

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



August 25, 2017

Dr. William Paul, Director
Metropolitan Public Health Department
Lentz Public Health Center
2500 Charlotte Avenue
Nashville, TN 37209

Dear Dr. Paul:

Please find attached the final report on the results of the monitoring review of a select number of the Metropolitan Public Health Department's federal and state grants and other financial assistance for the fiscal years 2014, 2015, 2016 and 2017 listed in Appendix A. Staff from the Office of Financial Accountability conducted the fieldwork for this review during the month of May 2017. You previously reviewed and responded to a preliminary report. Your responses to the preliminary report have been incorporated into this final report.

We appreciate the assistance provided by your department during the course of the review. If you have any questions, please let me know.

Sincerely,

Fred Adom, CPA, CGMA, CICA
Director

cc: Peter Fontaine, Metropolitan Public Health Finance Director
Dianne Harden, Metropolitan Public Health Business Manager
Talia Lomax-O'dneal, Director of Finance
Gene Nolan, Deputy Director of Finance
Kim McDoniel, Deputy Director of Finance
Mark Swann, Metro Internal Auditor
Phil Carr, Division of Accounts
Kevin Brown, CMFO, CICA, CFE, Office of Financial Accountability
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Matthew Fouad, Office of Financial Accountability



Metropolitan Government of Nashville and Davidson County

METROPOLITAN PUBLIC HEALTH DEPARTMENT

◆ Monitoring Report ◆

Conducted by



Office of Financial Accountability

August 25, 2017

MONITORING REPORT

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INTRODUCTION

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 the Metropolitan Public Health Department (hereinafter referred to as “Health Department”). The monitoring process included a review of those contracts in effect during the fiscal year ending June 30, 2014, 2015, 2016 and 2017. The contracts reviewed are listed in Appendix A. The OFA conducted the monitoring review along the major compliance areas identified in the Office of Management and Budget (hereinafter referred to as “OMB”) 2 CFR 200, “*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*”

Department Background

The mission of the Metropolitan Public Health Department is to protect, improve and sustain the health and well-being of all people in Metropolitan Nashville.

The Health Department has the following goals to help it achieve the mission:

- Improve and sustain family and child well-being
- Promote and support healthier living
- Create healthier community environments
- Prevent and control epidemics and respond to public health emergencies
- Increase access and connection to clinical care

Grants Reviewed

The purpose of this review was to assess the Health Department’s compliance with contractual requirements set forth in the following grant contracts that provided approximately \$43,364,181.00 of financial assistance to the Health Department.

Emergency Medical Care for Metro Animal Care and Control

The Metropolitan Public Health Department received \$14,115 to provide emergency animal care.

Environmental Health Specialist Network 15

The Metropolitan Public Health Department was awarded \$92,600 to conduct environmental assessments for all foodborne disease outbreaks with Nashville-Davidson County area.

Food Inspection Self-Assessment 15-16

The Metropolitan Public Health Department was awarded \$2,500 to fund food inspection self-assessment to comply with Standard One of the FDA Voluntary Retail Food Program Standards.

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Food Inspector Training 15-16

The Metropolitan Public Health Department was awarded \$3,000 to fund travel expenses for food inspectors to attend the FD 312 Special Processes at Retail course to prepare participants to inspect retail and food service establishments.

HIV Emergency Relief 14-15

The Metropolitan Public Health Department was awarded \$4,632,049 to enhance access to comprehensive high quality, community-based care for low income individuals and families with HIV disease.

HIV Emergency Relief 15-16

The Metropolitan Public Health Department was awarded \$4,756,574 to enhance access to comprehensive high quality, community-based care for low income individuals and families with HIV disease.

HIV Emergency Relief 16-17

The Metropolitan Public Health Department was awarded \$4,584,909 to enhance access to comprehensive high quality, community-based care for low income individuals and families with HIV disease.

HIV-AIDS Prevention, Surveillance, STD, Rapid Testing and CAPUS 14-14

The Metropolitan Public Health Department was awarded \$1,135,600 to provide HIV/AIDS prevention, surveillance and sexually transmitted disease program services.

