

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**



January 26, 2015

John Ingram – Board Chair  
The Nashville Entrepreneur Center  
41 Peabody Street  
Nashville, TN 37210

Dear Mr. Ingram:

Please find attached the Monitoring Report of the Nashville Entrepreneur Center relating to the contract with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2014.

The Office of Financial Accountability is charged with the responsibility of monitoring grant funds, including Direct Appropriations, from Metropolitan Nashville Government to any nonprofit organization. Staff from the Office of Financial Accountability concluded the review on December 12, 2014.

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: Michael Burcham, CEO, The Nashville Entrepreneur Center  
Sam Lingo, COO, The Nashville Entrepreneur Center  
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, CPA, Office of Financial Accountability



Metropolitan Government of Nashville and Davidson County

# THE NASHVILLE ENTREPRENEUR CENTER

◆ Monitoring Report ◆

Conducted by



**Office of Financial Accountability**

January 26, 2015

# 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 the Nashville Entrepreneur Center. 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 Entrepreneur Center 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-3173	Direct Appropriations	\$200,000	July 1, 2013	June 30, 2014

### **Agency Background**

The Nashville Entrepreneur Center (NEC) connects Entrepreneurs with Investors, Mentors and the Critical Resources they need to accelerate the launch of startup businesses. The NEC fosters innovation and entrepreneurship by Turning Ideas Into Reality, helping to start businesses and create jobs. As a non-profit 501(c)3 organization, NEC is funded through sponsorships, partnerships, donations and grants. The Nashville Entrepreneur Center relies on support from leading corporations, successful entrepreneurs and those who have a vested interest in the Center’s success.

## 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, 2013 through June 30, 2014.

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-3173. 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 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. 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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- At least 240 initial screenings will be conducted with individuals who wish to pursue the development of a new business. This in-person meeting with a Nashville Entrepreneur Center (NEC) Mentor, provides feedback to the startup entrepreneur on their business model concept.
- At least 120 Mentoring/Coaching Sessions will be provided to individuals wanting feedback on their business plans and models. These in-person sessions are conducted by NEC Mentors and Coaches and may include information on business concept, marketing, operations, finance, building team and funding
- At least 250 individuals will participate in training functions, workshops and events held by NEC for the purpose of building the entrepreneur community by connecting entrepreneurs and investors.

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 comply with all financial and programmatic reporting requirements. See Finding #1 for additional details.

### **5. Internal Control Environment**

In order to determine the adequacy of the design of internal controls, we completed an internal control questionnaire that was performed solely as a basis for determining our test work and to assist us in making suggestions for

## **RESULTS OF REVIEW**

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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 no control deficiency.

### **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. Reporting Requirements Not Met

#### Finding

As cited in the FY 13 Monitoring Report, the Nashville Entrepreneur Center failed to submit their final program and fiscal reports for the FY 14 grant that ended June 30, 2014 as required, as of December 12, 2014. Per section C.4, Reporting requirement under the Standard Terms and Conditions of the grant contract, the recipient “shall submit a final expenditure report within 45 (forty-five) days of the end of the Grant Contract.” Per section D.9 Final Program Report, the recipient “must submit a final program report within 45 (forty-five) days of the end of the Grant Contract.” Since the contract period ended on June 30, 2014, the final expenditure report was due no later than August 15, 2014.

#### Recommendation

The agency should establish measure to ensure compliance with the Metro reporting requirements. The required program and fiscal reports should be submitted to the Division of Grants Coordination no later than 45 days of the end of the grant contract.

#### 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: Vaughn Wilson