

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



December 1, 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, 2011.

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 October 24, 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

December 1, 2011

MONITORING REPORT

TABLE OF CONTENTS

INTRODUCTION 5

OBJECTIVES, SCOPE AND METHODOLOGY 6

RESULTS OF REVIEW 7

FINDINGS AND RECOMMENDATIONS..... 11

INTRODUCTION

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:

Contract	Type	Grantor	Amount	Contract Term	
L-2490	Direct Appropriation	Metro Government	\$ 100,000.00	July 1, 2010	June 30, 2011
11-B1-02	Basic Operating Support I	Metropolitan Arts Commission	\$ 135,000.00	July 1, 2010	June 30, 2011

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

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, 2010 through June 30, 2011.

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-2490 and Contract 11-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

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.

3. Program and Performance Objectives

The grant contract L-2490 stipulates that the agency was to provide the following program objectives:

RESULTS OF REVIEW

- Marketing the Museum’s major exhibitions, including Dreaming My Dreams: The Journey Continues, 1960s to Present and Tammy Wynette: First Lady of Country Music by investing in outdoor, radio, print, and on-site marketing.
- 2,925,000 audience impressions through outdoor marketing
- 102,000,000 audience impressions through radio marketing
- 1,540,000 audience impressions through print marketing
- 230,000 audience impressions through on-site marketing
- 50,000 audience impression through Out-of-Home (graffiti) marketing

Based on our review of program documentation and discussions with staff, program performance objectives as stated by grant L-2490 had not been met and the agency was not in compliance with contractual program objectives. See Finding 1 in the Findings and Recommendation Section for specific details concerning unmet program objectives.

Grant 11-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 as stated by grant 11-B1-02 had been met and the agency was in compliance with contractual program objectives.

4. Reliability of Financial and Programmatic Reporting

The contract L-2490 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 11-B1-02 required the agency to submit the final payment request, financial report of expenditures, a

RESULTS OF REVIEW

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 not in compliance with the financial and programmatic reporting requirements as required under grant L-2490 and the agency was in compliance with grant 11-B1-02. See Finding 2 in the Findings and Recommendation section for specific details concerning

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.

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.

Country Music Foundation was to provide the following program objectives:

- Marketing the Museum's major exhibitions, including Dreaming My Dreams: The Journey Continues, 1960s to Present and Tammy Wynette: First Lady of Country Music by investing in outdoor, radio, print, and on-site marketing.
- 2,925,000 audience impressions through outdoor marketing
- 102,000,000 audience impressions through radio marketing
- 1,540,000 audience impressions through print marketing
- 230,000 audience impressions through on-site marketing
- 50,000 audience impression through Out-of-Home (graffiti) marketing

Based on documentation reviewed and discussion with agency staff, the OFA determined that the audience impressions through radio marketing reached 7,170,000 listeners and not the 102,000,000 as stipulated in the grant contract.

Recommendation:

The Country Music Foundation should ensure that program objectives of the CEF program are realistic and attainable. The Foundation should ensure that agreed to objectives are met.

2. Untimely Submission of Final Expenditure and Final Program Reports

Our review of the Country Music Foundation's grants revealed non-compliance with certain grant reporting requirements. During the review, we noted instances in which reports were not filed timely. Our tests show the agency failed to submit required grantor reports in a timely manner.

The grant contract states that year-end reports are due no later than 45 days after the end of the contract. Untimely filing of grantor reports, which in most cases also serve as claims for reimbursement, could lead to cash flow issues and potential interest expense in the grant fund.

FINDINGS AND RECOMMENDATIONS

Recommendation:

The agency should ensure compliance with all grant reporting requirements. Specifically, agency management should review financial reports to ensure agreement with Metro's accounting records and submit financial and programmatic reports in accordance with established deadlines.

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