

BILL PURCELL  
MAYOR



**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**

DEPARTMENT OF FINANCE  
222 THIRD AVENUE NORTH, SUITE 650  
NASHVILLE, TENNESSEE 37201

October 26, 2005

William McInnes, Chairman  
**CEO Academy**  
116 30<sup>th</sup> Avenue South  
Nashville, TN 237203

Dear Mr. McInnes:

Please find attached the monitoring report of the CEO Academy relating to the contract it has with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2005.

The Office of Financial Accountability (OFA) is charged with the responsibility of monitoring grant funds from Metropolitan Nashville Government to nonprofit organizations. The OFA is also responsible for monitoring the federal and state grants to departments within the Metropolitan Nashville Government. Staff from the OFA conducted this review on September 15, 2005.

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,

A handwritten signature in black ink, appearing to read "Fred Adom".

Fred Adom  
Director

cc: Terri Chapman, President  
David Manning, Director of Finance  
Talia Lomax-O'dneal, Deputy Director of Finance  
Kim McDoniel, Assistant Director of Finance  
Don Dodson, Internal Audit  
Bryan Gleason, Office of Financial Accountability  
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◆ Monitoring Report of ◆

# CEO Academy



**Issued by**



## Office of Financial Accountability

October 26, 2005

Fred Adom, CPA  
Director

Bryan Gleason  
Lead Auditor

Kevin Brown,  
Auditor

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

Monitoring Report  
for the  
CEO Academy

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## OBJECTIVES, SCOPE AND METHODOLOGY

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The Office of Financial Accountability (herein after referred to as OFA) 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. The OFA 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 the CEO Academy for the year ended June 30, 2005. 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 assurance regarding the financial statements of the CEO Academy. 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

The review was limited to the Metropolitan Government of Nashville and Davidson County grant L-1313 in the amount of \$30,000 to the CEO Academy for the fiscal year ending June 30, 2005. CEO Academy is a nonprofit organization chartered in the State of Tennessee for the purpose of providing tutorial, business leadership, business consulting, and team building activities for students in the 1<sup>st</sup> – 12<sup>th</sup> grade. Grant funds from contract #L-1313 were used to cover the cost of office space and insurance for these programs.

The CEO Academy, Inc. consists of programs designed to build character, business acumen, and leadership skills. The Millionaires in the Making, Front Row Learning Center, and Camp Fun Shop are the core programs. The programs primarily target children in 1<sup>st</sup> – 8<sup>th</sup> grades. High school alumni return to work as teacher's aides, tutors, and administrative assistants. The program outcomes, measured by teachers' evaluation demonstrated that 100% of the students met graduation requirements.

Fifty one percent (51%) of the participants are at or below the medium income level for the Nashville Metropolitan Area. The CEO Academy has served a total of 279 students from the following programs: Front Row Learning Center (39), Camp Fun Shop (50), Millionaire in the Making (40), and Outreach Programs (150). Ninety five percent (95%) of the participants reside in Davidson County.

To accomplish our objectives of the monitoring review we:

- Interviewed the officials responsible for the grant management, financial reporting, and accountability.
- Reviewed controls and supporting documentation of expenditures for allowability, necessity and reasonableness of the costs incurred.
- Reviewed operations and activities offered by the CEO Academy and its compliance with the intended beneficiaries of the grant funds.
- Reviewed the financial stability of the CEO Academy and its ability to continue to administer the grant program funded by Metro.
- Reviewed the agencies General Ledger to verify the accuracy of the agency's invoices submitted to Metro.

## **RESULTS OF MONITORING**

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The overall results of the monitoring review for the CEO Academy are provided in this section. The results are based on tests performed and include conclusions regarding the specific review objectives and, if applicable, recommendations for improvement and an action plan for implementing the conclusions. Where applicable, the Findings and Recommendations section of the report provides more insight into the problem identified in the results below.

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

Our review of the agency's accounting system, the qualifications of the individuals assigned to manage the accounting records, and other available resources, indicates that the CEO Academy possesses the necessary resources and expertise to administer the grants funds. The agency's bookkeeping is handled by an outsourced consultant who has several years of bookkeeping/accounting experience. The OFA was unable to obtain the listing of current board members and the positions they hold, verify the frequency of board meetings, and the official minutes of the board of directors' meetings.

### **2. Allowable and Eligible costs and services**

The OFA normally reviews for the agency's compliance with any specific requirements outlined in the grant contract. The contract between Metropolitan Nashville Government and the CEO Academy for the year ended June 30, 2005, required the CEO Academy to use the grant funds to provide tutorial, business leadership, business consulting, and team building, activities for students in the 1<sup>st</sup> – 12<sup>th</sup> grades. Specifically, the funds were to be used to cover the cost of office space and insurance for these programs.

