

BILL PURCELL  
MAYOR



**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**

DEPARTMENT OF FINANCE  
OFFICE OF FINANCIAL ACCOUNTABILITY  
222 3<sup>RD</sup> AVENUE NORTH, SUITE 650  
NASHVILLE, TN 37201

October 18, 2004

John Pellegrin, Board Chair  
Legal Aid Society of Middle Tennessee and the Cumberland  
113 Main Street  
Gallatin, Tennessee 37066

Dear Mr. Pellegrin:

Please find attached the Monitoring Report for the Legal Aid Society of Middle Tennessee and the Cumberland. This report provides the results of our review of the agency's grant contract with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2004. The Office of Financial Accountability is responsible for monitoring grant funds from Metro Government to any nonprofit organization that receives grant appropriations. Staff from our office conducted the site review on October 12, 2004.

We appreciate your cooperation and the assistance provided us by your agency during the course of the review. We hope you find the results of the review useful for administering grants for the Legal Aid Society of Middle Tennessee and the Cumberland. If you have any questions, please call me at (615) 880-1035.

Sincerely,

Fred Adom, CPA  
Director

cc: Ashley Wiltshire, Executive Director, Legal Aid Society of Middle Tennessee and the Cumberland  
David L. Manning, Director of Finance, Metro Government  
Talia Lomax-O'dneal, Deputy Director of Finance, Metro Government  
Kim McDoniel, Audit Manager, Metro Government  
Mitzi Martin, Chief Accountant, Metro Government  
LaShawn N. Barber, Office of Financial Accountability, Metro Government



## Metropolitan Government of Nashville and Davidson County

222 3<sup>rd</sup> Ave. N.  
Suite 315  
Nashville, TN 37201

615-862-6170 office  
615-880-2805 fax

[www.nashville.gov/finance](http://www.nashville.gov/finance)

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# Legal Aid Society of Middle Tennessee and the Cumberlands

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Issued by



## Office of Financial Accountability

Fred Adom, CPA  
Director

*Lead Auditor:*  
LaShawn N. Barber

October 18, 2004

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

**MONITORING REPORT**  
FOR THE  
**LEGAL AID SOCIETY OF MIDDLE TENNESSEE AND THE CUMBERLANDS**

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## EXECUTIVE SUMMARY

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The Office of Financial Accountability (hereinafter referred to as "OFA") has completed a monitoring review for the Legal Aid Society of Middle Tennessee and the Cumberland (hereinafter referred to as "Legal Aid," "LASMTC," or "agency"). The OFA conducted its monitoring review along the major compliance areas identified in the Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and in accordance with Generally Accepted Government Auditing Standards and the Metro Grants Manual of the Metropolitan Government of Nashville and Davidson County (hereinafter referred to as "Metro").

### **Overview of the Agency**

The Legal Aid Society of Middle Tennessee and the Cumberland is a nonprofit organization that provides legal services and assistance for elderly, low-income, domestic violence victims, or other disadvantaged segments of the Tennessee population. Currently, Legal Aid serves 48 counties in Tennessee. According to the Bylaws of the agency, services provided include advice, counsel, representation, advocacy, and community education and development. LASMTC also works to encourage private attorneys' voluntary *pro bono* services. The agency's goal for the fiscal year ended June 30, 2004 was to serve 2,400 Metro residents. In fiscal year 2003, Legal Aid reported 2,663 cases opened, the majority of which were family related (i.e., adoption, divorce, spousal abuse).

Legal Aid has received financial support from Metro and many other funding sources. The primary grantor is the Legal Services Corporation, providing funding for almost 50% of the operating costs. For the fiscal year ending June 30, 2004, the agency requested and received \$65,000 from Metro for rent, or occupancy costs.

### **Objectives, Scope, and Methodology**

A monitoring review is substantially less in scope than an audit. The OFA did not audit LASMTC's financial statements and, accordingly, does not express an opinion or any assurances regarding the financial statements of LASMTC or Metro. The OFA is responsible for monitoring the direct appropriations awarded by the Metro Council to nonprofit organizations. The OFA is also responsible for monitoring Metro departments that receive Federal and State grants and financial assistance, including cooperative agreements. In summary, any agreement(s) that imposes performance and/or financial requirements on Metro government is subject to review by the OFA.

The monitoring objectives for this review were as follows:

- To determine whether the agency possesses the resources and capacity to administer the grant funds
- To determine if services and costs reported are allowable and eligible
- To determine whether the agency is meeting program objectives
- To determine the reliability of financial reports
- To determine the reliability of internal controls
- To determine contractual compliance

Our review covered the agency's operations and expenses as of June 30, 2004, consistent with the grant period.

