

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



January 17, 2013

LoLita Toney, Board Chair
Nashville CARES
633 Thompson Lane
Nashville, TN 37204

Dear Ms. Toney:

Please find attached the Monitoring Report of the Nashville CARES relating to the contract it had 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 Community Enhancement Funds, from Metropolitan Nashville Government to any nonprofit organization. Staff from the Office of Financial Accountability conducted the review on October 10, 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: Joseph Interrante, 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 CARES

◆ Monitoring Report ◆

Conducted by



Office of Financial Accountability

January 17, 2013

MONITORING REPORT

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INTRODUCTION

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

Contract	Type	Amount	Contact Term	
L-2634	Community Enhancement Funds	\$30,000	July 1, 2011	June 30, 2012

Agency Background

Nashville CARES is a non-profit agency that promotes and participates in a comprehensive response to HIV/AIDS in Middle Tennessee. The agency was established in 1985 by a group of volunteers who recognized the need for community education about AIDS and for services to help those living with HIV/AIDS survive with independence and dignity. Its purpose is to educate the community for increased understanding and prevention of HIV transmission, to advocate for responsible public policy, and to provide services that improve the quality of life for people with HIV/AIDS and their families. Each year, Nashville CARES educates 50,000 adults and youth to prevent new HIV infections, provides 12,000 HIV tests, and offers comprehensive support to 2,400 men, women and children living with HIV/AIDS.

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, 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-2634. 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

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.

RESULTS OF REVIEW

3. Program and Performance Objectives

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

- 300 low-income Davidson County residents living with HIV disease, who are at risk of homelessness, will receive case management services along with housing/financial assistance.
- 83% (249 of 300) will improve health status and HIV disease management by:
 - a. maintaining or increasing housing stability, independence or self-sufficiency
 - b. reporting of decreased signs/symptoms of illness or health-related limitations
 - c. maintaining adherence to medical/treatment plan & medication
 - d. keeping medical appointments and/or using home-based medical services, and/or
 - e. developing and maintaining a healthy nutritional plan

Based on our review of program documentation and discussions with staff, program performance objectives were 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 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 failed to seek a budget revision and therefore inaccurately reported their expenditures. Please see Finding #1 for more details.

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.

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. Agency failed to accurately report its grant expenditures.

The Nashville Cares inaccurately reported their expenditures on the final expenditure report. The approved contract spending plan was for the agency to utilize the grant funds for salaries; however, they also utilized the funds for benefits. Based upon the original approved spending plan, the Nashville Cares was required to submit, in writing, a budget revision request prior to utilizing grant funds for benefits.

As a result of failing to submit a budget revision request, the final expenditures report reflected both salaries and benefits, which resulted in unapproved benefit expenditures and understated their salaries. Though the agency did not exceed the approved budget, the unapproved benefits could be have been deemed as unallowable costs. The OFA did not question those costs.

Recommendation:

The agency should take the necessary steps to ensure the grant funds are being utilized for as planned. The agency should also implement a policy to ensure that appropriate grantor approvals are sought prior to revisions in the spending plan.

Corrective Action Plan Required

Please submit a corrective action plan indicating the actions the agency intends to take to correct the finding 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
P.O. Box 196300
Nashville, TN 37219-6300
ATTN: Dennise Meyers