

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**



August 10, 2009

Peggy Cockerham, Board Chair  
Ujima House, Inc.  
PO Box 280365  
Nashville, TN 37228

Dear Ms. Cockerham:

Please find attached the Monitoring Report of the Ujima House, Inc. relating to the contract it has with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2008.

The Office of Financial Accountability (OFA) is charged with the responsibility of monitoring grant funds from Metropolitan Nashville Government to any nonprofit organization. The OFA is also responsible for monitoring the federal and state grants to departments within the Metropolitan Nashville Government. Staff from the OFA concluded the review on June 11, 2009.

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

Sincerely,

Fred Adom, CPA  
Director

cc: Ervina Jarret, Executive Director  
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  
Kevin Brown, Office of Financial Accountability  
Laura Cowan, Office of Financial Accountability  
Brad Thompson, Office of Financial Accountability



◆ Monitoring Report of ◆

# Ujima House, Inc.



Conducted by



## Office of Financial Accountability

August 10, 2009

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 Ujima House. 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 Metropolitan Government of Nashville and Davidson County (hereinafter referred to as “Metro”) or any of its component units. 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 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	Grantor	Amount	Term	Use
L-1929	Direct Appropriation	Metro Government	\$45,000	July 1, 2007 to July 30, 2008	Support Services

### Agency Background

The Ujima House is a private, non-profit entity offering services to victims of domestic violence. The agency’s mission is to break the cycle of domestic violence for families in Nashville and Davidson County. The Ujima House provides a safe and supportive environment to victims of domestic violence in need of confidential living arrangements and intervention. The agency also provides client transportation, food, clothing, and other personal items.

In addition to providing confidential shelter in a safe environment for those seeking immediate protection, the Ujima House assists clients in obtaining social services such as food stamps, TennCare, and other professional counseling services as needed.

## OBJECTIVES, SCOPE AND METHODOLOGY

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The objectives of our review were:

- 1) To determine whether the agency has the resources and capacity to administer the grant funds.
- 2) To determine if costs and services 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 verify contractual compliance.

The scope of our review was limited to the contract term July 1, 2007 through June 30, 2008.

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-1929. 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
Agency in Compliance with Grant Requirements?		✓
Sufficient Resources and Capacity to Administer Funds?		✓
Costs and Services are Allowable and Eligible?		✓
Program Objectives being 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. 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's bookkeeping was done by a professional accounting service. However due to the nature of the accounting records and supporting documentation, the agency failed to properly document the use of 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*. Based on our testwork, the majority of costs and services during the period were neither allowable nor eligible. As explained in our findings and recommendations below, the agency was noncompliant with certain contract stipulations related to allowable and eligible costs and services. First, the agency failed to properly segregate the Metro grant funding from other sources of revenue. After reviewing the agency's accounting practices, we noted that the agency did not properly account for the Metro grant funds separately, but rather co-mingled Metro grant funding with other sources of revenue.

Second, the agency did not adhere to the grant spending plan and failed to maintain adequate supporting documentation for expenditures. Because supporting documentation was inadequate or in some cases nonexistent, we were unable to determine if all costs incurred by the agency complied with applicable guidelines outlined in OMB Circular A-122.

Finally, the Ujima House failed to comply with specific terms of the contract, which stipulates that grant funds are to be used for specific purposes during the contract period. Of the \$45,000 direct appropriation received by the agency, \$32,426 (72%) is considered questioned cost and should be refunded to Metro

## **RESULTS OF REVIEW**

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immediately. Finding #2 in the Findings and Recommendation Section provides additional details.

### **3. Program Objectives**

The contract stipulates that the Grantee shall use the funds for general operating expenses to assist the agency in providing a safe and supportive environment to victims of domestic violence. Specifically, the Ujima House was to work to empower the clients it serves through the delivery of shelter to approximately 75 – 100 women and children in need of emergency shelter/crisis counseling, community outreach and education, referrals to local resources, and a 24-hour crisis line. Based on our review of program documentation and interviews of staff personnel, these objectives were not met and the agency is not 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. Although the agency complied with basic financial and program reporting requirements related to timeliness, we have concluded that certain information on both required reports is essentially inaccurate. Additional information is provided in Findings #1 and #2.

