

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



September 19, 2014

Dr. William Paul, Director
Metropolitan Public Health Department
Lentz Public Health Center
311 23rd Avenue North
Nashville, TN 37203

Dear Dr. Paul:

Please find attached the final monitoring report of a select of federal and state grants administered by the Metropolitan Public Health Department for the fiscal year 2013. You previously reviewed and responded to the preliminary report issued August 28, 2014. Your responses have been incorporated into this final report. Staff from the Office of Financial Accountability conducted the fieldwork for this review during the month of June 2014.

We appreciate the assistance provided by your department during the course of the review. If you have any questions, please call me at 615-880-1035.

Sincerely,

Fred Adom

Fred Adom, CPA
Director

cc: Ashley Daugherty, Metropolitan Public Health Deputy Director
Stan Romine, Metropolitan Public Health Finance Director
Dianne Harden, Metropolitan Public Health Business Manager
Richard M. Riebeling, Director of Finance
Talia Lomax-O'dneal, Deputy Director of Finance
Kim McDoniel, Chief Accountant
Mark Swann, Metro Internal Auditor
Phil Carr, Division of Accounts
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

METROPOLITAN PUBLIC HEALTH DEPARTMENT

◆ Monitoring Report ◆

Conducted by



Office of Financial Accountability

September 19, 2014

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of the federal and state grants and contracts administered by the Metropolitan Public Health Department (hereinafter referred to as “Health Department”). The monitoring process included a review of those contracts in effect during the fiscal year ending June 30, 2012 and June 30, 2013. The contracts reviewed are listed in Appendix A. The OFA conducted the monitoring review along the major compliance areas identified in the Office of Management and Budget (hereinafter referred to as “OMB”) Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations.” and in compliance with the OMB Circular A-87, “Cost Principles for State, Local and Indian Tribal Governments.”

Department Background

The mission of the Metropolitan Public Health Department is to protect and improve the health and well-being of all people in Metropolitan Nashville.

The Health Department has the following goals to help it achieve the mission:

- Prevent, detect, and alleviate outbreaks of infectious disease and other public health threats and emergencies.
- Improve the health and wellbeing of children.
- Prevent death and promote well-being by reducing tobacco use and increasing physical activity and healthy eating in Nashville.
- Ensure cleaner air and a safer environment.
- Improve access for everyone to needed preventive, medical, and mental health services.

Grants Reviewed

The purpose of this review was to assess the Health Department’s compliance with contractual requirements set forth in the following grant contracts with the Tennessee Department of Health. The ten grants reviewed had a total financial award of approximately \$18,411,000.

Breast & Cervical Cancer Screening 11-14

The Metropolitan Public Health Department was awarded \$262,200 to conduct breast and cervical cancer screenings.

Commodity Supplemental Food Program 11-12

The Metropolitan Public Health Department was awarded \$227,900 to provide nutritious food to low income clients vulnerable to insufficient nutrition.

Commodity Supplemental Food Program 12-13

The Metropolitan Public Health Department was awarded \$235,400 to provide nutritious food to low income clients vulnerable to insufficient nutrition.

INTRODUCTION

Family Planning 12-17

The Metropolitan Public Health Department was awarded \$4,273,000 to provide family planning services.

Healthy Start 13

The Metropolitan Public Health Department was awarded \$661,100 to provide a variety of services to qualified families.

Help Us Grow Successfully 9-14

The Metropolitan Public Health Department was awarded \$3,051,000 to provide home visits and assessments to Davidson County residents.

Immunization Service 12

The Metropolitan Public Health Department was awarded \$539,800 to provide staff to monitor and assess the delivery of immunization services in Davidson County.

Immunization Service 13

The Metropolitan Public Health Department was awarded \$518,500 to provide staff to monitor and assess the delivery of immunization services in Davidson County.

Women, Infant & Children 11-12

The Metropolitan Public Health Department was awarded \$4,245,100 to provide nutrition education and services to eligible women, infants and children and to provide breast feeding peer counseling programs.

Women, Infant & Children 12-13

The Metropolitan Public Health Department was awarded \$4,397,000 to provide nutrition education and services to eligible women, infants and children and to provide breast feeding peer counseling programs.

OBJECTIVES, SCOPE AND METHODOLOGY

A monitoring review is substantially less in scope than an audit. The OFA did not audit the financial statements for the Health Department and, accordingly, does not express an opinion or any assurances regarding the financial statements of the Health Department or the Metropolitan Government of Nashville and Davidson County (hereinafter referred to as “Metro”). The OFA is responsible for the internal monitoring of Metro agencies that receive federal and state financial assistance, including cooperative agreements, and non-profit organizations that receive appropriations 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 overall monitoring objective was to determine the department’s compliance with grantor and Metro guidelines, policies, rules, and regulations. Specifically, we reviewed for the following objectives:

- To determine whether activities and costs of the program were made in accordance with OMB Circular A-87; the minimum federal, state and local requirements; and grantor guidelines.
- To determine whether the minimum requirements for local matching contributions and/or adequate level of expenditures by other sources of funds are met.
- To determine whether grant funds were used exclusively during the period in which the funds were authorized.
- To determine the reliability and timeliness of the financial and programmatic reporting.
- To determine whether federal compliance requirements regarding sub-recipient oversight were met and whether the sub-recipient performed in accordance with the contract terms.
- To determine whether civil rights requirements are met.
- To determine whether program objectives were met.
- To determine whether the various Metro regulations were followed.

