

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



December 6, 2017

Chris Sabis, Board Chair
STARS Nashville
1704 Charlotte Avenue, Suite 200
Nashville, TN 37203

Dear Mr. Sabis:

Please find attached the monitoring report of the STARS Nashville relating to the contract it had with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 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 October 5, 2017.

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: Rodger Dinwiddie, Chief Executive Officer, Stars Nashville
Cynthia Whetstone, Chief Financial Officer, Stars Nashville

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

STARS NASHVILLE

◆ **Monitoring Report** ◆

Conducted by



Office of Financial Accountability

December 6, 2017

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of STARS 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 STARS 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 contracts with Metro Government:

Contract	Type	Amount	Contact Term	
L-3685	Community Enhancement Funds	\$27,000	July 1, 2016	June 30, 2017

Agency Background

STARS Nashville is a nonprofit organization and exists to serve schools and communities in Middle Tennessee by providing prevention, intervention, and treatment services that address bullying, substance abuse, violence, and social and emotional barriers to success. The Community Enhancement Funds provided funding to assist STARS in providing a program focused on literacy for deaf and hard of hearing students. STARS DHH-Literacy program works individually and in small groups with students who are deaf or hard of hearing to improve their reading comprehension, writing skills and sign language proficiency.

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, 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 contract L-3685. 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, not all costs and services during the period were allowable and eligible. The agency included fundraising in its indirect cost allocation. According to the Metro Grants Manual, Fundraising costs are unallowable. See Finding #1 in the Findings and Recommendations section for more details.

3. Program and Performance Objectives

The Community Enhancement Fund contract stipulated that the agency shall use the funds to provide the following outcomes:

RESULTS OF REVIEW

- Will provide one-on-one and small group services for at least six students who are hard of hearing to increase their reading comprehension, increased sign language proficiency and increased writing skills.
- 85 percent of students will demonstrate an increase in reading comprehension as measured by Fairview pre/post tests.
- 85 percent of students will increase sign language proficiency as measured by the Fairview pre/posttests.

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 complied 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. Unallowable Costs and Services

Finding

The STARS Nashville incorrectly included fundraising cost in its indirect cost pool and therefore, over-reported its indirect cost expense to Metro. According to the Metro Grants Manual, “no Metro funds should be used for the purposes of fundraising.”

Per the agency’s Cost Allocation Plan “indirect costs are costs that benefit the operation of the entire agency, but cannot be identified to a specific program. These costs include Public Relations and Fund Raising, Accounting, Human Resources, technology and infrastructure support and office administration. These costs are pooled together and allocated to each individual program based on ratio of that program’s total direct costs compared to the organization’s total direct expenses.”

The STARS Nashville incurred \$3,266,268 in total direct program expense during the year, of which \$21,856 was directly related to the CEF grant. Thus, based upon the agency’s cost allocation plan, the agency could allocate 0.67% of its indirect cost to the CEF grant program.

The STARS Nashville incurred \$356,808 of allowable general administration costs for the entire agency’s operations during the grant year. As a result, the maximum amount of indirect cost the agency could allocate to the CEF grant program was \$2,391 ($\$356,808 \times .67\%$). The agency reported and sought reimbursement for \$3,500 of indirect cost. Therefore, the agency over-reported its allowable indirect cost expense by \$1,109; and consequently, the over-reported indirect cost is questioned.

Recommendation

The STARS Nashville should immediately refund the \$1,109.00 to Metro Nashville Davidson County Government. Furthermore, the STARS Nashville should take the necessary steps to ensure that indirect costs are in compliance with the Metro Grants Manual and that fundraising cost is excluded from its indirect cost allocation pool.

FINDINGS AND RECOMMENDATIONS

Corrective Action Plan Required

Please submit a corrective action plan indicating the actions the agency intends to take to correct the finding 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