

BILL PURCELL, MAYOR



## METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DEPARTMENT OF FINANCE  
OFFICE OF FINANCIAL ACCOUNTABILITY  
222 THIRD AVENUE NORTH, SUITE 315  
NASHVILLE, TENNESSEE 37201

May 7, 2004

Billy Lynch, Director  
**Metro Public Works**  
750 South 5<sup>th</sup> Street  
Nashville, Tennessee 37206

Dear Mr. Lynch:

Please find attached the Monitoring Report for Metro Public Works. This report explains the results of the monitoring review of the agency's federal and state grants and other financial assistance for the fiscal years ending June 30, 2002 and 2003. Staff from the Office of Financial Accountability, formerly the Division of Grants Monitoring, conducted the fieldwork for this review on April 28, 2003.

We appreciate your the cooperation and assistance provided us during the course of the review. We hope you find the results of the review useful for administering grants for the Public Works Department. If you have any questions, please call me at (615) 880-2805.

Sincerely,

Fred Adom, CPA  
Director

cc:

David Manning, Director of Finance  
Talia Lomax O'dneal, Deputy Director of Finance  
Mitzi Martin, Chief Accountant  
Kim McDoniel, Audit Manager  
Joe Holzmer, Metro Public Works  
Sharon Wahlstrom, Metro Public Works  
LaShawn N. Barber, Office of Financial Accountability



## Metropolitan Government of Nashville and Davidson County

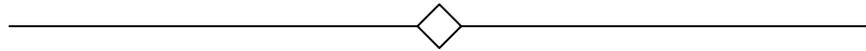
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◆ Monitoring Report of ◆

# Public Works



Issued by



## Office of Financial Accountability

May 7, 2004

Fred Adom, CPA  
Director

LaShawn Barber,  
Lead Auditor

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

**MONITORING REPORT  
FOR  
PUBLIC WORKS**

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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 of the Federal and State grants and contracts administered by Metro Public Works (hereinafter referred to as “PW” or “department”). The monitoring process included a review of the state and federal grant contracts in effect during the fiscal years ending June 30, 2002 and June 30, 2003. This review did not include testing for compliance with Procurement code. The contracts reviewed are listed in Appendix A. 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.” The review was performed in accordance with Generally Accepted Government Auditing Standards and in compliance with the OMB Circular A-87, “Cost Principles for State, Local and Indian Tribal Governments.”

### OBJECTIVES, SCOPE, AND METHODOLOGY

A monitoring review is substantially less in scope than an audit. The OFA did not audit the financial statements for the PW and, accordingly, does not express an opinion or any assurances regarding the financial statements of PW or the Metropolitan Government of Nashville and Davidson County (hereinafter referred to as “Metro”). 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 overall monitoring objectives were as follows:

- To determine whether the activities and costs of the programs are allowable under the program regulations and provisions of the grant agreement
- To determine whether costs reported under the grant program are consistent with provisions of grantor guidelines and OMB Circular A-87
- To determine whether civil rights requirements are met
- To determine whether minimum requirements for local matching contributions and/or adequate level of expenditures by other sources of funds are met
- To determine whether the department adheres to grantor guidelines for equipment purchases
- To determine whether grant funds were used exclusively during the period in which the funds were authorized
- To determine whether purchases were made in accordance with OMB Circular A-87, the minimum federal, state and local requirements, and grantor guidelines
- To determine whether grant financial reports are reliable and timely
- To determine whether Federal compliance requirements regarding subrecipient oversight were met and whether the subrecipient performed in accordance with the contract terms.

The scope of the work included federal and state contracts listed in Appendix A. These contracts either had grant periods effective for or expiring during fiscal years 2002 and 2003, or expenditures were reported to the grantor during the review period. Although the review focused on this specific time period, certain analyses required the consideration of financial transactions outside of this time period.

The methodology adopted by the OFA encompassed various interviews and an objective review of fiscal files, including:

- financial transactions and supporting documentation,
- contract agreements and related amendments,
- Federal and/or State financial reports, and
- Internal and external correspondence.

### OVERALL FINDINGS AND MAJOR REVIEW HIGHLIGHTS

Based on our review, the PW staff is very knowledgeable about the program requirements and, based on our review, appears to be in compliance with the grant requirements. **No findings were noted for our review.** Tests did reveal minor deficiencies in the agency’s operations and overall grant management that need improvements. These minor issues are discussed in the following section, “Results of Monitoring.”

## RESULTS OF MONITORING

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Although **no findings were noted for the monitoring review**, the following issues and recommendations should be mentioned for management's consideration:

1. **Department staff should ensure grant expenditures are recorded consistently and properly.** During testing, we noted an instance where a grant-related expenditure was recorded in a different business unit than all other grant expenditures. Since the Division of Accounts establishes specific business units for each grant, the department should ensure the related expenditures are recorded in these accounts. **Without consistent reporting to the correct account, the department risks underreporting expenditures and failure to recoup all grant costs.**
2. **PW should ensure payments to subcontractors are adequately and clearly documented.** We reviewed a sample of the department's final records for the state aid received for paving projects and determined the supporting documentation was not organized in a manner to allow for easy review without help of the PW staff. The supporting documentation reviewed appeared to be complete, however tracing the amounts reported was not simple, the audit trail was complicated. The department should consider preparing a methodology for labeling the documentation maintained for state aid expenditures so that auditors or other users can clearly identify the related costs.

**APPENDIX A:  
PUBLIC WORKS  
GRANTS REVIEWED FOR FY 2002 AND FY 2003**

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This table identifies the grants and contracts reviewed in the course of our monitoring review. The department grant awards included several other grants; however the OFA monitoring review included those listed below:

| <b>FEDERAL &amp; STATE GRANTS AND FINANCIAL ASSISTANCE</b> |  |                        |                     |                    |
|--|--|------------------------|---------------------|--------------------|
| <b>Grantor</b>   | <b>Program</b>                           | <b>Contract Number</b> | <b>Grant Period</b> | <b>Grant Award</b> |
| TN Dept. of Transportation                                 | State Aid*                               | Various                | Various             | Various            |
| TN Dept. of Environment & Conservation                     | Waste Tire Program                       |                        | 7/1/01-6/30/02      | \$ 326,719         |
|  |  |                        | 7/1/02-6/30/03      | \$ 435,625         |
| US Dept. of Transportation                                 | <b>Automated Data Collision Reporter</b> |                        | 10/1/01-9/30/02     | \$ 176,400         |
| Federal Highway Administration                             | <b>Pedestrian and Bicycle Plan</b>       |                        | 11/17/00-           | \$ 120,000         |

\* As of our review date, there were 10 State Aid contracts open for the Metro Public Works department. Per the PW staff, only six (6) were in an active payment state. Our review considered only the six active State Aid contracts. The total amount for the 6 awards was \$ 1,518,375.