement Funds (CEF)	Metro Government	\$46,000	July 1, 2009	June 30, 2010

Agency Background

The United Way of Metropolitan Nashville offers donors the opportunity to unite under one umbrella in order to affect lives and make changes. Additionally, the organization brings together volunteers, health and human services agencies, government officials and other leaders in the community to assess and respond to the immediate needs of Nashville. The United Way of Metropolitan Nashville supports a network of neighborhood Family Resource Centers (FRCs) that are committed to increasing the well being of children and families. Each Family Resource Center is a partnership of health and social service providers, residents, schools, businesses and faith-based organizations, all working together to build on the strengths and to address the needs of the neighborhoods.

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-2333. 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.

RESULTS OF REVIEW

3. Program and Performance Objectives

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

- 82 clients will be provided with Case Management services.
- 194 clients will be provided with Rent/Utility/Mortgage assistance.
- 1,716 clients will be provided with food assistance.

Our review of the supporting records to the programmatic reports to Metro revealed that the agency did not adequately monitor the Family Resource Centers for compliance with the terms and conditions set forth under grant L-2333. Please see Finding #1 for specific information regarding the need for United Way to monitor its sub-recipients.

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 was in compliance with the financial and programmatic reporting requirements.

Our review of the supporting records to the programmatic reports to Metro revealed that the agency did not adequately monitor the Family Resource Centers for compliance with the terms and conditions set forth under grant L-2333. Please see Finding #1 for specific information regarding the need for United Way to monitor its sub-recipients.

RESULTS OF REVIEW

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 and nothing came to our attention that indicated weaknesses in the internal controls of the United Way.

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. Agency Failed to Adequately Monitor its Sub-Recipients.

The United Way of Metropolitan Nashville grant from Metro required The United Way to provide the following program objectives:

- 82 clients will be provided with Case Management Services
- 194 clients will be provided with Rent/Utility/Mortgage Assistance.
- 1,716 clients will be provided with Food Assistance.

The United Way entered into agreements with 13 (thirteen) Family Resource Centers (FRCs) to provide the direct service that would collectively satisfy the requirements of the terms and conditions set forth in the Metro contract.

Upon completion of the Memorandum of Agreements, the Family Resource Centers were required to administer the programs and the United Way was then charged with the responsibility of monitoring the FRCs for compliance with the scope of program. The United Way did not maintain any supporting documentation at its central offices. The program records were to be maintained at the respective FRCs. Each FRC reported its performance to the United Way which then compiled a single report to Metro.

Our review revealed that the United Way failed to monitor its sub-recipients for compliance with the contract requirement related to the eligibility of its program participants. More specifically, the OFA visited two FRC's to review documentation maintained to support eligibility of its program participants. The FRC's were unable to provide documentation that verified program participants were in fact residents of Nashville and Davidson County as required by section A.3 in the grant contract.

Recommendation:

The agency should develop and implement a monitoring process that ensures and reinforces the fact that each Family Resource Center is required to comply with both programmatic and financial requirements set forth in the grant contract.

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:

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