HIV-AIDS Prevention, Surveillance, STD, Rapid Testing and CAPUS 15-15

The Metropolitan Public Health Department was awarded \$1,002,100 to provide HIV/AIDS prevention, surveillance and sexually transmitted disease program services.

HIV-AIDS Prevention, Surveillance, STD, Rapid Testing 16-16

The Metropolitan Public Health Department was awarded \$995,000 to provide HIV/AIDS prevention, surveillance and sexually transmitted disease program services.

Tobacco Use Prevention 14-15

The Metropolitan Public Health Department was awarded \$42,500 to improve the health of the citizens of Davidson County by preventing and controlling the use of tobacco.

Tobacco Use Prevention 15-17

The Metropolitan Public Health Department was awarded \$85,000 to eliminate pregnancy smoking, reduce second hand smoke exposure to infants and young children, and promote tobacco abstinence among young school children.

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Tobacco Use Prevention Services Settlement 14-17

The Metropolitan Public Health Department was awarded \$689,033.55 to fund smoke-free multi-unit housing, a youth risk behavioral study, youth advisory board activity, and an initiative addressing family tobacco use.

Women, Infant & Children Mobile Outreach 16-16

The Metropolitan Public Health Department was awarded \$110,000 to purchase and up-fit a van for use as a mobile office for the provision of women, infants, and children (WIC) services.

Women, Infant & Children (WIC) 13-14

The Metropolitan Public Health Department was awarded \$4,486,000 to provide nutrition education and services to eligible women, infants, and children (WIC) and breast feeding peer counseling programs.

Women, Infant & Children (WIC) and Commodity Supplemental Food Program 14-18

The Metropolitan Public Health Department was awarded \$20,733,200 to provide nutrition education and services to eligible women, infants, and children (WIC) and breast feeding peer counseling programs. In addition, the Health Department is to provide nutritious commodities (food) and nutrition education to meet the nutritional needs of service recipients.

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 Health Department and, accordingly, does not express an opinion or any assurances regarding the financial statements of the Health Department 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 objective was to determine the department’s compliance with grantor and Metro guidelines, policies, rules, and regulations. Specifically, we reviewed for the following objectives:

- To determine whether activities and costs of the program were made in accordance with OMB 2 CFR 200; the minimum federal, state and local requirements; and grantor guidelines.
- To determine whether the minimum requirements for local matching contributions and/or adequate level of expenditures by other sources of funds are met.
- To determine whether grant funds were used exclusively during the period in which the funds were authorized.
- To determine the reliability and timeliness of the financial and programmatic reporting.
- To determine whether federal compliance requirements regarding sub-recipient oversight were met and whether the sub-recipient performed in accordance with the contract terms.
- To determine whether civil rights requirements are met.
- To determine whether program objectives were met.
- To determine whether the various Metro regulations were followed.

The scope of the work included the grants listed in Appendix A. The grant period reviewed was July 1, 2013 through June 30, 2017. 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 and programmatic files, including:

- Financial transactions and supporting documentation
- Contract agreements and related amendments
- Federal and/or state financial reports
- Program reports and supporting documentation
- Correspondence between related parties.

RESULTS OF MONITORING

Overall Findings and Major Review Highlights

Our review revealed five discrepancies with policies and grant requirement guidelines. The Health Department:

1. Health Department needs to improve its accounting to accurately reflect grant activities.
2. Health Department needs to improve its accounting for indirect costs in the ledgers.
3. Health Department needs to ensure matching requirements are met.
4. Health Department failed to meet program objectives for the HIV/AIDS Prevention, Surveillance, STD and Rapid Testing grant.
5. Health Department needs to ensure reimbursement requests are based upon actual cost.

The section that follows provides more detailed information for the items listed above. Management is given an opportunity to respond to the findings.

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I. Health Department needs to improve its accounting to accurately reflect grant activities.

