

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



October 11, 2013

Greg Wilder
Youth Encouragement Services
521 McIver St.
Nashville, TN 37211

Dear Mr. Wilder:

Please find attached the Monitoring Report of the Youth Encouragement Services relating to the contract it had 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 September 26, 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

cc: Mr. Rob McRay, 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, Office of Financial Accountability
Essie Robertson, Office of Financial Accountability
Brad Thompson, Office of Financial Accountability



Metropolitan Government of Nashville and Davidson County

Youth Encouragement Services

◆ Monitoring Report ◆

Conducted by



Office of Financial Accountability

October 11, 2013

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of the Youth Encouragement Services. 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 Youth Encouragement Services 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-2788	Community Enhancement Funds	\$15,100	July 1, 2012	June 30, 2013

Agency Background

Youth Encouragement Services (YES), formerly the Youth Hobby Shop, operates three youth centers which offer educational and recreational programs as alternatives for kids ages 6-18 during after school hours, weekends and summer breaks.

It’s mission is to enrich the lives of children in Inner City Nashville, helping them to develop academically, physically, spiritually and socially. The programs offered by YES effectively keep children living in the inner city off the street, giving them a safe place to go where they can engage in social, educational and cultural activities. Each of the agency’s three youth centers is equipped with a gymnasium, kitchen and classrooms.

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-2788. 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 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:

- 95% (67 of 70) youth will feel they are in a safe environment that protects their physical, mental, social and emotional well being
- 90% (63 of 70) youth will develop meaningful relationships with a minimum of three adults
- 90% (18 to 20) teens (9th-12th grades) will be involved in community service activities

Based on our review of program documentation and discussions with staff, program performance objectives 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.

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

RESULTS OF REVIEW

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 revealed a payroll control deficiency. Please see Finding #1 for additional details.

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.

1. Internal Control Environment Needs Improvement

The Youth Encouragement Services failed to maintain adequate documentation to support payroll transactions. Per the Metro Grants Manual, Chapter 3, Standards for Financial Management, Supporting documentation, “supporting documentation is critical to the justification of financial statements and grant expenditure reports. The grantee must maintain supporting documentation to justify journal entries. The following are examples of supporting documentation: timesheets, leave requests, cumulative leave records, etc.” The agency failed to maintain timesheets signed by both the employee and their supervisor. The site director notated on a piece of paper the employee’s name and the number of hours they worked each day for the work week. At the end of the week, the site director would email the hours worked to the employee responsible for processing the payroll. The employees did not sign site director’s daily log of hours worked nor did it appear that they actually reviewed them. Per the Metro Grants Manual, Chapter 4, Internal Controls, Payroll it states, “payroll usually represents the most significant expenditure of the grantee; therefore, the grantee should establish adequate controls in this area. Grantees should use time sheets or time cards to support hours worked and leave/time-off taken, and to document appropriate approval(s) of the reported time. In addition to this, the grantee should ensure the following:

- Valid employees are paid and disbursements are made for services rendered
- Proper authorization of payroll records is obtained
- Proper records of payroll disbursements are maintained
- Compliance with payroll tax rules and regulations is attained

Recommendation:

The Youth Encouragement Services should ensure that proper documentation to support grant expenditures is maintained and can be made readily available for auditor’s review. The agency should ensure employees’ timesheets are signed by the employee and supervisor.

RESULTS OF REVIEW

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