

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



April 3, 2009

Deb George, Board Chair
Jefferson Street United Merchants Partnership, Inc.
1215 9th Avenue North, Suite 201
Nashville, Tennessee 37208

Dear Ms. George:

Please find attached the Monitoring Report of the Jefferson Street United Merchants Partnership, Inc. relating to its contract 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 March 25, 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: Sharon Hurt, 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** ◆

Jefferson Street United Merchants Partnership, Inc.



Conducted by



Office of Financial Accountability

April 3, 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 Nashville Symphony 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-1994	Direct Appropriation	Metro Government	\$45,000	July 1, 2007 to July 30, 2008	Salaries and Annual Events

Agency Background

J.U.M.P. is a non-profit organization in existence since 1994 whose purpose is to create a framework for advancing Jefferson Street. The agency seeks to develop and foster cooperative economic development through revitalization, acquisition, education and public safety programs in North Nashville. Currently, they have over 111 individuals and organizations that participate in active membership, all focused on keeping Jefferson Street alive and thriving.

According to the agency’s website, their mission is to “empower merchants and residents to promote and preserve the Jefferson Street Community”. Strategic objectives include increasing the percentage of individuals who engage in economic activity on Jefferson Street at least once per week and implementing a community-led, mixed use development plan in north Nashville, among others.

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-1994. 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. 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 has a system in place to accurately report their expenses supported by the Metro Appropriation.

3. Program Objectives Being Met

The contract stipulates that the Grantee must utilize the funding for documented residents of Nashville and Davidson County only. Based on our review of program documentation and interviews of staff personnel, these objectives are being met and the agency is in compliance with contractual program objectives.

RESULTS OF REVIEW

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 a completed internal control questionnaire. These audit procedures were 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 revealed that there is a lack of segregation of duties over the cash and payroll/personnel functions. The agency's executive director is currently performing all duties relating to the cash and payroll cycles. It should be noted, however, that the agency is in the process of seeking additional operating personnel which may alleviate any risks currently posed by the improper segregation of duties. We also found that a bonus check had been paid to the Executive Director in excess of the amount which had been authorized by the Board of Directors. Although the \$50 overpayment was immaterial, we are bringing it to the Board's attention. Please see the Findings section for specific recommended improvements in internal control activities.

6. Civil Rights Requirements

Our review did not reveal anything to indicate the agency was noncompliant with civil rights requirements. The agency has necessary written policies and procedures relating to civil rights. No complaints regarding any form of discrimination have been received. Further, civil rights and ADA postings are publicly displayed.

FINDINGS AND RECOMMENDATIONS

1. Improper Segregation of Duties

The agency's office is currently staffed by a single individual who performs all of the day to day operational activities. This is considered an improper segregation of duties. Although cost benefit constraints should always be considered, in general, individuals opening the mail or collecting funds should not also be allowed to record those receipts into the accounting system and employees who have access to the accounting system should not also be allowed to reconcile the agency's monthly bank statements. Proper segregation of duties reduces the possibility of an employee both perpetrating and concealing errors or fraud in the normal course of his or her duties.

In addition, authorized pay rate changes and bonuses should be recorded by someone independent of the payroll function -- usually a separate personnel or human resources department or representative. Properly segregated payroll and personnel functions prevent an employee from entering incorrect pay rates and bonuses into the system and subsequently issuing themselves a payroll check in an incorrect or unauthorized amount.

Recommendation: Additional staff should be considered to assure proper segregation of duties. If deemed cost prohibitive, the Board of Directors should engage in active oversight and participation in respect of certain operational activities so as to minimize current risks posed by the absence of properly segregated internal control activities.

2. Immaterial Overpayment made to Executive Director

During our review, we found a check had been written for a bonus to the Executive Director during the period which exceeded the amount which had been authorized by the Board of Directors by \$50. Although immaterial, generally accepted governmental auditing standards require us to notify you of all improprieties of management, no matter how small or inconsequential.

Recommendation: Additional staff should be considered to assure proper segregation of duties over payroll and personnel. If deemed cost prohibitive, the Board of Directors should engage in active oversight and participation in respect of payroll and personnel functions so as to minimize current risks posed by the absence of properly segregated internal control activities.