Finding

The OFA noted during the review of the HIV/AIDS Prevention, Surveillance, STD, and Rapid Testing grants that the activities recorded in the general ledgers associated with grant program did not agree with what was reported to the grantors.

The Health Department utilized funding from the HIV/AIDS Prevention, Surveillance, STD, and Rapid Testing grants to cover employee's salaries and benefits of specific employees within the specific grant program areas. However, the payroll and benefit costs for some employees, which were allowable to the grant, were recorded within a business unit that is supported by Metro's general fund and not the appropriate grant funded business unit. In addition, the employees, who were not authorized to be allocated to the grant, were recorded within the business unit that is supported by the grant fund. The Health Department failed to reclassify the approved salary and benefit costs from the general fund business unit to the grant fund business unit. It must be noted that the Health Department reported and request for reimbursement were accurate and allowable grant expenditures; therefore, there was not any questioned cost identified within this grant program. It is the accounting within the ledgers that was inaccurate. As a result, the salary and benefit costs on the general ledger associated with the grant funds does not properly reflect the true cost and grant activity of the program.

Such errors in accounting for grant funds could go undetected and could lead to potential questioned costs during an audit.

Recommendation

The Health Department should take the necessary steps to ensure that all grant spending activity is accurately portrayed in the correct business unit and object account in the EBS accounting system.

The reported expenditures should tie to the expenditures recorded in the EBS accounting system.

Management's Response

Metro Public Health Department (MPHD) concurs with this finding and will implement procedures to eliminate errors similar to the ones describe in this finding. However, it is important to note that these errors did not affect the invoicing of the grantor and the grantor was charged correctly. Going forward, MPHD Finance will require that all salary and benefit charges for grants be supported by entries made to the appropriate EBS business unit prior to submission of any grant invoices. During the monthly review of grant invoices, the Grants and

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Contract Coordinator will notify appropriate Finance staff of necessary journal be made at time of review.

2. Health Department needs to improve accounting for indirect costs in the ledgers.

Finding

The OFA noted that the indirect costs recorded in the grant's general ledger are incorrect. The charges for indirect cost are automated; programmed to generate automatically based on the approved indirect cost rate applied to the grant's budgeted salary expenditures. The indirect costs charges are posted to the appropriate grant business unit each month in equal installments of the total approved indirect costs as budgeted regardless of the actual salary expenditures incurred during the period. The Health Department appropriately submitted invoices to the grantor, including the indirect cost that was earned based upon actual salary expenditures. During FY 2016, the Health Department processed adjusting journal entries in an attempt to accurately reflect the proper amount of indirect cost incurred during the period; however, the general ledgers and the reported indirect cost still did not agree. As a result, the indirect costs recorded within the grant general ledgers result in overstatement/understatement for the grant period.

Recommendation

The Health Department should consult with Cost Planning and Management and make the necessary arrangements to cease the automatic entries to record indirect cost based upon the grant budget and institute an agreed plan to record and post actual indirect cost earned to the general ledger.

Management's Response

MPHD concurs in part with this finding. OFA noted that the indirect costs recorded in the grant's general ledger are incorrect because the charges for indirect are automated; programmed to generate automatically based on the approved indirect cost rate and the grant's budgeted salary expenditures. The automated entry indirect costs charges are posted to the appropriate grant business unit each month in equal installments of the total approved indirect costs as budgeted regardless of the actual salary expenditures incurred during the period. The Health Department appropriately submitted invoices to the grantor, including the indirect cost that was earned based upon actual salary expenditures. Therefore, the indirect costs recorded within the grant general ledgers result in overstatement/understatement for the grant period.

It should be noted that this was an audit finding from OFA in 2014. Based on the 2014 audit, MPHD requested that a LOCAP billing adjusting journal entry be processed to reflect actual. OMB's Senior Management agreed to process the year-end adjustments.

MPHD has met with Office of Financial Accountability and Cost Planning and Management to resolve the automated charges findings that are noted again in this report even after we believed the issue was addressed as requested. MPHD wants to be in compliance. Going forward it is

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agreed that the automated journal entries will be discontinued and that MPHD will generate the journal entries for indirect costs based upon actual results. Proof of the entries will be provided to OFA on a timely basis.