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

In order to determine the adequacy of the design of internal controls, we obtained and reviewed an independent auditor's report on internal control over financial reporting and/or a completed internal control questionnaire. This audit procedure was performed solely as a basis for determining our testwork and to assist us in making suggestions for improvement to management. We did not evaluate the operating effectiveness of internal controls over financial reporting.

## RESULTS OF REVIEW

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The agency lacks an effective internal control environment. We found that the Ujima House Board of Directors did not meet nor provide any oversight of agency operations during the grant contract period, but rather allowed the Executive Director full control over entity operations. Internal controls are vital in safeguarding the assets of all agencies from misuse or abuse. Because the Ujima House is predominately run by a single employee, Board oversight is even more essential.

### **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.

## **FINDINGS AND RECOMMENDATIONS**

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### **1. Program Objectives Not Met**

The Ujima House submitted their final program report to the Division of Grants Coordination on August 14, 2008. The report indicated the agency had served over 100 clients in some capacity during the grant period. Further, the agency stated it had provided shelter to 17 specific clients. However, supporting documentation revealed that the agency had in fact supported only one client during the year. One client had been provided shelter during the grant period, rather than the 17 which had been reported. We found that this sole client had three children which the agency assisted. Therefore, the Ujima House assisted one client and four individuals during the grant period. The Final Program Report requires the agency to provide a summary of the program outcomes and accomplishments, number of participants, and the impact the program had on the targeted population. Per the grant contract under Scope of Services A.3, “the recipient shall utilize Metro grant funding only for services the recipient provides to documented residents of Davidson County.” The contract further stipulates in A.4, “additionally, the recipient shall collect data on the primary county of residence of the clients it serves and provide that data to Metro along with its final program and expenditures reports.”

#### **Recommendation:**

The Ujima House should take the necessary steps to correct the final program report submitted to Metro. The Ujima House should also ensure that information provided to Metro regarding program outcomes is accurate and properly documented.

### **2. Grant Funds not Fully Expended during the Contract Period**

The Ujima House failed to properly segregate Metro funding from other sources of funding. As a result of the co-mingling of funds, the agency was unable to provide specific expenditures charged to the Metro Grant.

Per the Metro Grants Manual, Chapter 3, Standards for Financial Management: Recipients of Metro funds must ensure that the accounting system meets certain

## FINDINGS AND RECOMMENDATIONS

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minimum standards. Each grantee’s accounting system should provide for or allow the following features:

- Receipts/revenues classified by source.
- Expenditures identified by the grant and classified by the budget categories in the grant contract.
- Adequate information to allow for prompt submission of expenditure reports.
- Grant funds should NOT be commingled with other sources of funding.
- Funds specifically budgeted for one project may not be used to support another project.

The Ujima House also failed to comply with the approved grant spending plan or grant budget. Per the grant contract, almost half of the grant was to have been utilized for salaries. However, review of the agency’s general ledger revealed that the agency did not have employees but was rather operated by consultants whose compensation was charged as consultant fees. In addition, the agency failed to seek a budget revision from the Metro Finance Department, Division of Grants Coordination prior to expending the grant funding. Per the Division of Grants Coordination, “recipients shall notify the Division of Grants Coordination of Spending Plan revisions prior to submitting the invoice in which the deviation occurs to Metro Payment Services. For spending plan revisions greater than 10% of the entire spending plan, the spending plan revision letter should be completed and submitted along with the revised spending plan to the Division of Grants Coordination.” The following table details the approved spending plan versus the agency’s actual expenditures:

