

BILL PURCELL
MAYOR



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

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

March 4, 2005

Sharon Travis, Board Chair
Project for Neighborhood Aftercare
1130 Eighth Avenue South
Nashville, Tennessee 37203

Dear Ms. Travis:

Please find attached the Monitoring Report for the Project for Neighborhood Aftercare. 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 ended June 30, 2004 and . 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 February 16, 2005.

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 Project for Neighborhood Aftercare. If you have any questions, please call me at (615) 880-1035.

Sincerely,

Fred Adom, CPA
Director

cc: Illia Moore, Executive Director, Project for Neighborhood Aftercare
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



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◆ Monitoring Report of ◆

Project for Neighborhood Aftercare



Issued by



Office of Financial Accountability

March 4, 2005

Fred Adom, CPA
Director

Lead Auditor:
LaShawn N. Barber

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

MONITORING REPORT
FOR THE
PROJECT FOR NEIGHBORHOOD AFTERCARE

TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE NUMBER</u>
EXECUTIVE SUMMARY	1
RESULTS OF MONITORING	2

EXECUTIVE SUMMARY

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review for the Project for Neighborhood Aftercare (hereinafter referred to as “PNA” 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 Project for Neighborhood Aftercare is a nonprofit organization that provides before- and after-care programs for students in the Metropolitan Nashville Public Schools system. The PNA program, for Kindergarten through 8th grade students, currently operates 14 sites within local Metro Schools. The agency partners with other nonprofit organizations such as Adventure Science Center and Nashville Zoo, to provide educational enrichment and activities for the children. For enrollment purposes, no student is turned away for financial reasons; the program includes students from low and middle income households.

PNA receives over 75% of its financial support from Metro, but funding is provided through other sources. In addition to a grant from the Metro appropriation, and the 21st Century Community Learning Center grant, the collects fees from parents that are able to pay and receives support by contributions and donations.

Objectives, Scope, and Methodology

A monitoring review is substantially less in scope than an audit. The OFA did not audit PNA’s financial statements and, accordingly, does not express an opinion or any assurances regarding the financial statements of PNA 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 PNA administrative 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 PNA related to internal controls. In fact, we found internal accounting policies and procedures in place were strong and the documentation maintained to support financial transactions is adequate. The PNA staff members were knowledgeable about program and financial operations and provided valuable assistance during the site visit.

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

The overall results of the monitoring review for the PNA 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 PNA has the necessary resources and ability to administer the Metro grant funds. We found that the agency uses QuickBooks accounting software to record financial transactions. We also noted that the agency's Director of Finance and Business Administration 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 PNA appears to have adequate Board oversight and active participation. The Board appears to monitor financial and programmatic activity of the agency. Further, the agency appears to have the necessary capacity to administer the grant funds. We noted that, although the Metro appropriation constitutes more than 75% of the agency's total expected revenues, the PNA had a positive fund balance and appears to be sufficiently solvent, based on our review of the audited financial statements for the years ended June 30, 2003 and 2002.

2. Allowable and eligible services and costs

The contract between Metro and the PNA for the period ending June 30, 2004 was for various administrative and program 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 were in compliance 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 PNA separately accounts for Metro grant funds received; however, the grant-related expenditures were not charged to a specific Metro expense account. Since the OFA was able to quantify the total expenses for a specific period and verify these expenses either equaled or exceeded the Metro funding for the same period, no finding will be noted in this respect. **The OFA recommends the agency organize the accounting system to record grant-funded expenses in a separate general ledger account, similar to the methodology it is using to record grant income.**

3. Program objectives

During the site visit, the auditor reviewed the PNA's documentation of program accomplishments and observed the agency's operations. The program report for the fiscal year ended June 30, 2004 stated 986 students participated in after-school care and 392 participated in before-school care. Based on the auditor's observations, the agency appears to be progressively working toward its program goals.

4. Reliability of financial and programmatic reporting

Our review of the financial reports submitted by the PNA 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. After further review, we recalculated the total actual expenditures for the specific line items and found these costs exceeded the grant award by over \$135,000 as of June 30, 2004. No finding is noted; however this further supports our recommendation that the agency consider organizing the accounting system so that grant-funded expenses are recorded in a separate general ledger account.

RESULTS OF MONITORING

Per the Metro contract, the PNA 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.

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 the appropriate approval processes in place and financial duties are reasonably segregated and controlled. The agency has an employee handbook, which guides employee behavior and general processes, and internal accounting policies and procedures. These policies cover all fiscal matters including purchasing, payroll, and bill payment. 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 "provide a free before and after-school program in Metro schools for children in K-8." The PNA has complied with this scope of services, based on our inquiry and review of financial reports. The Metro contract also indicates the program should, "provide academic enrichment to participating children, including a mandatory homework/tutorial period." Based on the OFA's review of the Final Program Report for the fiscal year ended June 30, 2004 and for the fiscal year ended June 30, 2003, we found no problems with the provision of services provided.

The grant contract further requires compliance with civil rights regulations and that the agency show proof of and post notices of nondiscrimination. We identified the necessary postings in the administrative offices, which include notices regarding nondiscrimination, sexual harassment, and complaints, and observed the agency's website and other literature describing the program. The OFA noted no instances of noncompliance with these contractual requirements.