

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



April 27, 2020

Lorraine Segovia-Paz, Board Chair
Nashville Area Hispanic Chamber of Commerce Foundation
P.O. Box 40541
Nashville, TN 37204

Dear Ms. Segovia-Paz:

Please find attached the monitoring report of the Nashville Area Hispanic Chamber of Commerce Foundation relating to the contract it had with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2019.

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 conducted the review on February 25, 2020.

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, CMFO, CICA, CFE
Finance Manager

cc: Yuri Cunza, Executive Director, NAHCC Foundation
Kevin Crumbo, Director, Department of Finance
Talia Lomax-O'dneal, Deputy Director, Department of Finance
Kim McDoniel, Deputy Director, Department of Finance

OFFICE OF FINANCIAL ACCOUNTABILITY

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Dolly Cook, CICA, Office of Financial Accountability
Nicole Whitlock, Office of Financial Accountability



Metropolitan Government of Nashville and Davidson County

NASHVILLE AREA HISPANIC CHAMBER OF COMMERCE FOUNDATION

◆ **Monitoring Report** ◆

Conducted by



Office of Financial Accountability

April 27, 2020

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of Nashville Area Hispanic Chamber of Commerce Foundation. 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 Area Hispanic Chamber of Commerce Foundation 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 Direct Appropriation 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	Contract Term	
L-4191	Direct Appropriation	\$25,000	July 1, 2018	June 30, 2019

Agency Background

Nashville Area Hispanic Chamber of Commerce Foundation is a Tennessee not-for-profit corporation organized exclusively to create access to higher education, offer educational programs, and entrepreneurial opportunities to Nashville’s growing youth and adult Hispanic populations in Tennessee.

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, 2018 through June 30, 2019.

The monitoring review procedures included meeting with agency management and staff, 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-4191. 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?	✓	
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 the core compliance areas identified by 2 CFR Part 200: *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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, the agency incurred costs and services during the period which were not allowable or eligible for reimbursement. See Finding #1 in the Findings and Recommendation section for additional details.

3. Program and Performance Objectives

The contract stipulates that the agency shall use the funds to achieve the following outcomes:

RESULTS OF REVIEW

1. Will evaluate at least 300 businesses from our network to identify those Hispanic owned/minority owned businesses who are interested in becoming minority certified.
2. Will work with at least 300 Hispanic owned/minority owned businesses by identifying any existing barriers to registration, certification and obtainment of contracts both with the Metro Government and the private sector.
3. Will update and maintain our existing database of Hispanic business contacts and send out information to at least 300 Hispanic owned/minority owned businesses in an effort to inform our community about minority business opportunities.

Based on our review of program documentation and discussions with staff, the 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 complied with all financial and programmatic reporting requirements.

5. 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

1. The Agency Incurred Questioned Costs

Finding

Based upon test work completed, the Nashville Area Hispanic Chamber of Commerce Foundation incurred question cost. The Foundation utilized the following Metro funds to provide payments to the Nashville Area Hispanic Chamber of Commerce for the following “purchases”: \$500 for supplies, \$500 for postage and \$1,000 for communication. The unusual nature of support for such regular expenditures prompted further inquiries which revealed potential conflict of interest. According the Tennessee Secretary of State business filings, the Executive Director of the Foundation is the registered agent for both the Foundation and the Nashville Area Hispanic Chamber of Commerce. As a result of the unusual source of support for these ordinary expenses and the appearance of a conflict of interest, the funds provided to the Nashville Area Hispanic Chamber of Commerce has been deemed questioned cost. The following table outlines the total cost that has been deemed questioned cost:

Category	Amount of Questioned Cost
Supplies	\$500.00
Postage	\$500.00
Communication	\$1,000.00
Total Questioned Cost	\$2,000.00

Recommendation

The Nashville Area Hispanic Chamber of Commerce Foundation should:

- Immediately refund the questioned cost of \$2,000 to the Metropolitan Government of Nashville and Davidson County,
- Should ensure that cost incurred are allowable, necessary, and reasonable in operating the grant program.

2. The Agency Failed to Adhere to the Approved Spending Plan

Finding

Based on test work completed, the Nashville Area Hispanic Chamber of Commerce Foundation failed to adhere to the approved grant spending plan nor did the agency seek a grant spending plan revision. The agency utilized \$15,000 that was approved for professional fees to provide compensation to the Executive Director. Per the Metro Grants Manual, professional fees are “costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are **not** officers or employees of the organization.” The OFA noted that the Executive Director performed the work necessary to meet the program objectives of the direct appropriation grant. The current practice of compensating agency employees as contractors could potentially violate IRS policies and could be deemed questioned costs as well.

Recommendation

The Nashville Area Hispanic Chamber of Commerce Foundation should:

- Immediately cease the practice of compensating agency employees as contractors,
- Implement proper controls to ensure that grant expenditures incurred align with the approved grant spending plan.

Corrective Action Plan Required

Please submit a corrective action plan indicating the actions the agency intends to take to correct the finding identified in this report. The corrective action plan should be submitted within 14 days from the report date to the address below:

Office of Grants and Accountability
700 2nd Avenue South, Suite 201
P.O. Box 196300
Nashville, TN 37219-6300
Attn: Vaughn Wilson