

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



December 8, 2015

Kate Deitzer, Board President
The Arc of Davidson County and Greater Nashville
111 N. Wilson Blvd.
Nashville, TN 27205

Dear Ms. Deitzer:

Please find attached the monitoring report of The Arc of Davidson County and Greater Nashville relating to the contract it had with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2015.

The Office of Financial Accountability is charged with the responsibility of monitoring grant funds, including Community Enhancement Funds, from Metropolitan Nashville Government to any nonprofit organization. Staff from the Office of Financial Accountability conducted the review on September 23, 2015.

We appreciate the assistance provided by your agency during the course of the review. If you have any questions, please call me at 615-862-6712.

Sincerely,

Kevin Brown

Kevin Brown, CMFO, CICA
Finance Administrator

cc: Sheila Moore, Chief Executive Officer
Talia Lomax-O'dneal, Director of Finance
Gene Nolan, Deputy Director of Finance

Kim McDoniel, Chief of Accounts

Mark Swann, Internal Audit

Fred Adom, CPA, CGMA, CICA, Director, Office of Financial Accountability

Essie Robertson, CPA, CMFO, CICA, Office of Financial Accountability

Aaron Davis, CICA, Office of Financial Accountability



Metropolitan Government of Nashville and Davidson County

THE ARC OF DAVIDSON COUNTY AND GREATER NASHVILLE

◆ Monitoring Report ◆

Conducted by



Office of Financial Accountability

December 8, 2015

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of The Arc of Davidson County and Greater Nashville. 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 Arc of Davidson County and Greater Nashville or any of its component units. The OFA is responsible for the internal monitoring of Metropolitan Government of Nashville and Davidson County (hereinafter referred to as “Metro”) agencies that receive federal and state financial assistance, including cooperative agreements and non-profit organizations that receive appropriations and Community Enhancement Funds 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	Amount	Contact Term	
L-3241	Community Enhancement Funds	\$36,000	July 1, 2014	June 30, 2015

Agency Background

The Arc Davidson County and Greater Nashville is an organization that promotes, protects and advocates for the right of people with Intellectual/Developmental Disabilities to live self-determined, meaningful lives in inclusive communities.

The Arc Davidson County and Greater Nashville envisions communities in which people with intellectual and developmental disabilities are:

- Accorded the respect, dignity, equality, safety and security to which all members of society are entitled;
- Have the opportunity to actively participate in all aspects of society; and
- Have access to the supports and resources they need in order to make and act on decisions about their own lives.

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of our review were:

- 1) To determine whether the agency had the resources and capacity to administer the grant funds.
- 2) To determine if costs and services were allowable and eligible.
- 3) To verify that program objectives were 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, 2014 through June 30, 2015.

The monitoring review procedures included meeting with agency management and staff, 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-3241. 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 Allowable and Eligible?		✓
Program Objectives Met?	✓	
Reporting Requirements Met?		✓
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

Our review of the agency's accounting system and the qualifications of the individuals assigned to manage the accounting records indicate that the agency possesses the necessary resources and professional expertise to effectively administer the grant funds.

2. Allowable and Eligible Costs and Services

Our review covered all of the core compliance areas identified by 2 CFR Part 200: *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Additionally, the Metro Grants Manual requires separate accounting of the Metropolitan Nashville Government grant funds to prevent co-mingling of Metro Funds with other sources of funding. The agency was in compliance with this requirement. Different revenue classes as well as expenditure classes have been established to separately track the sources and amounts of funding. Also, the agency can easily and accurately report their expenses supported by the Metro grant.

Based on our test work, the agency failed to adhere to the approved grant spending plan. See finding #1 for more details.

3. Program and Performance Objectives

The contract stipulates that the agency shall use the funds to provide the following outcomes:

RESULTS OF REVIEW

1. A minimum of 61 Davidson County residents with severe, permanent intellectual or developmental disabilities, will receive assistance by having past due housing and/or utility bills paid on their behalf, up to a maximum of \$500 per household.

2. At least 95% of the families will remain in their homes or retain utilities for at least 30 days.

Based on our review of program documentation and discussions with staff, program performance objectives were met and the agency was in compliance with contractual program objectives.

4. Reliability of Financial and Programmatic Reporting

The contract requires submission of an annual audit report performed by a Certified Public Accountant. The contract also requires the agency to submit to Metro year end reports of the program outcome and a final expenditures report, no more than 45 days after the close of the contract.

We reviewed all applicable financial and programmatic reports required by the contract, including audited financial statements. Based on our review, the agency did not comply with all financial and programmatic reporting requirements. See finding #2.

5. 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. The agency has not received any complaints regarding any form of discrimination. Further, civil rights and ADA postings are publicly displayed.

1. Failure to Submit a Budget Revision

Finding

The Arc of Davidson County and Greater Nashville failed to submit and receive approved grant budget revisions to the grant award. Tests revealed that the agency charged employee benefits & payroll taxes as well as operational costs to the program although these costs were not approved within the grant budget nor were they reported on the final expenditure report. According to the Community Enhancement Program guidelines, if there is more than a 10 percent increase in a budget line item or funds need to be utilized under a new budget line item, a revised spending plan must be submitted to the Division of Grants Coordination and approved to authorize the change. No such request or approval was made or documented to support the change.

Recommendation

The Arc of Davidson County and Greater Nashville should take the necessary steps to request a budget revision in the event grant expenditures deviate from the grant budget more than 10 percent or if spending needs to be approved under a new budget line item.

2. Inaccurately Reported Grant Expenditures

Finding

The Arc of Davidson County and Greater Nashville inaccurately reported its expenditures on the final expenditures report. Test revealed that actual expenditures recorded on the agency's ledgers deviated from those on the final expenditures report. The agency incorporated the FICA and employee benefits expenditures with salary costs in the final expenditures report. The agency also allocated other operational costs to the program; however, those cost categories were not reflected in the final expenditures report. This resulted in overstating salaries and wages, understating employee benefits & payroll tax, and understating other operational expenditures within the program.

FINDINGS AND RECOMMENDATIONS

Recommendation

The Arc of Davidson County and Greater Nashville should take the necessary steps to ensure the reported expenditures on its final expenditures report reflect actual cost of the program.

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 14 days from the report date to the address below:

Division of Grants Coordination
PO Box 196300
Nashville, TN 37219
ATTN: Vaughn Wilson