The CEO Academy offers the following programs: The **Millionaires in the Making program** served 40 students of which, 20 successfully graduated. The outcome was measured by monthly quizzes and project planning activities. Students who attended 90% of the workshops and made 85% or above on activities and quizzes graduated.

**Front Row Learning:** This program opened October 2004 – April 2005. The program served 39 children. A total of 960 one-on-one tutorial sessions were held during this period. Based on report card data, 87% of students showed improvement in math and reading during the seven-month period.

**Camp Fun Shop:** This program is open June – July. The summer entrepreneurial camp, held at David Lipscomb University, serves as a launch pad for young entrepreneurs. Students in grades 1<sup>st</sup> – 8<sup>th</sup>, write business plans, research their market, and develop products and services. Fifty students enrolled in the camp, of which, twenty five graduated from the camp.

The grants manual specifies for the separate accounting of the Metropolitan Nashville Government grant funds to prohibit co-mingling of the Metro Funds with other sources of funding. The agency is in compliance with this requirement of the grants manual. The agency has established different revenue classes as well as expenditure classes, so the agency can accurately track the sources and amounts of their funding. Our review covered all of the core compliance areas identified by OMB Circular 133 Audit of States, Local Government, and Non-Profit Organizations.

### **3. Program objectives being met**

The contract between Metropolitan Nashville Government and the CEO Academy of Metropolitan Nashville for the year ended June 30, 2005, stipulates that the Grantee is to use grant funds to cover the cost of office space and insurance. Our tests reveal the program objectives were being met.

## **RESULTS OF MONITORING**

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### **4. Reliability of financial and programmatic reporting**

The contract called for submission of an annual audit report performed by a Certified Public Accountant. The CEO Academy of Metropolitan Nashville is required to submit to Metro reports of the program outcome and a final expenditures report 45 days after the close of the contract. Our review determined that the CEO Academy of Metropolitan Nashville was in compliance with this requirement.

### **5. Reliability of internal controls**

Our review of the internal controls of the CEO Academy of Metropolitan Nashville revealed the executive director is solely in charge of financial processes without any oversight. Tests indicate the executive director makes all purchases, approves all invoices and vouchers, processes all payroll transactions, and distributes checks. The executive director is also the sole signatory on all checks and there is no second signature required or apparent board oversight. Such weaknesses in internal control could lead to potential abuse and/or mismanagement of agency funds without immediate detection. See the Findings and Recommendation section for further discussion of this issue.

### **6. Civil rights requirements**

Our review did not reveal anything to indicate that the CEO Academy of Metropolitan Nashville is not in compliance with civil rights requirements. The agency had not received any complaints regarding any form of discrimination and the agency had civil rights and ADA posting in public places.

## **FINDINGS AND RECOMMENDATIONS**

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### **1. The agency needs closer board oversight and involvement.**

#### **Finding**

Our review revealed the executive director is solely in charge of financial process without any oversight. Tests indicated the director makes all purchases, approves all invoices and vouchers, and processes all payroll transactions and distributes checks. The executive director is also the sole signatory on all checks; there is no second signature required. Nothing came to our attention to indicate close board involvement and oversight in the agency's operations. The agency was unable to produce adequate documentation or records outlining the board make up, positions, meetings held, or minutes of the Board of Directors meetings.

The Board of Directors of a nonprofit corporation is legally and financially responsible for the conduct of the organization. The board governs the organization and has specific fiduciary responsibilities for which it must be accountable. The board's role should not be passive, but rather active for the good of the nonprofit organization and for reducing liability of the individual directors. State laws may establish a minimum size of a nonprofit board, however as a general guide, nonprofit corporations should have at least five or more board members who are related only in their commitment to the organization.

Generally the board members should not become involved in daily operation of the nonprofit organization but rather should develop the standards of organizational behavior and the financial controls necessary to ensure the integrity of the agency's operations. In the case of the CEO Academy, the board is responsible for the contracts and obligations the agency enters into; therefore, failure to exercise proper oversight could result in the waste and/or abuse which the board could be responsible.

#### **Recommendation**

**The CEO Academy should take immediate steps to improve its internal controls. Such actions should include but are not limited to the following:**

- **The agency should establish a well-functioning board of directors.**
- **The board of directors should meet regularly to discuss issues concerning the operations of the agency and stay actively engaged in the oversight of the agency's operations.**
- **Any actions taken and minutes of the board meetings should be recorded and made readily available for review**
- **The board should institute controls to ensure that no one person is in complete control of any financial transaction.**
- **The board should ensure that all checks or checks beyond an established threshold amount require at least two signatures.**
- **The board should ensure that someone not involved in approving and making purchases, reconciles bank accounts on a regular basis.**