



Metropolitan Government of Nashville and Davidson County

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◆ Monitoring Report of ◆

Community Aftercare Program



Issued by



**Office of Support Services
Division of Grants Monitoring**

June 7, 2002

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Director

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Lead Auditor

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Our Vision: To be excellent and proficient in monitoring and management services.

BILL PURCELL
MAYOR



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DEPARTMENT OF FINANCE
222 3rd Avenue North, Suite 650
Nashville, TN 37201

June 7, 2002

Sharon Travis, Board President
Community Aftercare Program
418 Prestwick Ct.
Nashville, TN 37205

Dear Ms. Travis:

Please find attached the Monitoring Report of Community Aftercare Program relating to the contract it has with The Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2002. The Division of Grants Monitoring (DGM) is charged with the responsibility of monitoring grant funds from Metropolitan Nashville Government to any nonprofit organizations, which receives appropriations from the Metropolitan Nashville and Davidson County government. DGM is also responsible for monitoring the federal and state grants to departments within the Metropolitan Nashville Government. Staff from the Division of Grants Monitoring conducted the review on March 5, 2002.

We appreciate the assistance provided by your agency during the course of the review. If you have any questions, please call me at 615-862-6170.

Sincerely,

Fred Adom
Director

cc: Ronni Katz, Project Director
David Manning, Director of Finance
Nancy Whittemore, Assistant Director of Finance
Joe Holzmer, Division of Accounts
Kim McDoniel, Internal Audit
Rhonda Pope, Division of Grants Monitoring
Kevin Brown, Division of Grants Monitoring

**Monitoring Report
For
COMMUNITY AFTERCARE PROGRAM**

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OBJECTIVES, SCOPE AND METHODOLOGY

The Division of Grants Monitoring (herein after referred to as DGM) is charged with the responsibility of monitoring grant funds from Metropolitan Nashville Government to any nonprofit organizations, which receive appropriations from the Metropolitan Nashville and Davidson County government. DGM is also responsible for monitoring the federal and state grants to departments within the Metropolitan Nashville Government.

We have completed a monitoring review of the Metropolitan Nashville Government grant to Community Aftercare Program for the year ended June 30, 2002. A monitoring review is substantially less in scope than an audit. DGM did not audit the financial statements and accordingly, does not express an opinion or any assurance regarding the financial statements of Community Aftercare Program. Our objectives for this review were:

- 1) To determine whether the agency has the resources and capacity to administer the grant funds
- 2) To test if costs and service are allowable and eligible
- 3) To verify that program objectives are being met
- 4) To test the reliability of the financial and programmatic reporting
- 5) To test the reliability of internal controls
- 6) To verify contractual compliance
- 7) To verify that civil rights requirements are being met

Community After Care Program offers before and after-school programs at 12 sites in Metro Schools for children in Grades K through 8. Each site is located in close proximity of the enrolled children. The program focuses on the academic enrichment of the children and includes mandatory homework and tutorials. Nine (9) of the twelve (12) sites are funded by Metro: Rose Park Middle; Kirkpatrick Elementary; Apollo Middle; Johnson Middle; Bellevue Middle; Haynes Middle; Two Rivers Middle; Ewing Park Middle and Joelton Middle. Community Aftercare program receives Federal funding for three other sites.

The review was limited to Metropolitan Nashville & Davidson County Government grant L-347 to Community Aftercare Program for the fiscal year ending June 30, 2002. The Metro grant supports approximately Seventy-four percent of the total funding and operations of Community Aftercare Program. To accomplish our objectives of the monitoring review we:

- Interviewed the officials responsible for the grant management, financial reporting and accountability.
- Reviewed 100 percent of payroll for all administrative staff for a sample period and a sample of workers at all sites.
- Reviewed controls and supporting documentation of non-payroll expenditures for allowability, necessity and reasonableness of the costs incurred.
- Reviewed operations and activities offered by Community Aftercare Program and its compliance with the intended beneficiaries of the grant funds.
- Reviewed Community Aftercare Program's compliance with required Civil Rights and ADA regarding accessibility of the services to handicapped clients and measures taken to accommodate the needs of such clients.
- Reviewed Community Aftercare Program's compliance with the reporting requirements imposed by Metro.
- Reviewed the financial stability of the Community Aftercare Program and its ability to continue to administer the grant program funded by Metro.

RESULTS OF MONITORING

Findings considered to be significant can be found in the Findings and Recommendations Section. The Results of Monitoring section presents brief summaries of results of the testing performed including conclusions regarding the key objectives, recommendations for improvement and an action plan for implementing the conclusions. The results of the monitoring are listed below:

1. Possess necessary resources and capacity to administer the grant funds

Our review of the agency's accounting system, the qualification of the individuals assigned to manage the accounting records, and other available resources, indicate that Community Aftercare Program possesses the necessary resources and expertise to administer the grants funds. The agency fiscal staff has several years of experience in grant accounting. The agency uses Quick Books accounting software.

