

BILL PURCELL
MAYOR



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

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

October 20, 2006

Maliaka Bass, Board Chair
Kelly Miller Smith Center
460 10th Circle North
Nashville, TN 37203

Dear Board of Directors:

Please find attached the Monitoring Report of the Kelly Miller Smith Center relating to the contract it has 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 14, 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: Ruth Dennis, Kelly Miller Smith Center
Alice Smith, Kelly Miller Smith Center
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
Bill Walker, Office of Financial Accountability



Metropolitan Government of Nashville and Davidson County

◆ Monitoring Report of ◆

Kelly Miller Smith Center

Issued by



Office of Financial Accountability

October 20, 2006

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

Monitoring Report
for the
Kelly Miller Smith Center

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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 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 Kelly Miller Smith Center 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 Kelly Miller Smith Center. 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-1438 in the amount of \$45,000 to the Kelly Miller Smith Center for the fiscal year ending June 30, 2006. The Kelly Miller Smith Center was officially established in September 1993 and incorporated as a non-profit organization late in the fall of 1994. The primary purpose of the agency is to provide programs that are designed to stop violent and abusive behavior. The agency provides specialized counseling to those who are engaged in or victims of abuse.

The grant funds were to be used to support the general operations of the agency.

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 Kelly Miller Smith Center and its compliance with the intended beneficiaries of the grant funds.
- Reviewed the financial stability of the Kelly Miller Smith Center 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

The overall results of the monitoring review for the Kelly Miller Smith Center 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 Kelly Miller Smith Center possesses the necessary resources and expertise to administer the grants funds. The agency's fiscal staff has several years of grant accounting experience. The agency uses Peachtree accounting software to record financial transactions. The Executive Director oversees the financial operations of the agency. The OFA obtained and reviewed the agency's Board minutes. The OFA noted that the Board of Directors met several times during the grant period and appeared to provide sufficient oversight to the agency.

2. Allowable and Eligible costs and services

The contract between Metropolitan Nashville Government and the Kelly Miller Smith Center for the year ended June 30, 2006, required the Kelly Miller Smith Center to use the grant funds to support the general operations of the agency. The OFA obtained and reviewed a listing of all expenditures incurred by the agency during the grant term. From this listing, the OFA selected a sample of 20 items for testwork. Of the 20 items, the OFA noted that the agency maintained supporting documentation for only 4 of the items. Furthermore, the OFA found that the agency has been operating without a signed lease agreement between the agency and the property management agency. According to the staff, the agency entered into a verbal agreement with their landlord instead of acquiring a signed rental agreement that outlined the specific amount of rent for the current year. The agency also relied on verbal agreement with its consultants regarding the amount to be paid for particular services without documenting specific obligations of the parties. The agency could not support payments made to these consultants with any type of supporting documentation (i.e. contracts, invoices).

3. Program objectives being met

The contract between Metropolitan Nashville Government and the Kelly Miller Smith Center for the year ended June 30, 2006 required the Kelly Miller Smith Center to use the grant funds to support general operations of the agency. The primary purpose of the agency is to provide programs that are designed to stop violent and abusive behavior among perpetrators of such behavior. The agency provides specialized counseling to those who are engaged in or victims of abusive behavior. The agency served over 125 participants during the grant period. Based on interviews with the Grantee's staff and the review of the agencies documentation, the Kelly Miller Smith Center appears to be in compliance and program objectives are being met.

4. Reliability of financial and programmatic reporting

The contract called for submission of an annual audit report performed by a Certified Public Accountant. The Kelly Miller Smith Center 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 Kelly Miller Smith Center was in compliance with this requirement.

RESULTS OF MONITORING

5. Reliability of internal controls

Our review of the internal controls of the Kelly Miller Smith Center revealed that the Executive Director is solely in charge of complete financial transactions without significant oversight. Test indicated that the director makes the majority of all purchases, approves all invoices and vouchers, and processes all payroll transactions. Weakness in internal controls could lead to potential abuse and/or mismanagement of agency funds

6. Civil rights requirements

Our review did not reveal anything to indicate that the Kelly Miller Smith Center was not in compliance with civil rights requirements. The agency has not received any complaints regarding any form of discrimination and the agency has civil rights and ADA postings in public places. The Kelly Miller Smith Center employee handbook addresses the agency's civil rights policy as well.

FINDINGS AND RECOMMENDATIONS

1. The agency needs to improve its internal controls.

Finding

Our tests revealed the executive director is the only individual in charge of a significant portion of the financial process without significant oversight. Tests revealed that the director makes the majority of purchases, approves all invoices and vouchers, and processes payroll transactions. The director is also the sole signatory to all checks and there is no second signature required or apparent close board oversight.

According to the grants manual for Non Profit Recipients of Grant Funds from the Metropolitan Government of Nashville and Davidson County Government chapter 4, page 20 states “The grantee should take the necessary measures to ensure that no one employee has complete control of any process from beginning to end. The grantee should make sure that the same person does not handle all of the following aspects of the same transaction: Authorization, Processing, Check Signing, Recording, and Bank Reconciliation.” Such weakness in internal controls could lead to potential abuse and/or mismanagement of agency funds without immediate detection.

Recommendation

The Kelly Miller Smith Center should take immediate measures to ensure that no one person is in complete control of any financial transactions. The agency should require at least two signatures on all checks. The board should appoint someone to review and approve purchases and payroll checks. In addition, the board should review the financial transactions and either prepare or sign off on bank reconciliation reports.

2. The agency needs to improve documentation of expenditures.

Finding

Based on the testwork conducted, the Kelly Miller Smith Center failed to maintain adequate documentation to support grant related expenditures. The OFA was unable to obtain supporting documentation for 16 out of 20 (80%) procurement transactions tested. Furthermore, the agency did not maintain adequate documentation regarding how payroll was determined or provide a reasonable methodology for calculating payroll. As a consequence, the OFA was unable to conduct payroll testing. The agency also used verbal agreements between the agency, its landlord and several consultants to determine the amounts to be paid. The OFA could not verify these expenses as the agency does not maintain contracts or receive invoices from these entities.

According to the grants manual for Non Profit Recipients of Grant Funds from the Metropolitan Government of Nashville and Davidson County Government, cost should meet the following criteria to be allowable:

- a. A reasonable use of funds
- b. A necessary use of funds
- c. For a reasonable amount
- d. For a clear purpose
- e. Consistent with the purpose of the Grantee’s program
- f. Compliant with the terms and purpose of the Metro grant
- g. Authorized within the budget
- h. Properly approved
- i. Adequately documented

Recommendation

The OFA recommends that the Kelly Miller Smith Center diligently maintain adequate supporting documentation for all expenditures incurred. The agency should also establish a reasonable methodology for calculating payroll and document these procedures.

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 Tiffy Barnett at the address below:

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