

BILL PURCELL
MAYOR



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

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

February 27, 2007

Dr. Lucy High, Board Chair
CEO Academy
7028 South Hampton Dr
Antioch, TN 37013

Dear Dr. High:

Please find attached the Monitoring Report of the CEO Academy relating to the contract it had with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2006.

The Office of Financial Accountability (OFA) is charged with the responsibility of monitoring grant funds from Metropolitan Nashville Government to any 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 the review on September 26, 2006. Please review and respond with a corrective action plan as directed in the report.

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

Fred Adom
Director

cc: Terri Chapman, Executive Director
David Manning, Director of Finance
Talia Lomax-O'dneal, Deputy Director of Finance
Kim McDoniel, Assistant to the Director of Finance
Don Dodson, Internal Audit
Kevin Brown, Office of Financial Accountability



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◆ Monitoring Report of ◆

CEO Academy



Issued by



Office of Financial Accountability

February 27, 2007

Fred Adom, CPA
Director

Kevin Brown,
Lead 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

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, 2006. 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-1527 in the amount of \$105,000.00 to the CEO Academy for the fiscal year ending June 30, 2006. The 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 2nd through 12th grades. The CEO Academy utilizes the grant funds to support general operations of three programs; Millionaires in the Making, Tutors to You, and Camp Fun Shop. The Millionaires in the Making programs serves 20 youths through workshops designed to increase their knowledge of character education. The CEO Academy provided tutors for an after school program that targets 20 at risk students in order to assist them with homework through the Tutors to You Program. Camp Fun Shop is designed for at least 35 students who attend week long camp sessions designed to teach business principles. 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 agencies invoices submitted to Metro.

RESULTS OF MONITORING

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 qualification 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 concluded that the agency's does not have enough board oversight. Finding #1 in the Findings and Recommendation section provides further discussion on the lack of board oversight.

2. Allowable and Eligible costs and services

The contract between Metropolitan Nashville Government and the CEO Academy for the year ended June 30, 2006 was to support its general operations while providing academic, leadership, and entrepreneurial training for students grades 2-12. Our tests covered the financial reports submitted to Metro for the grant period. Based on these tests, the OFA concluded that the CEO Academy had made an expenditure that was unallowable toward the grant funds. Finding #2 in the Finding and Recommendation Section furthers further discussion on the unallowable cost.

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. Also, the agency can easily and accurately report their expenses supported by the Metro Appropriation.

3. Program objectives being met

The contract between Metropolitan Nashville Government and the CEO Academy for the year ended June 30, 2006, stipulates that the Grantee was to utilize the grant funds "to support its general operations." The contract further stated that the grantee was to "specifically, provide academic, leadership, and entrepreneurial training for students grades 2-12." The grantee was to provide the following programs: Millionaires in the Making that was to serve a minimum of 20 youths, Tutors to You Program that was to serve 20 at risk students, and Camp Fun Shop that was to serve a minimum of 35 students. The CEO Academy provides financial assistance for students in Camp Fun Shop. Per agency staff, financial assistance is determined on the income of the student's guardians, however during testing, the OFA concluded that the agency is not consistent with determining the amount of financial assistance that is awarded. Finding #3 in the Finding and Recommendation Section provides further discussion on the inconsistency of the agency when awarding financial assistance to program participates. The grant contract also states that the participants are to be "documented residents of Nashville and Davidson County." Review of program participant's files revealed that documentation is not always maintained. Finding #4 in the Findings and Recommendation Sections provides further discussion on the lack of documentation being maintained to support participants' eligibility.

RESULTS OF MONITORING

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 is required to submit to Metro reports of the program outcome and a final expenditure report 45 days after the close of the contract. Our review revealed that the CEO Academy was in compliance with this requirement.

5. Reliability of internal controls

Our review of the internal controls of the CEO Academy revealed weaknesses that the agency needs to improve. A, Finding #1 in the Findings and Recommendation Section provides further discussion on the lack of Board oversight.