3. Health Department needs to ensure matching requirements are met.

Finding

The OFA noted that the Health Department failed to comply with grantor's matching requirements for the Tobacco Use Prevention Services 14-15 grant. The original grant contract required a cash match of \$7,300.00. Based upon review of the required quarterly reports, the Health Department failed to identify and report any matching expenditures. Therefore, without the required matching funds, the Health Department potentially did not fully earn the grant funds received.

Recommendation

The Health Department should take the necessary steps to identify and report grant matching expenditures.

Management's Response

MPHD concurs with the finding. Necessary steps have been taken to identify and report the grant matching expenditures. The finding has been addressed and resolved.

4. Health Department failed to meet program objectives for the HIV/AIDS Prevention, Surveillance, STD and Rapid Testing grant.

Finding

The OFA noted that the Health Department failed to meet program objectives as stated by the grant contract for the HIV/AIDS Prevention, Surveillance, STD, and Rapid Testing grant program. Per the grant contract, the Health Department was to "provide Expanded HIV Testing to at least eight thousand (8,000) individuals in clinical settings." Based upon supporting documentation, the Health Department only provided five thousand seven hundred seventy-seven (5,777).

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Recommendation

The Health Department should take the necessary steps to ensure that all program objectives are met.

Management's Response

MPHD concurs with the finding and believes some context is warranted as well as explanation of plans in place for resolution.

The STD/HIV Program has, as part of our contractual agreement with the Tennessee Department of Health (TDH), a requirement to provide expanded HIV testing to individuals in a clinical setting. These tests were not to include HIV test performed in our STD clinic. It is important to mention that the statement “Not to include HIV test performed in our STD clinic” was not clearly defined in our contract. The STD Program Director was under the opinion that “all HIV test” included HIV tests performed at the jails, as well as tests performed in our STD clinic. In August of 2016 representatives from TDH requested a meeting to discuss our jail testing numbers. During that meeting representatives from TDH explained that, although the language in the grant does not specifically address what is meant (intended) by “In a clinical setting”, they were insistent that the intent of the language was to exclude HIV tests performed in our STD clinic. As a result of the TDH’s verbal definition on this point, we were clear as to the intent of the eight thousand (8,000) HIV test requirement

In 2016 our jail testing numbers fell short of the eight thousand (8,000) expanded HIV test requirement. A significant part of our short fall was attributed to our number of jail testers. One of our Jail FTEs resigned in March of 2016. We did not find a replacement for this employee until December of 2016. As a result, we were not able to cover the 3rd shift at the jail for approximately seven (7) months. Secondly, the first shift jail tester had an unexpected medical issue resulting in a prolonged absence that required the third tester to cover the shift.

The first thing we did as a plan of action was hire a second tester at the jail. Secondly, jail testing is monitored monthly to ensure testing numbers are on pace to successfully test eight thousand (8,000) individuals. The third thing we did was assign a third tester at the jail facility at Harding Place. As a result of these changes, as of June 2017, we have tested four thousand eight hundred and forty-six (4846) individuals for HIV which is on pace to hit the eight thousand (8,000) test requirement.

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The STD/HIV Program has made changes to address the HIV testing shortfall of 2016. The changes listed have improved testing numbers at jail facilities. Jail testing numbers are monitored to ensure testing numbers are on track to meet testing expectations. These changes have resulted in our testing numbers being on track to meet and/or exceed testing expectations.

5. Health Department needs to ensure reimbursement request are based on actual cost.

Finding

The OFA noted that the Health Department failed to seek reimbursement for cost associated with employee's benefit based upon actual cost as required by the grant contracts; but, rather sought reimbursement for benefits as a percentage of actual salaries. Based upon the payment methodology of the state grants, "the grantee shall be reimbursed for actual, reasonable, and necessary costs based upon the grant budget, not to exceed the maximum liability." In addition, per the excerpted Policy 3 statement that was attached as part of the grant contract, "with the exception of depreciation, everything reported in lines 1 through 21 must represent an actual cash disbursement or accrual as defined in the Basis for Reporting Expenses/Expenditures." The policy further states, "The year-to-date expenses must be traceable to the reporting agency's general ledger." Line 2 covers employee's benefits and payroll taxes. The practice of seeking reimbursements as a percentage of actual salary cost and not actual employee benefit cost could potentially lead to questioned cost during an audit.

