

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



August 10, 2009

Marcellus Brooks, President Board of Directors
North Edgefield Organized Neighbors
914 Meridian Street
Nashville, TN 37207

Dear Mr. Brooks:

Please find attached the Monitoring Report of the North Edgefield Organized Neighbors 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 commenced fieldwork for the review on May 26, 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, CPA
Director

cc: Wanda Jordan, 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, Office of Internal Audit
Kevin Brown, Office of Financial Accountability
Laura Cowan, Office of Financial Accountability
Brad Thompson, Office of Financial Accountability



◆ **Monitoring Report of** ◆

North Edgefield Organized Neighbors (NEON)



Conducted by



Office of Financial Accountability

August 10, 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 North Edgefield Organized. 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	Purpose
L-2048	Direct Appropriation	Metro Government	\$45,900.00	July 1, 2007 to July 30, 2008	Tutoring, Arts Programs and Workshops

Agency Background

The North Edgefield Organized Neighbors (NEON) is a non-profit organization established to serve the 5th Council district community. This council district consists of more than ten thousand Nashville residents. The agency serves approximately twelve neighborhood organizations by providing assistance with services such as tutoring, community empowerment, homebuyer programs, community beautification, quality of life improvement, and other community services. North Edgefield Organized Neighbors also provides an Artworks program that is designed to increase the arts in the East Nashville community while promoting creativity among the youths and families of the area.

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-2048. Specific procedures included:

- Interviewing the employees 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
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

In our previous report dated June 29, 2007, we found that the agency did not possess the necessary resources and expertise to handle accounting transactions necessary to administer the grant funds. Specifically, the report noted that NEON had not yet established an accounting system to track financial activities of the grant funds. Further, the agency did not maintain basic accounting ledgers including a general ledger, cash disbursement or cash receipts ledger.

This finding has been corrected. Our review of the agency's accounting system, the qualifications of the individuals assigned to manage the accounting records, and other available resources, indicates that the agency possesses the necessary resources and expertise to effectively administer the grant funds.

2. Allowable and Eligible Costs and Services

In our report dated June 29, 2007, we found that the agency failed to fully exhaust the grant funds received, yet invoiced Metro for the full amount of the grant award, based solely on the grant spending plan rather than its actual expenditures. These actions resulted in unearned grant funds totaling \$23,684.

This finding has been repeated. As explained in Finding #1 below, results of audit testwork show that the current year direct appropriation of \$45,900 was also not expended during the contract period. Recipients of direct appropriations are required to expend funds in accordance with the terms of the grant contract, which stipulates that grant funds are to be used for specific purposes and fully expended during the contract period.

RESULTS OF REVIEW

Additionally, in our report dated June 29, 2007, we found that the agency failed to maintain adequate documentation to support some of the expenditures billed to Metro. Because supporting documentation was inadequate or nonexistent in some cases, we were unable to determine if all costs incurred by the agency complied with applicable guidelines outlined in OMB Circular A-122.

This finding has been corrected. Based on our testwork, Neon has maintained adequate documentation to support the invoice amounts submitted to Metro during the current contract period.

3. Program Objectives Being Met

The contract stipulates that Neon shall use the funds to enhance growth, development and personal empowerment of the residents, creating a more prosperous, livable and friendly environment. The contract states that NEON will provide the following services: tutoring to children and youth (pre-kindergarten through 12th grade), art education through the ARTsWork program, and a series of educational workshops for the community.

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.

4. Reliability of Financial and Programmatic Reporting

In our report dated June 29, 2007, we found that the agency was not in compliance with this requirement because they failed to submit the required final expenditure report and final program report within 45 days of the close of the grant period. In addition to the required program reports, the contract requires submission of an annual audit report performed by a Certified Public Accountant.

This finding has been corrected. We reviewed all applicable financial and programmatic reports required by the contract, including audited financial statements. Based on our review, the agency is in compliance with all financial and programmatic reporting requirements.

RESULTS OF REVIEW

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 also has necessary written policies and procedures relating to civil rights.

FINDINGS AND RECOMMENDATIONS

1. Grant Funds not Fully Expended during the Contract Period

Tests indicate NEON did not expend all of the funds for the Metro award during the grant period. NEON was awarded \$45,900 direct appropriation effective through the end of July 2008. The agency received payments of \$40,204. but documented expenditures during same period was only \$24,661; \$15,543 (34%) was not expended during the contract period. Recipients of Metro direct appropriations are required to expend funds in accordance with the terms of the contract, which stipulate that grant funds are to be used for specific purposes and expended entirely during the contract period. Unexpended grant funds constitute unearned funding. In summary, 34% (\$15,543) of the direct appropriation funding received by NEON constitutes unearned funds at the end of the grant period.

Our review of the financial transactions subsequent to July 31, 2008 indicate all of the \$15,543 of unearned funds had been expended by December 31, 2008.

Recommendation:

The agency's management and Board of Directors should periodically review compliance with contractual requirements. The Board should resolve the unearned funds at July 31, 2008 with Metropolitan Government of Nashville.

Corrective Action Plan Required

Please submit a corrective action plan indicating the actions the agency intends to take to correct the findings identified in this report. The corrective action plan should be submitted within 30 days from the date of this report to:

Tiffany Barnett
Division of Grants Coordination
222 Third Avenue North, Suite 500
Nashville, TN 37201