

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



April 8, 2009

Mr. Randy Goodman, Board Chair
Country Music Association
1 Music Circle South
Nashville, TN 37203

Dear Mr. Goodman:

Please find attached the Monitoring Report of the Country Music Association 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 conducted the review on April 1, 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

Fred Adom, CPA
Director

cc: Shereme Siewnarine, Manager of Financial Services

Tim Wipperman, Secretary/Treasurer
Tammy Genovese, CEO
Bobette Dudley, Sr. Vice President of Operations
Amy Smartt, Vice President of Finance and Administration
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** ◆

Country Music Association (CMA)



Conducted by



Office of Financial Accountability

April 8, 2009

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of the Country Music Association in accordance with *Generally Accepted Government Auditing Standards*. 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-1953	Direct Appropriation	Metro Government	\$1,000,000	July 1, 2007 to July 30, 2008	Professional Fees and Production Expenses

Agency Background

The Country Music Association organizes and produces the CMA Music Festival, which began as Fan Fare in 1972. The event draws country music fans from across the world. In an effort to broaden the event, extend the stay of visitors and reach out to include the local community, CMA leaders, the Metropolitan Government of Nashville, and the Nashville Convention and Visitors Bureau (NCVB) recently unveiled plans for the 2009 CMA Music Festival to include the addition of a new stage on the Public Square and free access to concerts at Riverfront Park.

The CMA Music Festival is beneficial to the City of Nashville. In 2008, the NCVB estimated that the CMA Music Festival generated \$22 million in direct visitor spending. Proceeds from the festival also support music education in Metro Nashville Public Schools. Each year, the agency donates half the net profits of the CMA Music Festival for music education in Metro Nashville Public Schools. The 2008 donation was \$1,011,294, which will buy musical instruments for 31

elementary, middle, and high schools. To date, CMA has donated \$2,245,421 to Metro Schools to purchase instruments and supplies, and build music labs.

OBJECTIVES, SCOPE AND METHODOLOGY

Objectives, Scope and Methodology

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-1953. Specific procedures included:

- Interviewing the officials 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
Agency in Compliance with Contract 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

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, the qualification of the individuals assigned to manage the accounting records, and other available resources, indicates that the agency possesses the necessary resources and expertise to administer 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, costs and services during the period were allowable and eligible. Costs incurred by the agency complied with applicable guidelines stated in OMB Circular A-122.

Additionally, 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 is 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 adequately report their expenses supported by the Metro Appropriation.

3. Program Objectives Being Met

The contract stipulates that the Grantee shall use the funds specifically to defray the cost of the CMA Music Festival and CMA Awards. Based on our review of program documentation and interviews of staff personnel, these objectives are

RESULTS OF REVIEW

being met and the agency is 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. 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.

Our review of the design of the agency's internal controls did not reveal any control deficiencies. Further, nothing came to our attention that would necessitate suggestions for improvement in internal control activities to management.

6. Civil Rights Requirements

Our review did not reveal anything to indicate that the agency was noncompliant with civil rights requirements. The agency 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.