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MAYOR



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

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

August 31, 2005

Mr. David Thibodeau, President
Nashville Housing Fund
305 11th Avenue South
Nashville, TN 37203

Dear Mr. Thibodeau.:

Please find attached the Monitoring Report of the Nashville Housing Fund relating to the contract it has with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2005.

The Office of Financial Accountability (OFA) is charged with the responsibility of monitoring grant funds from Metropolitan Nashville Government to 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 August 19, 2005.

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
Director

cc: Loretta Owens, Director of the Nashville Housing Fund
Joel Lackey, Finance Manager of the Nashville Housing Fund
David Manning, Director of Finance
Talia Lomax-O'dneal, Deputy Director of Finance
Mitzi Martin, Division of Accounts
Kim McDoniel, Internal Audit
Bill Walker, Office of Financial Accountability
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◆ Monitoring Report of ◆

Nashville Housing Fund



Issued by



Office of Financial Accountability

August 31, 2005

Fred Adom, CPA
Director

Bill Walker, CPA
Auditor

Kevin Brown,
Auditor

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

Monitoring Report
for the
Nashville Housing Fund

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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 Nashville Housing Fund for the year ended June 30, 2005. 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 Nashville Housing Fund. 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-1314 in the amount of \$50,000.00 to Nashville Housing Fund for the fiscal year ending June 30, 2005. The purpose of the Nashville Housing Fund is to provide the resources necessary in helping low and moderate income families and individuals become homeowners. The Nashville Housing Fund also attempts to increase homeowner readiness. Funds from grant L-1314 were to be used specifically to support the Front Door program which provides a free one hour counseling session to program participants. During these sessions, participants receive a free evaluation of their credit reports and referrals to various homeowner assistant programs. The Grant Agreement also provided that \$10,000 of the grant funds were to be used to support approximately 32% of the salaries and benefits of a loan assistant. 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 Nashville Housing Fund and its compliance with the intended beneficiaries of the grant funds.
- Reviewed the financial stability of the Nashville Housing Fund 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 Nashville Housing Funding 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 Nashville Housing Fund possesses the necessary resources and expertise to administer the grants funds. The agency's fiscal staff has several years of grant accounting experience. The Nashville Housing Fund's Board of Directors is comprised of 19 members with diverse professional backgrounds. The OFA reviewed the Board Minutes for the grant period and noted that the Board appeared to be actively involved in the oversight of the agency.

2. Allowable and Eligible costs and services

The OFA reviews for the agency's compliance with specific requirements outlined in the grant contract. The contract between Metropolitan Nashville Government and the Nashville Housing Fund for the year ended June 30, 2004, required the Nashville Housing Fund to use the grant funds to provide homebuyer counseling sessions to low and moderate income families and individuals and to provide funding for approximately 32% of the salaries and benefits of a loan assistant. The OFA noted that the Nashville Housing Fund subcontracted the homebuyer sessions out to 7 different agencies. The OFA reviewed and conducted testwork on 100% of the invoices charged to the Nashville Housing Fund by the various subcontractors for these sessions. The OFA also tested a sample of the payroll expenses paid for the loan assistant. Our review determined that the Nashville Housing Fund appeared to be in compliance with the specific requirements set forth in the Grant Contract.

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 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

3. Program objectives being met

The contract between Metropolitan Nashville Government and the Nashville Housing Fund for the year ended June 30, 2005, stipulates that the Grantee is to provide homebuyer-counseling sessions to low to moderate-income families. The contract states that Metro is to reimburse the agency at a rate of \$40 per session and that Metro will pay for 1,000 sessions (\$40,000). The contract also states that the Nashville Housing Fund will provide a minimum of 1,500 sessions during the grant period. Our tests revealed the program performed approximately 1,250 of the expected 1500 homebuyer-counseling sessions. This was 17 percent short of the anticipated results. The OFA did not question proportionate share of the grants funds because it was a cost reimbursement rather than a performance contract. The OFA recommends the Nashville Housing Funds to take the necessary measures to meet performance goals in the future. Also, the OFA determined that the Nashville Housing Fund monitors the sub-recipients for program compliance.

4. Reliability of financial and programmatic reporting

The contract called for submission of an annual audit report performed by a Public Accounting firm. The Nashville Housing Fund 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 Nashville Housing Fund was in compliance with this requirement.

5. Reliability of internal controls

Our review of the internal controls of the Nashville Housing Fund revealed that the agency appeared to be well managed and incorporate strong internal controls. The Board of Directors provides sufficient oversight and there appears to be adequate segregation of duties in the implementation of grant funds.

6. Civil rights requirements

Our review did not reveal anything to indicate that the Nashville Housing Fund was not in compliance with civil rights requirements. The agency had not received any complaints regarding any form of discrimination and the agency had civil rights and ADA posting in public places. The Nashville Housing Fund's employee handbook addresses the agency's civil rights policy as well.