

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

December 12, 2005

Ken Kraft, Board Chair  
**Second Harvest Food Bank**  
331 Great Circle Road  
Nashville, TN 37228

Dear Mr. Kraft:

Please find attached the Monitoring Report of Second Harvest Food Bank relating to the contract it had with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2005.

The Office of Financial Accountability is charged with the responsibility of monitoring grant funds from Metropolitan Nashville Government to any 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 November 10, 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,

A handwritten signature in black ink, appearing to be "Fred Adom".

Fred Adom  
Director

cc: Jaynee K. Day, President Second Harvest Food Bank  
Bill Smith, Second Harvest Food Bank  
David Manning, Director of Finance  
Talia Lomax-O'dneal -Deputy Director of Finance  
Kim McDoniel, Assistant Director of Finance  
Don Dodson, Audit Manager - Internal Audit  
Kevin Brown, Office of Financial Accountability  
Bryan Gleason, Office of Financial Accountability



## Metropolitan Government of Nashville and Davidson County

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◆ Monitoring Report of ◆

# Second Harvest Food Bank



Issued by



## Office of Financial Accountability

December 12, 2005

Fred Adom, CPA  
Director  
Kevin Brown,  
Lead Auditor  
Bryan Gleason,  
Assistant Auditor

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

Monitoring Report  
for the  
Second Harvest Food Bank

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## OBJECTIVES, SCOPE AND METHODOLOGY

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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 Second Harvest Food Bank 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 Second Harvest Food Bank, Inc. 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
- 7) To verify that civil rights requirements are being met

Second Harvest of Middle Tennessee started operations in 1978 with commitments from several community leaders to provide a central distribution center for companies, groups, and individuals who wished to help provide food for Middle Tennessee's hungry. Second Harvest's mission is to feed hungry people and work to solve hunger issues in our community. The Middle Tennessee - Second Harvest is one of the largest and most comprehensive of over 200 food banks and food distribution centers nationwide. During the 2003/2004 fiscal year, Second Harvest distributed more than 14.5 million pounds of food to hungry men, women, and children. Second Harvest Food Bank was named 2003 Affiliate of the Year by America's Second Harvest. There are 35 million Americans deemed by the government to be food insecure, and there are more than 8 million children receiving food assistance. In Middle Tennessee alone, 47% of the beneficiaries of the Second Harvest services are children.

The review was limited to the Metropolitan Government of Nashville and Davidson County grant L-1263 in the amount of \$200,000.00 to the Second Harvest Food Bank for the fiscal year ending June 30, 2005. 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 Second Harvest Food Bank and its compliance with the intended beneficiaries of the grant funds.
- Reviewed the financial stability of the Second Harvest Food Bank 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**

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The overall results of the monitoring review for the Second Harvest Food Bank 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 problems 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, indicate that the Second Harvest Food Bank possesses the necessary resources and expertise to administer the grants funds. The agency has an accounting department that handles the accounting function in-house. The fiscal manager has several years of accounting experience and is responsible for the recording of expenditures. The agency uses Macola accounting software that segregate activities of various programs. The accounting system segregates the various activities by the type of expenditure and then by the program. The Board of Directors meets six (6) times a year and takes a very active role in the agency's operations.

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

The contract between Metropolitan Nashville Government and Second Harvest Food Bank for the year ended June 30, 2005, required Second Harvest Food Bank to use the grant funds to operate the emergency food box program, which supplies individuals or households with boxes of food that contains a four day supply. The individuals may not use the program more than three times in a six month period of time.

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. Also, the agency can easily and accurately report their expenses supported by the Metro appropriation.

### **3. Program objectives being met**

The contract between Metropolitan Nashville Government and Second Harvest Food Bank for the year ended June 30, 2005, required the agency to only serve individuals or households no more than three times within a six month period. Also, the contract required the agency to serve only documented residents of Davidson County. The Second Harvest Food Bank tracks program participants to ensure that individuals or households only utilize the emergency food box program three times within a six month period and the Second Harvest Food Bank required program participants to provide verification of residence upon receiving a food box.

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

The contract called for submission of an annual audit report performed by a Certified Public Accountant. The Second Harvest Food Bank is also required to submit to Metro reports of the program outcomes and a final expenditures report 45 days after the close of the contract. Our review determined that the Second Harvest Food Bank was not in compliance with this requirement. The Finding and Recommendation section provides further discussion on the agency's failure to submit the required reports.

## **RESULTS OF MONITORING**

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

Our review of the internal controls of Second Harvest Food Bank revealed that the agency appears to be well managed and incorporate strong internal controls. The Board of Directors provides 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 Second Harvest Food Bank was not in compliance with civil rights requirements. The agency has a written affirmative action plan that addresses civil rights and the American Disabilities Act.

## **FINDINGS AND RECOMMENDATIONS**

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**1. Financial and programmatic reporting efforts need improvement.**

**Finding**

Tests of reporting requirements revealed that the Second Harvest Food Bank failed to complete and submit the final expenditures report and program report within 45 days of the close of the grant as required by the contract. Page 2 Section C.4 of the grant contract states, the recipient shall submit a final grant expenditures and program reports within 45 days of the end of the grant contract. The Second Harvest Food Bank did not submit the required reports within the required period.

**Recommendation**

**The Second Harvest Food Bank should review the grant contract and ensure that all financial and programmatic reports required by the grantor are completed accurately and submitted within the required time.**