

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



February 16, 2018

Kerry Graham, Board Chair
The Community Foundation of Middle Tennessee
3833 Cleghorn Avenue, Suite 400
Nashville, TN 37215

Dear Mr. Graham:

Please find attached the monitoring report of The Community Foundation of Middle Tennessee relating to the contract it had with the Metropolitan Government of Nashville and Davidson County for the two years ending June 30, 2016 and 2017.

The Office of Financial Accountability is charged with the responsibility of monitoring grant funds, including Community Enhancement Funds and Direct Appropriations, from Metropolitan Nashville Government to any nonprofit organization. Staff from the Office of Financial Accountability conducted the review on January 9, 2018.

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, CFE
Finance Administrator

cc: Ellen Lehman, President, The Community Foundation of Middle Tennessee

OFFICE OF FINANCIAL ACCOUNTABILITY

700 2nd Avenue South, Suite 201, Nashville, TN 37210

Phone: 615-862-6712
Fax: 615-880-2800

Talia Lomax-O'dneal, Director of Finance, Department of Finance
Gene Nolan, Deputy Director of Finance, Department of Finance
Kim McDoniel, Deputy Director of Finance, Department of Finance
Phil Carr, Chief of Accounts, Department of Finance
Tony Neumaier, Budget Officer, Department of Finance
Mark Swann, Metropolitan Auditor, Office of Internal Audit
Fred Adom, CPA, CGMA, CICA, Director, Office of Financial Accountability
Essie Robertson, CPA, CMFO, CICA, Office of Financial Accountability
Matthew Fouad, Office of Financial Accountability



Metropolitan Government of Nashville and Davidson County

The Community Foundation of Middle Tennessee

◆ Monitoring Report ◆

Conducted by



Office of Financial Accountability

February 16, 2018

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of The Community Foundation of Middle Tennessee. 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 Community Foundation of Middle Tennessee 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 Direct 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-3419	Direct Appropriation	\$100,000	July 1, 2015	June 30, 2016
L-3729	Direct Appropriation	\$100,000	July 1, 2016	June 30, 2017

Agency Background

The Community Foundation of Middle Tennessee, Inc. (the “Foundation”) is a charitable organization whose purpose is to be a leader, catalyst and resource for philanthropy by building and holding a permanent and growing endowment for the Middle Tennessee community’s changing needs and opportunities. The Foundation provides flexible and cost-effective ways for civic-minded individuals, families and companies to contribute to their community. The assets of the Foundation are devoted to charitable uses of a public nature primarily benefiting the residents of Middle Tennessee in fields such as social services, education, health, the environment and the arts.

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 terms July 1, 2015 through June 30, 2016 and July 1, 2016 through June 30, 2017.

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 contracts L-3419 and L-3729. 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 Community Foundation of Middle Tennessee did not incur enough allowable and eligible expenses to fully earn the grant funds in fiscal years ending June 30, 2016 and 2017. See Finding #1 in the Findings and Recommendations section for more details.

3. Program and Performance Objectives

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

RESULTS OF REVIEW

- 1) The recipient will use the funds for digital inclusive initiatives to provide a computing device, relevant training and free or reduced price internet connectivity to at least 2,000 low income Nashvillians.
- 2) The recipient will develop partnerships with trusted institution interested in digital literacy of their constituents.
- 3) The recipient will work with large community organizations and businesses to raise money to continue the pipeline of donated used personal computer equipment for the program.
- 4) The recipient will comply with the timeline, deliverables and achieve the key milestones as outlined in the Proposed Final Scope of Work of the Public Investment Plan (PIP)

Based on our review of program documentation and discussions with staff, program performance objective #1 was unmet and the agency was not in compliance with contractual program objectives. See Finding #2 in the Findings and Recommendations section for more details.

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 was in compliance with all financial and programmatic reporting requirements.

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.

