

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



December 10, 2013

William Wright, Board Chair
Rocketown of Middle Tennessee
601 4th Avenue South
Nashville, TN 37210

Dear Mr. Wright:

Please find attached the Monitoring Report of the Rocketown of Middle Tennessee relating to the contract with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2013.

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 November 21, 2013.

We appreciate the assistance provided by your agency during the course of the review. If you have any questions, please call me at 615-862-6712.

Sincerely,

Kevin Brown

Kevin Brown
Finance Administrator

cc: Jim Mallory, 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
Fred Adom, CPA, Director, Office of Financial Accountability
Essie Robertson, Office of Financial Accountability
Brad Thompson, Office of Financial Accountability



Metropolitan Government of Nashville and Davidson County

Rocketown of Middle Tennessee

◆ Monitoring Report ◆

Conducted by



Office of Financial Accountability

December 10, 2013

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of Rocketown. 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 Rocketown 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-2842	Community Enhancement Funds	\$22,700	July 1, 2012	June 30, 2013

Agency Background

Rocketown was founded in 1994 by Michael W. Smith. The first of its kind in the Southeast, Rocketown has grown into a regional outreach as well as a model for Christian-based relational outreach across the country. Following the tragedy of Columbine in 1999, Rocketown’s board was inspired to grow the scope of programming and move to a central location in downtown Nashville. The current facility features three stages for live entertainment, Middle Tennessee’s only indoor skate park, The Hub snack bar, a recording studio, and photography, art and dance studios. More than 800 teens from across the Middle Tennessee region participate in programs each week and at an after-school program at McGavock High School.

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, 2012 through June 30, 2013.

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-2842. 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 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 is 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 Appropriation.

Based on our test work, costs and services during the period were allowable and eligible.

3. Program and Performance Objectives

The contract stipulated that the agency shall use the funds to serve a minimum of 75 students from McGavock High School with a daily participation rate of at least 50 students. The program was intended to be offered four days a week with an expected student attendance of 2-4 days with the following outcomes:

RESULTS OF REVIEW

- 1) Will ensure a GPA of 2.5 or better in math, language arts and digital design & communications (DDC) classes for 85% or more students
- 2) At least 90% of students will score 3.5 or better on an Employability Skills Rubric
- 3) Produce an hour worth of programming for Nashville Education, Community & Arts Television (NECAT) for each week of the school year

Based on our review of program documentation and discussions with staff, program performance objectives #1 and #2 were not met and the agency was not in compliance with the contract. Please see Finding #1 for additional details.

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.

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.

RESULTS OF REVIEW

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.

FINDING AND RECOMMENDATION

1. Program Performance Goals Not Met

The agency failed to meet program objectives #1 and #2 as stated in the grant contract.

Tests indicate the results of the combined tests scores did not meet the stated goals in the contract. The contract stated Program Objective #1, “will ensure a GPA of 2.5 or better in math, language arts and digital design & communications (DDC) classes for 85% or more students”. According to the reported goals, 67% of the students received a GPA of 2.5 or better in math, 88% of the students received a GPA of 2.5 or better in language arts, 88% of the students received a GPA of 2.5 or better in digital design & communications classes. The agency calculated the results of each class independently. However, whenever the percentage was recalculated to include all 3 classes as stated in the contract, only 53% of the students made a 2.5 or better in math, language and digital design & communications classes.

The contract stated Program Objective #2, “At least 90% of students will score 3.5 or better on an Employability Skills Rubric”. The agency reported that 80% of the students scored 3.5 or better on an Employability Skills Rubric. However, based upon documentation available, the auditor determined that 76% of the students met the program objective as stated in the grant contract.

Recommendation:

Information pertaining to program objectives in the Final Program Report should be based on actual results and supported by written documentation. In addition, management should review the achievement of those objectives before they are reported to Metro’s Division of Grants Coordination, in order to ensure their accuracy.

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
PO Box 196300
Nashville, TN 37219
ATTN: Dennise Meyers