

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**



February 28, 2013

**Wayne Smith, Board Chairman**

Nashville Chamber of Commerce  
Music City Music Council  
300 Broadway  
Nashville, TN 37201

Dear Mr. Smith:

Please find attached the Monitoring Report of the Nashville Chamber of Commerce Music City Music Council relating to the contract it has with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2012.

The Office of Financial Accountability is charged with the responsibility of monitoring grant funds, including Direct Appropriations and Community Enhancement Funds, from Metropolitan Nashville Government to any nonprofit organization. Staff from the Office of Financial Accountability conducted the review on November 28, 2012.

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: Ralph Schulz, 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**

# **NASHVILLE AREA CHAMBER OF COMMERCE**

**◆ Monitoring Report ◆**

Conducted by



**Office of Financial Accountability**

February 28, 2013

# 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 Nashville Chamber of Commerce Music City Music Council. 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 Nashville Chamber of Commerce Music City Music Council 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 Direct 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-2685	Direct Appropriation	\$100,000	July 1, 2011	June 30, 2012

### **Agency Background**

The Nashville Chamber of Commerce is a nonprofit organization dedicated to facilitating community leadership to create economic prosperity. The Nashville Area Chamber is Middle Tennessee's largest business federation, representing more than 2,000 member businesses in 10 counties. The Music City Music Council is an initiative of the Nashville Area Chamber of Commerce an association of business leaders charged with developing strategies toward heightening the awareness and development of Nashville as THE global Music City.

## 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, 2011 through June 30, 2012.

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-2685. 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

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### SUMMARY OF RESULTS

Criteria	Yes	No
Sufficient Resources and Capacity to Administer Funds?	✓	
Costs and Services Allowable and Eligible?		✓
Program Objective 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.

Based on our test work, the agency is not in compliance with the "Allowable and Eligible Costs and Services requirements. See finding #1 for additional details.

### **3. Program and Performance Objectives**

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

- The Recipient will use the funds to underwrite the Music City Music Council programming, marketing and operations costs including the salary and benefits of the Music City Music Council director.

## **RESULTS OF REVIEW**

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- The director will oversee the full Music City Music Council (Council) and six committees: Business Development; Live Music; Education; Hospitality; Marketing; and Associations and Organizations.
- The full Council will meet four times per year, as evidenced by meeting minutes, sign-in sheets, or activity reports.
- The six committees will meet approximately four times each per year, as evidenced by meeting minutes, sign-in sheets, or activity reports.

Based on our review of program documentation and discussions with staff, program performance objective were met and the agency is 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 outcome and a final expenditures report, no more than 45 days after the close of the contract.

Based on our review all applicable financial and programmatic reports required by the contract, including audited financial statements. Based on our review, the agency was in compliance with all financial and programmatic reporting requirements.

### **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.

Based on 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

## RESULTS OF REVIEW

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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. The agency had not expended the entire grant funds at the end of the grant period**

The OFA determined that the agency had not fully expended the entire grant funds at the end of the grant period. Documentation provided to OFA revealed the agency had expended \$81,563.16 by the end of the contract period; therefore a total of \$18,436.84 of the \$100,000 previously paid to the agency was unexpended as of the end of the grant period.

<u>Budget Line-Items</u>	<u>Reported</u>	<u>Allowable</u>	<u>Unearned</u>
Salaries and Wages	\$ 57,130.49	\$ 48,515.75	\$ 8,614.74
Employee Benefits	5,925.33	5,925.33	-
Supplies	2,698.70	2,698.70	-
Communications	11,925.87	11,925.87	-
Printing and Publications	506.89	506.89	-
Travel/Conferences & Meetings	5,425.24	5,425.24	-
Other Non-personnel	12,922.10	3,100.00	9,822.10
Reimbursable Capital Purchases	3,465.38	3,465.38	-
Total	<b>\$ 100,000.00</b>	<b>\$ 81,563.16</b>	<b>\$ 18,436.84</b>

The agency had requested and were approved to expend the unexpended funds toward the music study, therefore costs are not questioned costs but rather unearned as of the end of the grant period.

Further inquiries revealed the agency has expended an additional \$4,036.72 toward the music study from July 1, 2012 through December 31, 2012. The OFA has not reviewed those expenses yet.

### **Recommendation:**

The agency should take the necessary steps to complete the study and expend the unearned funds. The agency should notify the Metro Finance Department when such actions have been completed so OFA staff can return to review the supporting 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:

Division of Grants Coordination  
PO Box 196300  
Nashville, TN 37219  
ATTN: Tonya Bowers