

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**



September 7, 2011

Jo Ella McClellan, Board President  
Renewal House  
P.O. Box 280356  
Nashville, TN 37228

Dear Ms. McClellan:

Please find attached the Monitoring Report of Renewal House relating to the contract it has with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2011.

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 August 31, 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: Laura Berlind, 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**

# **RENEWAL HOUSE**

**◆ Monitoring Report ◆**

Conducted by



**Office of Financial Accountability**

September 7, 2011

# MONITORING REPORT

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## INTRODUCTION

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

<b>Contract</b>	<b>Type</b>	<b>Amount</b>	<b>Contact Term</b>	
L-2443	Community Enhancement Funds	\$9,200	July 1, 2010	June 30, 2011

### **Agency Background**

In August, 1994, Davidson County Juvenile Court heard 40 abuse and neglect petitions each week. More than 60 percent of the mothers named in these petitions reported addiction as their primary problem. Drug addiction was resulting in 120 children a week---50 percent of whom were age six or younger---suffering because of their mother's substance abuse.

Renewal House was formed in 1996 after a Nashville judge and local attorney saw these families being torn apart day after day. Renewal House was the first place in Middle Tennessee where mothers and their children healed together from the wounds of addiction. Renewal House has since expanded its services to include intensive outpatient services and recovery rental apartments.

## OBJECTIVES, SCOPE AND METHODOLOGY

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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-2443. 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.

## FINDINGS AND RECOMMENDATIONS

### SUMMARY OF RESULTS

Criteria	Yes	No
Sufficient Resources and Capacity to Administer Funds?	✓	
Costs and Services Allowable and Eligible?	✓	
Program Objectives Met?		✓
Reporting Requirements Met?		✓
Sufficient Internal Control Environment?	✓	
Compliance with Civil Rights Requirements?	✓	

## RESULTS OF REVIEW

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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 was 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 grant.

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

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- 13 families (low income women in substance abuse recovery and their children residing in the Renewal drug-free rental apartments) experiencing an economic crisis, will be provided with rental, food, and utilities assistance up to an amount of \$700.00 per family; and will:
  1. Demonstrate improved budgeting/financial management skills
  2. Remain clean and sober
  3. Maintain stable family housing

Based on our review of program documentation and discussions with staff, program performance objectives were not met and the agency was not in compliance with contractual program objectives. See Findings and Recommendation Section for details concerning the agency failing to meet the 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 complied with all financial and programmatic reporting requirements; however, the agency failed to accurately report their grant expenditures on its final expenditure report. See Findings and Recommendations Section for details concerning the agency inaccurately reporting its 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.

## RESULTS OF REVIEW

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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

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### **1. Program Objectives not Met**

The Renewal House failed to meet program objectives as outlined in the grant contract. Per A.1 of the Scope of Program, the agency was to provide assistance to 13 families (low-income women in substance abuse recovery and their children residing in the Renewal drug-free rental apartments) that are experiencing an economic crisis. Assistance was to be provided in the form of rental, food, and utility assistance. Based upon documentation reviewed, the agency provided financial assistance to 9 low income families.

### **Recommendation**

The agency should ensure that program objectives funded with Community Enhancements Funds are met and that the program is operated according to the grant contract.

### **2. Agency inaccurately reported grant expenditures**

The Renewal House inaccurately reported its grant expenditures to the Division of Grants Coordination. Per the final expenditures report, the Renewal House reported the following:

<b>Grant Line Item</b>	<b>Amount Reported</b>
Supplies	\$1,390.69
Specific Assistance to Individuals	\$1,757.00
Total	\$3,147.69

Based upon review of the agency's general ledger, the OFA was only able to substantiate the following:

<b>Grant Line Item</b>	<b>Verified Expenses</b>
Supplies	\$1,290.69
Specific Assistance to Individuals	\$1,332.00
Total Verified	\$2,622.69

As a result, the Renewal House overstated its expenditures by \$525.00 (\$3,147.69 - \$2,622.69) in these line items.

## FINDINGS AND RECOMMENDATIONS

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### **Recommendation**

The Renewal House should take the necessary steps to ensure that its final expenditure report is accurate and is supported by proper documentation.

## FINDINGS AND RECOMMENDATIONS

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### **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  
P.O. Box 196300  
Nashville, TN 37219-6300