FINDINGS AND RECOMMENDATIONS

1. Agency Sought and Received Reimbursement for Unsubstantiated Grant Cost.

Finding

The Community Foundation of Middle Tennessee invoiced and received reimbursement for unsubstantiated and unallowable grant expenses in both FY 16 and FY 17. During the FY 17 contract year, the Community Foundation of Middle Tennessee invoiced and was reimbursed \$100,000 under the “Other Non-Personnel” line item. According to the agency that represented computers, learning tablets, laptops, and internet opportunity cards. Our review of the agency’s supporting documentation revealed the agency only incurred \$27,106.48 of allowable documented/substantiated grant expenditures, the remaining amounts represented the value of items donated by other companies; therefore, the agency received \$72,893.52 of unearned grant funds during fiscal year 2017. Per section C.2 of the grant contract, *“The recipient will only be compensated for actual costs based upon the Grant Spending Plan, not to exceed the maximum liability established in Section C.1.”*

In FY 16, under grant L-3419, \$46,500 of the \$100,000 charged to the Metro grant was “Other Non-Personnel” cost. The reported “Other Non-Personnel” cost included \$24,108, which represented the value of donated computers and donated internet opportunity cards received from other donors; in other words, the costs reported to Metro were not actual cash expenses; the agency had not actually expended those funds. The Foundation further acknowledged that the remaining \$22,392 of the \$46,500.00 of “Other Non-Personnel” line-item was paid to the another Non-Profit agency in the form of a grant. Per Section D.4 of the grant contract, Subcontracting, *“The recipient may not assign this Grant Contract or enter into a subcontract for any of the services performed under this Grant Contract without obtaining the prior written approval of Metro. Notwithstanding any use of approved subcontractors, the Recipient will be considered the prime recipient and will be responsible for all work performed.”* Therefore, the expenditures to the other NPO has been deemed unallowable since the agency failed to seek prior approval from Metro.

In addition, the OFA identified an additional \$4,923.37 expenditures reported for reimbursement that were unsupported. As a result, the agency reported and

FINDINGS AND RECOMMENDATIONS

received reimbursement for unallowable expenditures totaling \$51,423.37 under grant L-3419.

In total the Community Foundation of Middle Tennessee reported, sought reimbursement and received a combined **\$124,316.89** of grant funds for which the agency had not earned. See the following table for a breakdown:

Description	Amount
Grant L-3419 Award (FY 2016)	\$100,000.00
Grant L-3729 Award (FY 2017)	\$100,000.00
Total Grant Funds Received	\$200,000.00
Grant L-3419 Unallowable Expenditures	\$51,423.37
Grant L-3729 Unallowable Expenditures	\$72,893.52
Total Unallowable Grant Funds	\$124,316.89

Recommendation

The Community Foundation of Middle Tennessee should immediately reimburse Metro \$124,316.89. This amount represents \$72,893.52 unearned funds from the FY 2017 grant and \$51,423.37 from the FY 2016 grant for unsubstantiated and/or undocumented expenditures.

In addition, the agency should also implement a procedure of reconciling all accounts before seeking reimbursement to ensure that invoices and financial reports are based upon allowable and actual cost.

2. Program Performance Goals Not Met

Finding

The Community Foundation of Middle Tennessee did not meet one of the agency's contractual program objectives. Per the scope of services of the grant contract, "The recipient will use the funds for digital inclusive initiatives to provide a computing device, relevant training and free or reduced price internet connectivity to at least 2,000 low income Nashvillians." Documentation provided revealed that the Community Foundation, in conjunction with other agencies, provided relevant services to groups of low income Nashvillians. However, the agency failed to provide documentation listing the individuals that benefited from the program;

FINDINGS AND RECOMMENDATIONS

therefore, the OFA was unable to verify that the Community Foundation served at least 2,000 participants as required by the scope of services.

Recommendation

Management should take the necessary steps to ensure that program objectives are met and documentation to support program outcomes are maintained for review. Management should further review their objectives to make sure they are reasonable and obtainable.

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