The scope of the work included the grants listed in Appendix A. The grant period reviewed was July 1, 2012 through June 30, 2013. Although the review focused on this specific time period, certain analyses required the consideration of financial transactions outside of this time period. The methodology adopted by the OFA encompassed various interviews and an objective review of fiscal and programmatic files, including:

- Financial transactions and supporting documentation
- Contract agreements and related amendments
- Federal and/or state financial reports
- Program reports and supporting documentation
- Correspondence between related parties.

RESULTS OF MONITORING

Overall Findings and Major Review Highlights

Our review revealed two discrepancies with policies and grant requirement guidelines. The Health Department:

1. Health Department needs to improve its accounting to accurately reflect grant activities.
2. Health Department needs to Improve Accounting for Indirect Costs in the ledgers.

The section that follows provides more detailed information for the items listed above. Management is given an opportunity to respond to the findings.

FINDINGS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE

I. Health Department needs to improve its accounting to accurately reflect grant activities.

Finding

The OFA noted during the review of the Healthy Start 2013 and Immunization Service 2013 grant that the activities recorded in the general ledgers associated with program did not agree with what was reported to the grantors.

The Health Department utilized funding from the Immunization Service 2013 grants to cover approximately 60% and 70% of two employee's salaries and benefits. However, the payroll and benefit costs for those employees are recorded within a business unit that is supported by Metro's general fund and not the appropriate grant funded business unit. The Health Department failed to reclassify the approved salary and benefit costs from the general fund business unit to the grant fund business unit. As a result, the general ledger associated with the grant funds, the salary and benefit costs are understated and does not properly reflect the true cost and grant activity of the program.

The OFA also noted the Health Department issued two purchase orders for supplies under the Healthy Start 2013 grant for which were charged against the wrong object account within the general ledger. The Health Department noticed the error and transferred the expenditures from the wrong object account to the correct object by reversing the "Receiving Document" (OV) associated with the purchase order within the ledger. In addition, another Health Department staff reallocated the cost by entering an adjusting general ledger as well. As a result of the Health Department doubled reversing entries, therefore the grant expenditures are understated in one object account and overstated in another.

Such errors in accounting for grant funds could go undetected and could lead to potential questioned costs during an audit.

Recommendation

The Health Department should take the necessary steps to ensure that all grant spending activity is accurately portrayed in the correct business unit and object account in the EBS accounting system.

Management's Response

Metro Public Health Department (MPHD) concurs with this finding and will be implementing procedures to eliminate errors similar to the ones described in this finding. However, it is important to note that these errors did not affect the invoicing of grantors, and the grantors were charged correctly. Going forward, MPHD Finance will require that all salary and benefit charges for grants be supported by entries made to the appropriate EBS business unit prior to submission of any grant invoices. The administration of MPHD Finance will also advise

FINDINGS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE

appropriate journal entry personnel that prior to entering any credits to expenditure accounts or debits to revenue accounts that account detail must first be reviewed to determine that sufficient funds exist and that their entry is not a duplicate.

2. Health Department needs to Improve Accounting for Indirect Costs in the ledgers

Finding

The OFA noted that the indirect costs recorded in the grant's general ledger are incorrect because the charges for indirect are automated; programmed to generate automatically based on the approved indirect cost rate and the grant's budgeted salary expenditures. The indirect costs charges are posted to the appropriate grant business unit each month in equal installments of the total approved indirect costs as budgeted regardless of the actual salary expenditures incurred during the period. . The Health Department appropriately submitted invoices to the grantor, including the indirect cost that was earned based upon actual salary expenditures; but, failed to process adjusting journal entries to accurately reflect the proper amount of indirect cost incurred during the period. Therefore, the indirect costs recorded within the grant general ledgers result in overstatement/understatement for the grant period.

Recommendation

At a minimum, the Health Department should establish a process to reconcile the grant business unit expenditures at the end of the grant fiscal year to ensure the accounting record accurately matches the submitted grant reimbursement request and financial reports submitted to the grantors.

Management's Response

MPHD concurs in part with this finding. MPHD's indirect charges were automatically posted monthly to designated business units in order to satisfy the Metro Finance Department's instructions regarding indirect costs (as MPHD understood them). MPHD is pleased to move forward and work with the Metro Finance Department, upon their acceptance of this recommendation, to reconcile grant business unit expenditures for indirect costs at the end of each grant fiscal year. This will be an improvement and will result in greater clarity and accuracy.

APPENDIX A

Grant	Contract #	Grant Period	Award Amount	Findings
Breast & Cervical Cancer Screening 11-14	34360-40312	7/1/11 – 6/30/14	\$262,200	No
Commodity Supplemental Food Program 11-12	34353-02312	10/1/11 – 9/30/12	\$227,900	No
Commodity Supplemental Food Program 12-13	34353-02313	10/1/12 – 9/30/13	\$235,400	No
Family Planning 12-17	34360-35113	7/1/12 – 6/30/17	\$4,273,000	No
Healthy Start 13	34347-13913	7/1/12 – 6/30/13	\$661,100	Yes
Help Us Grow Successfully 9-14	34360-36910	7/1/09 – 6/30/14	\$3,051,000	No
Immunization Service 12	34360-41212	1/1/12 – 12/31/12	\$539,800	Yes
Immunization Service 13	34360-41213	1/1/13 – 12/31/13	\$518,500	Yes
Women, Infant and Children 11-12	34353-07012	10/1/11 – 9/30/12	\$4,245,100	No
Women, Infant and Children 12-13	34353-07013	10/1/12 – 9/30/13	\$4,397,000	No