

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



August 24, 2015

Tim Walker, Executive Director
Metropolitan Historical Commission
3000 Granny White Pike
Nashville, TN 37210

Dear Mr. Walker:

Please find attached the Final Report for the recent monitoring review of the Metropolitan Historical Commission grants. This report explains the results of the agency's federal and state grant and other financial assistance for the fiscal year 2014. Staff from the Office of Financial Accountability began fieldwork for this review on May 5, 2015.

You previously reviewed and responded to findings in a preliminary report dated August 10, 2015. Your responses to the findings have been incorporated into this final report, in the section entitled "Management's Comments."

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, CGMA
Director

cc: Yvonne Ogren, Historical Commission
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
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Metropolitan Government of Nashville and Davidson County

METROPOLITAN HISTORICAL COMMISSION

◆ Monitoring Report ◆

Conducted by



Office of Financial Accountability

August 24, 2015

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 Historical Commission (hereinafter referred to as “Historical Commission” or “MHC”). The monitoring process included a review of the contracts in effect during the fiscal year ending June 30, 2014. 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 (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.”

About the Metropolitan Historical Commission

The Metropolitan Historical Commission is the steward of two commissions which guide historic preservation projects for Metropolitan Nashville and Davidson County:

The Metropolitan Historical Commission (MHC) is a municipal historic preservation agency working to document history, save and reuse buildings, and make the public more aware of the necessity and advantages of preservation in Nashville and Davidson County, Tennessee. Created in 1966, the commission consists of fifteen citizens appointed by the mayor.

The Metropolitan Historic Zoning Commission, (MHZC) reviews applications to create new historic overlay districts and reviews and approves preservation permits in historic and conservation districts for new construction, alterations, additions, repair and demolition.

Grants Reviewed

MDHA Section 106 Review 13-14

The Historical Commission agreed to review proposals and undertakings and take any other actions required to assist MDHA with compliance with the National Environmental Policy Act (NEPA) which includes review under the National Historic Preservation Act, particularly Section 106 (Services) for an amount not to exceed \$20,000 annually.

MDHA Section 106 Review 14-15

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INTRODUCTION

PPFG Fort Negley Historic Structure 12-13

The Metropolitan Historical Commission was awarded \$20,000.00 from the Middle Tennessee State University to assist with the completion of an historic structures report for Fort Negley.

PPFG Tennessee Civil War Crossroads 12-13

The Metropolitan Historical Commission was awarded \$19,000.00 from the Middle Tennessee State University for the design and printing of a civil war heritage tourism brochure titled *Tennessee Civil War Crossroads: Nashville's Civil War Story*.

THC CLG Training 14-14

The Metropolitan Historical Commission was awarded a \$3,000.00 grant from Tennessee Historical Commission with a \$2,000.00 required cash match to attend the National Alliance of Preservation Commissions' biannual forum.

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 Metropolitan Historical Commission and, accordingly, does not express an opinion or any assurances regarding the financial statements of the Metropolitan Historical Commission 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 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 REVIEW

Overall Findings and Major Review Highlights

The Office of Financial Accountability's review revealed three discrepancies or instances of non-compliance with policies and/or grant requirement guidelines. The Metropolitan Historical Commission:

1. The Historical Commission needs to improve its compliance with grantor matching requirements.
2. The Historical Commission needs to improve its accounting of grant activity.

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, AND MANAGEMENT’S RESPONSE

1. The Historical Commission needs to improve its compliance with grantor matching requirements.

Finding

The Historical Commission needs to improve its compliance with grantor matching requirements. The Historical Commission was awarded a Tennessee Historical Commission Certified Local Government (CLG) Training Grant in an amount not to exceed \$3,000.00 with a required cash match of \$2,000.00, to provide continuing education for staff to attend the National Alliance of Preservation Commissions’ biannual forum. The Tennessee Historical Commission permitted the Metropolitan Historical Commission to utilize employee’s salaries to satisfy the matching requirements. Tests revealed that the Historical Commission failed to allocate Metro salary expense funds to cover the required cash match, instead required the employees to claim less than the actual travel costs, with the intent of applying the unclaimed, unrecorded employee travel costs to cover the match requirement.