The agency has active board oversight and participation, as evidenced in the review of the agency's board minutes. We reviewed board minutes from 7/01/01 through 11/21/01. We also reviewed the audited financial statements of the agency for the period ending 6/30/00 and 6/30/01. Based on review of the audited financial statements and solvency tests performed, the agency is solvent and has a positive cash flow.

2. Allowable and Eligible costs and services

DGM normally reviews for the agency's compliance with any specific requirements outlined in the grant contract. The contract between Metropolitan Nashville Government and Community Aftercare Program for the year ended June 30, 2002, did not hold Community Aftercare Program to any specific requirements and/or compliance with grants manual with the exception of the submission of annual audited financial statements. Our review determined that Community Aftercare Program was in compliance with this requirement.

We determined that the agency is submitting annual audited financial statements as required. We reviewed the audited financial statements for fiscal years ending 6/30/00 and 6/30/01. We performed various tests of the agency's operating expenditures by testing various cost categories on a sample basis. We noted that the agency does have written accounting policies and procedures, however they were not complete. The written accounting policies and procedures did not address equipment purchases, taking of a physical inventory, nor travel. Our testing did reveal some weaknesses that lead to us being unable to make a determination regarding the allowability of some costs. Please see the Findings and Recommendations section in this report.

Also the contract did not specify for the separate accounting of the Metropolitan Nashville Government grant funds or prohibit co-mingling of the Metro Funds with other sources of funding, therefore the agency used these funds to support general operations. As a result, we could not segregate and account for the expenditures separately funded with Metro dollars. Our review covered all of the core compliance areas identified by OMB Circular A-133, Audits, of States, Local Governments, and Non-Profit Organizations.

3. Program objectives being met

The contract between Metropolitan Nashville Government and Community Aftercare Program for the year ended June 30, 2002, did not hold Community Aftercare Program to any specific Program objectives other than for the general welfare of the residents of Metro Davidson County. The agency's operations generally benefit Metro Nashville residents. Due to the lack of specific program objectives, we were unable to determine whether the program objectives were met.

4. Reliability of financial and programmatic reporting

There were no financial and/or programmatic reporting requirements placed on Community Aftercare Program. The contract only called for submission of an annual audit report performed by a Certified Public Accountant. There was no monthly, quarterly or annual reporting of the uses of the funds back to Metro Government. The agency did however submit a report to the Mayor's Office summarizing the results of its operations for the period ending 6/30/01. Due to the lack of specific requirements on Community Aftercare Program, we were unable to determine whether Metro Funds were used for any unauthorized purposes. However, nothing came to our attention to indicate that the funds were used for any unintended purposes, or any thing that would indicate non-compliance with *OMB Circular A-122, Cost Principles for Non-Profit Organizations*.

5. Reliability of internal controls

The review revealed weaknesses in internal controls of Community Aftercare Program. The agency has policies and procedures in place to account for funds, however, there were weaknesses noted, that if not corrected, could lead to significant questioned costs. We tested various areas of compliance with the agency's policies and procedures and determined that the agency is adhering to its policies and procedures. The agency has good segregation of duties and approval processes in place. However, there were weaknesses noted in the review of supporting documentation maintained by the agency. The tests revealed weaknesses in the agency's ability to properly safeguard agency assets. Please see the Findings and Recommendations section in this report.

6. Contractual compliance

The agency's operations generally benefit Metro Nashville residents as required in the contract. Due to the lack of other specific contractual requirements, we could not test for any specific contractual compliance.

7. Civil rights requirements

The agency does not have a written policy on discrimination, however it does outline steps for the staff to take if a complaint is made, in its handbook, given to all aftercare site directors. The programs are housed in Metro Schools and we observed the necessary postings of Non Discrimination, during a site visit at one of the schools.

Community Aftercare Program is not applying policies consistently across the aftercare program sites. The program guidelines state it is free to all participants. Our tests revealed the agency does not charge fees at eleven of the twelve sites, however, one of the sites require fees for participation. Please see the Findings and Recommendations section in this report.

FINDINGS AND RECOMMENDATIONS

1. The agency is not applying policies consistently

Finding

Community Aftercare Program is not applying its fee policy consistently at all centers. The agency operates twelve aftercare programs located in Metro Public Schools. These centers provide before and after-school program to children in Grades K-8. Nashville Davidson County Government provides funding to assist in the operations of nine of the twelve sites. The services offered at the different sites appear to be similar. Testing and inquiries has revealed the agency offers the services free of charge at 8 of the 9 sites supported with Metro funding (11 of the 12 total sites), but charging a registration fee of \$20.00 for half a year and \$30.00 for a full year, at one of the sites supported with grant funds. There appears to be no basis for the different treatment except for the presumption that parents in that area of the city could afford to pay the fee. That determination is not on a case-by-case basis but general to the location. Also, no determination is being made as to the ability of the parents to pay the fee in the other eleven sites. Such a policy appears biased and could be deemed discriminatory. *OMB Circular A-122, "Cost Principles for Nonprofit Organizations"* requires policies and procedures to be applied consistently throughout the program.