6. Civil rights requirements

We were unable to determine the agency's compliance or otherwise with the Civil Rights requirements. While our review did not reveal anything to indicate that the CEO Academy was not in compliance with civil rights requirements we observed that it did not seem that the agency had a permanent office. The OFA noted that although the agency had indicated the David Lipscomb University campus as their base of operations, it appeared the day to day operations for CEO Academy was based in the Executive Director's home. The OFA did not notice permanent office for the program on David Lipscomb campus and therefore could not attest to having observed Civil Rights posting for the agency. The agency stated it had not received any complaints regarding any form of discrimination.

FINDINGS AND RECOMMENDATIONS

1. The agency needs closer board oversight and involvement.

Finding

Our review revealed that the Board of Directors did not meet for the first 6 months of the grant period. The first Board of Directors meeting in the fiscal year ended June 30, 2006 was on December 30, 2005. The Board of Directors of a non-profit corporation is legally and financially responsible for the conduct of the organization. The board governs the organization and has specific fiduciary responsibilities for the agency and must maintain active oversight of its operations. Review of the board minutes also revealed that the Executive Director is listed as present along with the other board members and there is no distinction as to whether or not the Executive Director is a voting or non-voting attendee. The distinction between board members and employees should be made clear as to whether employees attending board meetings have voting rights or not. Such distinction if not clearly defined could affect quorum.

Recommendations

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 regularly scheduled meetings of the board of directors to discuss issues concerning the operations of the agency and as to stay actively engaged in the oversight of the agency's operations.**
- **Distinction between voting and non-voting attendees of board meetings should be clearly defined.**

2. Unallowable cost reported to the Grantor.

Finding

Our review of the agency's general ledger and documentation to support expenditures under the grant revealed that the CEO Academy made a \$1,000.00 contribution to a "Dr. Holt Foundation", possible a foundation in honor of a TSU professor. Per the Metro Grants Monitoring Manual Chapter 6: Unallowable Cost contributions and donations by the organization to others are unallowable.

Recommendation

The CEO Academy should ensure that expenditures are allowable, necessary and reasonable per the grant agreement.

3. Inconsistent determination of Financial Assistance awarded.

Finding

Our review of the Camp Fun Shop program participants revealed that the agency is not consistent when determining the amount of financial assistance to be awarded. Per agency staff, the amount of financial assistance is determined on an income basis; however testing revealed that this is not always the case. The agency does not have written policies or documented sliding scale as to how much financial assistance is to be awarded based on income. There were times when program participants received more financial assistance than other participants even when their guardian's incomes were 3 times higher than that of the other participant. Also noted during testing was that the agency charged Metro Social Services \$500.00 per

FINDINGS AND RECOMMENDATIONS

participant, for 3 participants, under Metro Social Service's voucher program. However, under the income basis for determining financial assistance for the other participants, the fees for the three participants paid for by Social Services would probably be less than the \$500.00 that was charged.

Recommendation

The CEO Academy should establish written policies on how financial assistance is awarded and should ensure that the policy is applied on a consistent basis.

4. Missing documentation to support program participants' eligibility.

Finding

Our review revealed that the CEO Academy does not always maintain documentation to support a program participant's eligibility. Tests revealed that documentation to support 29% (12 out of the 41 tested) of the Camp Fun Shop participants; 20% (4 out of 20) Millionaires in the Making program residence eligibility were missing. The grant contract, "the recipient shall utilize Metro funding for services which the recipient provides to documented residents of Davidson County only." We were unable to confirm the agency's compliance with this requirement.

Recommendation

The CEO Academy should ensure that documentation to support a participant's residence is maintained and included in the participants' files.

Corrective Action Plan Required

Please submit a plan within 30 days from the report date, indicating the actions the agency intends to take to correct the findings identified in the report to Ms Tiffany Barnett at the address below:

Ms Tiffany Barnett
Metro Finance Department
Division of Grants Coordination
222 Third Avenue North, Suite 650
Nashville, TN 37201