The Historical Commission employees paid for 100% of the cost associated with the required training with personal funds but only requested to be reimbursed for 60% of the travel costs. The Historical Commission however reported the full costs of the employee travel, including the unclaimed or unrecorded 40% of the travel costs paid out of employees personal funds to the grantor for reimbursement.

Per Metro’s Grants Management Policies and Procedures Manual page 4 under Grant Match Policy it states, “When grant opportunities require a cash match, departments are expected to provide for the match from their own budgets. Match may be identified within the departmental budget by reallocating funds which are not already dedicated to the grant program.”

Total Grant Cost Reported to Grantor	Cost allocated to grant (60%)	Cost reported as match (40%)	Grant Expenditures not Recorded in Metro’s Accounting Records
\$4,743.61	\$2,840.80	\$1,893.81	\$1,893.81

Recommendation

The Historical Commission should ensure adequate matching funds, i.e. operating funds, are available prior to accepting grants with required cash matches.

The Historical Commission should also ensure that employee’s salary costs are being utilized as matching funds as confirmed by an email from the Tennessee Historical Commission dated March 13, 2014.

The Historical Commission should immediately cease the practice of requiring employees to use personal funds for required travel.

FINDINGS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSE

Management Response

We concur in part. The CLG Training grant did not include any mandatory or “required” training as stated. This training was voluntary and was offered to employees who desired additional education, but was not required. Additionally, the Tennessee Historical Commission does not allow this type of grant to be matched with employee salaries, and the department received no travel funding in the fiscal year. The current fiscal year is our first in more than five years where we were allocated funding for travel. This new funding will allow us the opportunity to fund the match for all future similar grants.

2. The Historical Commission needs to improve its accounting of grant activity.

Finding

The Historical Commission needs to improve its accounting of grant activity. The Historical Commission improperly applied salary expenses incurred, against the recorded grant revenues; thereby resulting in understatement of both accounts.

The Historical Commission was contracted by MDHA to serve as a reviewer to assist in MDHA’s efforts to comply with the National Environmental Policy Act (NEPA) based upon an agreed upon hourly rate. The Historical Commission submitted invoices annually and was paid accordingly. Upon receipt of the grant funds, the Historical Commission recorded and recognized the grant funds within the proper business unit and object account. The Historical Commission transferred salary expense from its operating account to the revenue object account in the grant business unit by journal entries. As a result, the Historical Commission’s grant revenue in the grant fund and operating salary expense in the operating account were both understated by \$2,415.00 for the fiscal year.

The Historical Commission, by applying grant expenses to reduce grant revenues, could potentially lead to understatement of the value of grants received or earned.

Recommendation

The Historical Commission should ensure that its official accounting records properly reflect the grant activities. Grant revenue received should be recorded within the proper revenue object account and expenditures should be properly recorded within the proper expense object account.

Management’s Response

We concur that a single bookkeeping error occurred for the MDHA Section 106 Review grant during the 2013-14 fiscal year. This error was due to a lack of familiarity of the process by the staff person managing the grant and has been corrected in all subsequent grants.

APPENDIX A

Grant	Resolution #	Grant Period		Award Amount	Findings
MDHA Section 106 Review 13-14	RS2013-699	4/01/2013	3/31/2014	\$20,000	Yes
MDHA Section 106 Review 14-15	N/A	4/1/2014	3/31/2015	\$20,000	No
PPFG Fort Negley Historic Structure 12-13	30510-00114-28	11/1/2012	8/31/2013	\$20,000	No
PPFG Tennessee Civil War Crossroads	30510-00114-28	11/1/2012	8/31/2013	\$19,000	No
THC CLG Training 14-14	30510-00114-28	5/1/2014	9/30/2014	\$3,000	Yes