Recommendation

Community Aftercare Program should establish a well-defined fee policy. The fee policy should be applied consistently at all sites and to all program participants. Community Aftercare Program should clearly communicate such policy on advertisements provided to the public and participants, including pamphlets, flyers, and other informational documents advertising the services of its programs.

2. Lack of proper documentation to determine allowability of program costs

Finding

Tests revealed that the agency does not always maintain the proper documentation to support grant expenditures. Receipts and invoices were missing for some credit card purchases, gas purchases and other expenditures. Without the necessary documentation it was difficult determine the business purposes of some purchases, hence the allowability of some of the expenditures charged to the program.

In addition, testing also revealed that Community Aftercare Program purchases gas for the personal vehicles of the administrative staff. There is no allocation being made between personal and business use of the vehicles in question. Tests also showed that the agency does not have a written travel policy. The agency does not reimburse for mileage used in conducting business with personal vehicles, staff are allowed to purchases gas as needed. All of the gas purchases are charged to the program; therefore, personal expenses are being improperly recorded as expenditures of the program.

For costs to be allowable, as set forth in *OMB Circular A-122, "Cost Principles for Non-Profit Organizations."* they should meet the following criteria:

- a. Be reasonable for the performance of the award ...
- b. Conform to any limitations or exclusions set forth in these principles...
- c. Be consistent with policies and procedures that apply uniformly...
- d. Be accorded consistent treatment.
- e. Be determined in accordance with generally accepted accounting principles (GAAP).
- f. Not be included as cost or used to meet cost sharing or matching requirements...
- g. Be adequately documented

A OMB Circular A-122, Cost Principles for Non-Profit Organizations, states, “costs of goods and services for personal use of the organization’s employee are unallowable regardless of whether the cost is reported as taxable income to the employees.” DGM did not question any costs, however, due to the inability to ascertain the business use of the vehicles, some costs could have deemed unallowable.

DGM did not question costs in this report, however such deficiencies could lead to questioned costs in the future.

Recommendations

- A. Community Aftercare Program should ensure that proper and necessary documentation is maintained to support all program expenditures. All financial records, supporting documents, mileage claims, and all other records pertinent to the grant award shall be maintained.**
- B. Community Aftercare Program should establish and implement written travel policy. The policy should include a standard mileage rate for reimbursing staff for using personal vehicles for business. The business miles should be logged and reported on travel claims prior to reimbursements of funds. A standard travel reimbursement form should be used. The current practice of staff purchasing gas by check or on account, with established vendors should cease immediately.**
- C. Community Aftercare Program should ensure that all supporting documentation is maintained on file to adequately support its program expenditures. Such documentation should be readily available for inspection.**

3. Lack of adequate equipment and property records

Finding

The award was intended to support the agency’s general operations. Tests revealed that the agency has purchased equipment and property with Metro grant funds. The agency’s accounting manual does not include any procedures or policies relating to equipment and property purchases. The agency does not maintain equipment and property inventory records, and does not take a physical inventory every two years. The grant award does not include a budget indicating how program funds are to be used.

OMB Circular A-122, Cost Principles for Non-Profit Organizations, paragraph 15, requires recipients of grant funds to maintain equipment and capital expenditures and *paragraph 11*, regarding depreciation and use allowance.

Recommendation

We recommend that the agency include in its accounting manual policies and procedures for property and equipment purchases, including procedures for depreciating assets. The equipment and property records should include the following information: description of the equipment, serial number, tag number, source of funding, acquisition date, acquisition cost, percentage of State and or/Federal and/or local participation in cost, location, condition, disposal date (if applicable), and sale price (if applicable).

4. Other Recommendations

- 1) **Metropolitan Government of Nashville and Davidson County should revise the provisions of the contract with Community Aftercare Program to include, but is not limited to the following:**
 - a) **Specific provisions for program outcomes**
 - b) **Specific financial reporting requirements, including format, frequency and type of cost.**
 - c) **Specific programmatic reporting requirements, including format, frequency and type of information**
 - d) **Reference to compliance requirements that Community Aftercare Program will be subject to.**

- 2) **Metropolitan Government of Nashville and Davidson County should develop a Grants Manual that will outline the minimum and general expectations and requirements of all grant recipients of Metro Funds. This manual should address allowable and unallowable costs and cost principles to be followed by all nonprofit recipients of Metro funds**

- 3) **Metropolitan Government of Nashville and Davidson County should address the process and necessary claim documentation by which Community Aftercare Program and other nonprofits request funds to administer appropriated dollars.**