Recommendation

The Health Department should take the necessary steps to ensure that cost reported and reimbursement request are based upon an actual cash disbursement of actual cost and should not be based or determined as a percentage of another cost.

Management's Response

MPHD partially concurs with the finding and acknowledges it has resulted from a change in standard practice / process which were the accepted norm in the past for our grants. We have subsequently changed to charging at actual as of July 1, 2016.

Prior to July 1, 2016, all MPHD grants were reimbursed based on the approved fringe benefit rate in the indirect cost allocation Plan. The plan was provided to the State of Tennessee and the approved Fringe benefit rate was listed on each budget. The Grant Contracts with budgets were approved by the State. For Fiscal year 2017, MPHD began requesting reimbursement based on actual reimburse cost rather than the approved fringe benefit rate. This will continue going forward. It should be noted that the State of Tennessee conducted an audit of the Food

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Safety Program grant GG-16-45640-00 during the month of May 2016. Notification was received on October 4, 2016 that revealed no findings for this grant.

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Grant Name	Award	Grant No. or Resolution Number	Budget Period (Grant Period)	Findings
Emergency Medical Care for Metro Animal Care & Control 15-16	\$14,115.00	RS2016-156	12/11/2015 - 12/31/2016	No
Environmental Health Specialist Network 15	\$92,600.00	RS2014-1097	07/01/2014 - 06/30/2015	No
Food Inspection Self-Assessment 15-16	\$2,500.00	G-SP-1509-02657	11/30/2015 - 09/30/2016	No
Food Inspector Training 15-16	\$3,000.00	G-T01509-02662	11/30/2015 - 09/30/2016	No
HIV Emergency Relief 14-15	\$4,632,049.73	H89HA11433	03/01/2014 - 02/28/2015	Yes
HIV Emergency Relief 15-16	\$4,756,574.00	H89HA11433	03/01/2015 - 02/28/2016	Yes
HIV Emergency Relief 16-17	\$4,584,909.00	H89HA11433	03/01/2016 - 02/28/2017	Yes
HIV-AIDS Prevention, Surveillance, STD, Rapid Testing 16-16	\$995,000.00	34349-47416	1/1/2016 - 12/31/2016	Yes
HIV-AIDS Prevention, Surveillance, STD, Rapid Testing and CAPUS 14-14	\$1,135,600.00	GG1439845-01	1/1/2014 - 12/31/2014	Yes
HIV-AIDS Prevention, Surveillance, STD, Rapid Testing and CAPUS 15-15	\$1,002,100.00	34349-47415	1/1/2015 - 12/31/2015	Yes
Tobacco Use Prevention Services 14-15	\$42,500.00	RS2014-1019 (7-08-13 GG)	4/1/2014 - 3/31/2015	Yes
Tobacco Use Prevention Services 15-17	\$85,000.00	RS2015-1407 (11-14-14 GG)	4/1/2015 - 3/31/2017	No
Tobacco Use Prevention Services Settlement 14-17	\$689,033.55	RS2015-1485	2/1/2014 - 1/31/2017	No
Women, Infant & Children Mobile Outreach 16-16	\$110,000.00	RS2016-116 (9-14-15-GG)	4/1/2016 - 9/30/2016	No
Women, Infant and Children (WIC) 13-14	\$4,486,000.00	RS2013-850 (7-08-13 GG)	10/1/2013 - 9/30/2014	Yes

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Women, Infant and Children (WIC) and Commodity Supplemental Food Program 14-18	\$20,733,200.00	RS2015-1553	10/01/2014 - 9/30/2018	Yes
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