To accomplish the objectives of the monitoring review, the OFA conducted a site visit to review all supporting documentation and to interview key LASMTC staff. The OFA obtained an understanding of the agency's operations through interviews and inquiries, physical inspection of accounting records and supporting documentation, and observation of operations and controls in place.

### **Monitoring Review Highlights**

Our review revealed no discrepancies in the financial operations for the LASMTC related to internal controls. In fact, we found strong internal accounting policies and procedures in place, appropriate documentation maintained to support financial transactions, and organized records.

In the "Results of Monitoring" section that follows, the OFA provides an overview of the overall results of the tests and analyses performed to meet the monitoring review objectives.

## **RESULTS OF MONITORING**

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The overall results of the monitoring review for the LASMTC are provided in this section. These results are based on tests performed and include conclusions regarding specific review objectives and, if applicable, recommendations for improvement.

### **1. 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 observation of the procedures in place indicate that the LASMTC has the necessary resources and ability to administer the Metro grant funds. We found that the agency uses Great Plains accounting software to record financial transactions. We also noted that the agency's accountant is qualified and adequately performs the fiscal functions. According to the minutes for the Board of Directors meetings from July 2003 through June 2004, the LASMTC appears to have close Board oversight and active Board participation. The Board encourages and successfully completed a fundraising campaign, meeting the overall goal. Further, the agency appears to have the necessary capacity to administer the grant funds. We noted that the LASMTC had a positive fund balance and appears to be sufficiently solvent, based on our review of the LASMTC's audited financial statements for the years ended December 31, 2003 and 2002.

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

The contract between Metro and the LASMTC for the period ending June 30, 2004 was for occupancy costs. Our tests covered all three financial reports submitted to Metro for the grant period. Based on these tests, we found that the costs incurred and reported comply with applicable guidelines, including OMB Circulars A-122 and the Metro Grants Manual.

Per the Metro Grants Manual, the accounting system used by Metro grant recipients must avoid the commingling of Metro funds with other sources of funding. It appears the agency separately accounts for grant funds received; however, the grant-related expenditures were not always charged to a specific account for the Metro funding. Since all costs for rent were identified by a transaction inquiry and these costs far exceeded the total Metro grant, the OFA notes no finding in this respect. We do, however, encourage the agency to continue to record the grant-funded expenditures in the appropriate account.

### **3. Program objectives**

During the site visit, the auditor reviewed Legal Aid's documentation of program accomplishments and observed the agency's operations. The program report for the fiscal year ended June 30, 2004 stated 2,663 cases were opened. Based on the auditor's observations, the agency is successfully working toward its programmatic goal of serving 2,400 Metro residents.

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

Our review of the financial reports submitted by the LASMTC revealed no discrepancies or issues of noncompliance. We noted, however, that the expenditures reported to Metro did not always agree with the amounts recorded in the agency's official accounting records. Occupancy costs were not always charged to the specific ledger account designated for the Metro grant. After further review, we identified the total actual expenditures for rent and found these costs exceeded the grant award by over \$74,000 as of June 30, 2004. No finding is noted; however we encourage the agency to continue to record the grant-funded expenditures in the appropriate account.

Per the Metro contract, the LASMTC is required to submit a Final Expenditure Report and a Final Program Report within 45 days of the close of the grant period. Our tests revealed the agency complied with this requirement. A separate report regarding this annual review will be provided to the agency.

## **RESULTS OF MONITORING**

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

Based on our review of operations, we found that the agency's operations are well-managed and incorporate strong internal controls. The agency has properly segregated accounting duties and the appropriate approval processes are in place. The OFA reviewed the agency's Blue Book or, the official employee handbook. This manual covers administrative policies and procedures, including instructions to staff on personnel and fiscal matters. Further, the agency recently completed and compiled an Accounting Policies and Procedures manual, which covers a wide range of fiscal controls.

### **6. Contractual compliance.**

Overall, the OFA found the agency in compliance with the contract requirements. The purpose of the Metro grant funds was to "offset occupancy cost." The LASMTC has complied with this scope of services, based on our inquiry and review of financial reports. The Metro contract also indicates the scope of services as the provision of services, "that enforce, enhance, and defend the legal rights of low-income and elderly people." The OFA requested an annual case report for the grant period. According to this report for Nashville/Davidson County,

The grant further requires compliance with civil rights regulations and further requires the agency to show proof and post notices of nondiscrimination. The OFA noted no instances of noncompliance with these contractual requirements. We identified the necessary postings at the agency and observed the agency's employee handbook, the Blue Book, which included policies regarding nondiscrimination, sexual harassment, and complaints/grievances.