Line Items	Budget	Actual
Salaries and Wages	\$23,000.00	\$0.00
Taxes & Benefits	\$1,760.00	\$1,060.00
Professional Fees	\$2,940.00	\$32,942.10
Supplies	\$300.00	\$4,640.52
Communications	\$1,500.00	\$3,157.62
Occupancy	\$10,000.00	\$20,319.24
Insurance	\$3,500.00	\$0.00
Specific Assistance to Individuals	\$2,000.00	\$2,055.76

## FINDINGS AND RECOMMENDATIONS

Because the agency failed to account for the Metro Grant separately, we used the ratio of Metro grant funding to total funding in determining allowable costs. The following table shows the agency's revenue sources, amounts, and the percentage of each type:

Revenue Source	Amount	Percentage of Revenue
Metropolitan Government of Nashville	\$45,000.00	35.10%
State of Tennessee	\$75,000.00	58.50%
Contributions	\$6,962.93	5.43%
United Way	\$1,234.92	0.96%
<b>Total</b>	<b>\$128,197.85</b>	<b>100.00%</b>

Since the agency was required to utilize the grant funding in accordance with the approved grant spending plan, we applied the percentage of revenue supplied by Metro to the actual expenditures incurred by the agency in the approved line items. As such, we allowed 35.1% of the actual expenditures in each line item up to the maximum amount allowed by Metro. The following table details the maximum amount allowed to be charged to Metro for each approved line item:

Line Items	Budget	Actual	35.10% of the Actual Expenditures upto the Maximum allowable by the Grant Budget
Salaries and Wages	\$23,000.00	\$0.00	\$0.00
Taxes & Benefits	\$1,760.00	\$1,060.00	\$372.06
Professional Fees	\$2,940.00	\$32,942.10	\$2,940.00
Supplies	\$300.00	\$4,640.52	\$300.00
Communications	\$1,500.00	\$3,157.62	\$1,108.32
Occupancy	\$10,000.00	\$20,319.24	\$7,132.05
Insurance	\$3,500.00	\$0.00	\$0.00
Specific Assistance to Individuals	\$2,000.00	\$2,055.76	\$721.57
<b>Total Allowable Cost</b>			<b>\$12,574.01</b>

We concluded that the Ujima House has reported \$32,426 in questioned cost to Metro. The following table details the amount of funding received from Metro, the amount of allowable cost, and the amount of questioned cost incurred by the Agency during the contract period:

Metro Revenue	\$45,000.00
Total Allowable Cost	\$12,574.01
Total Questioned Cost	\$32,425.99

## FINDINGS AND RECOMMENDATIONS

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In addition to the issues noted above, we also noted several questionable expenses incurred by the agency in line items specifically not allowed. The agency billed Metro for costs associated with airline travel, rental cars, and department store purchases in another state. Further, the agency billed Metro for hotel costs, gas, and other questionable items. Inquiries as to the business purpose of these costs revealed that the Ujima House Executive Director had recently moved to another state and was continuing to operate the Nashville based domestic violence shelter. Since the Director wished to operate the shelter from another state, periodic trips to Nashville required plane tickets and rental car fees. The Ujima House Director inappropriately charged those expenses to the Metro grant. The following table details the type of expenses, the amount of each type of expense and the total questionable costs for line items not allowed by Metro:

<b>Type of Expenses</b>	<b>Amount</b>
Air Travel	\$1,257.93
Hotels and Rent A Cars	\$1,927.96
Gas	\$943.07
Department Stores in Another State	\$1,098.61
Other Items	\$2,801.58
<b>Total Questionable Expenses</b>	<b>\$8,029.15</b>

### **Recommendation:**

The Ujima House should immediately repay Metro Nashville Government \$32,426, which constitutes the total amount of questioned cost. In addition, the agency's management and Board of Directors should periodically review compliance with contractual requirements. At a minimum, the Board should ensure that all grant funding is properly expended during the contractual period for allowable costs.

### **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 Tiffy Barnett at the address below:

Tiffy Barnett  
Division of Grants Coordination  
222 Third Avenue North, Suite 501  
Nashville, TN 37201